



Financial Statements
June 30, 2021

Palm Springs Unified School District

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Independent Auditor's Report

To the Governing Board
Palm Springs Unified School District
City, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Palm Springs Unified School District (the District) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter – Change in Accounting Principle

As discussed in Note 1 and Note 15 to the financial statements, the District has adopted the provisions of GASB Statement No. 84, *Fiduciary Activities*, which has resulted in a restatement of the net position and fund balance as of July 1, 2020. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 11, budgetary comparison information on page 62, schedule of changes in the District's net/total OPEB liability and related ratios on page 63, schedule of the District's proportionate share of the net OPEB liability – MPP program on page 64, schedule of the District's proportionate share of the net pension liability on page 65, and the schedule of District contributions on page 66, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements. The combining nonmajor governmental fund financial statements, Schedule of Expenditures of Federal Awards as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements.

The combining nonmajor governmental fund financial statements, the schedule of expenditures of federal awards, and the other supplementary information listed in the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor governmental fund financial statements, the schedule of expenditures of federal awards, and the other supplementary information listed in the table of contents are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated January 21, 2022 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Rancho Cucamonga, California
January 21, 2022

This section of Palm Springs Unified School District's (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2021, with comparative information for the year ended June 30, 2020. Please read it in conjunction with the District's financial statements, which immediately follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements

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

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

The *Fund Financial Statements* include statements for each of the three categories of activities: governmental, proprietary, and fiduciary.

- The *Governmental Funds* are prepared using the current financial resources measurement focus and modified accrual basis of accounting.
- The *Proprietary Funds* are prepared using the economic resources measurement focus and the accrual basis of accounting.

Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements is provided to explain the differences created by the integrated approach.

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

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities

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

These two statements report the District's net position and changes in them. Net position is the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources, which is one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position will serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Other factors to consider are changes in the District's property tax base and the condition of the District's facilities.

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

In the *Statement of Net Position* and the *Statement of Activities*, we separate the District activities as follows:

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

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

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

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

Proprietary Funds - When the District charges users for the services it provides, whether to outside customers or to other departments within the District, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Fund Net Position. In fact, the District's enterprise funds are the same as the business-type activities we report in the government-wide statements, but provide more detail and additional information, such as cash flows, for proprietary funds. We use internal service funds (the other component of proprietary funds) to report activities that provide supplies and services for the District's other programs and activities, such as the District's Self-Insurance Fund. The internal service funds are reported with governmental activities in the government-wide financial statements.

FINANCIAL HIGHLIGHTS

- Total net position increased by \$47,799,574 over the prior year for a new net position of \$227,112,070.
- Revenues, transfers in, and other financing sources for all funds, including bond issuances, totaled \$641,401,232. Expenses, transfers out and other uses totaled \$475,412,885.
- The General Fund audited ending balance, which includes \$4,848,813 the Special Reserve Fund for Other Than Capital Outlay Projects, respectively, totaled \$64,182,273. This represents an increase of \$29,084,146 from the prior year.
- New General Obligation Bonds of \$118,000,000 and General Obligation Refunding Bonds of \$29,900,000 were issued in 2020-2021.
- The District's 2020-2021 P-2 Average Daily Attendance (ADA), excluding charter schools and students in County programs, was reported at 20,302.
- The District filed a positive status with both its First and Second Interim reports in 2020-2021.

THE DISTRICT AS A WHOLE

Net Position

The District's net position was \$274,911,644 for the fiscal year ended June 30, 2021. Of this amount, \$(197,237,763), was unrestricted. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the governing board's ability to use net position for day-to-day operations. Our analysis below, in summary form, focuses on the net position (Table 1) and change in net position (Table 2) of the District's governmental activities.

Table 1

	Governmental Activities	
	2021	2020 (as restated)
Assets		
Current and other assets	\$ 423,210,739	\$ 263,163,282
Capital assets	711,810,932	695,476,029
Total assets	1,135,021,671	958,639,311
Deferred outflows of resources	91,928,003	109,301,708
Liabilities		
Current liabilities	35,615,980	42,307,407
Long-term liabilities	897,518,040	779,457,798
Total liabilities	933,134,020	821,765,205
Deferred inflows of resources	18,904,010	19,063,744
Net Position		
Net investment in capital assets	365,480,013	351,039,006
Restricted	106,669,394	117,236,504
Unrestricted	(197,237,763)	(241,163,440)
Total net position	\$ 274,911,644	\$ 227,112,070

Changes in Net Position

The results of this year's operations for the District as a whole are reported in the Statement of Activities on page 13. Table 2 takes the information from the Statement, rounds off the numbers, and rearranges them slightly so you can see our total revenues for the year.

Table 2

	Governmental Activities	
	2021	2020*
Revenues		
Program revenues		
Charges for services	\$ 5,145,247	\$ 5,362,357
Operating grants and contributions	136,142,233	68,432,886
Capital grants and contributions	15,477,207	7,569,046
General revenues		
Federal and State aid not restricted	192,028,163	107,977,070
Property taxes	113,499,893	194,296,931
Other general revenues	6,417,748	5,586,761
Total revenues	<u>468,710,491</u>	<u>389,225,051</u>
Expenses		
Instruction-related	298,747,888	265,483,319
Pupil services	46,573,970	46,276,684
Administration	18,873,730	25,895,813
Plant services	37,518,012	40,395,597
All other services	16,659,791	16,368,455
Total expenses	<u>418,373,391</u>	<u>394,419,868</u>
Transfers and Extraordinary Items		
Transfers	<u>(2,537,526)</u>	<u>-</u>
Change in net position	<u>\$ 47,799,574</u>	<u>\$ (5,194,817)</u>

* The revenues and expenses for fiscal year 2020 were not restated to show the effects of GASB 84 for comparative purposes.

Governmental Activities

As reported in the Statement of Activities on page 13, the cost of all of our governmental activities this year was \$418,373,391. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$113,499,893 because the cost was paid by those who benefited from the programs (\$5,145,247) or by other governments and organizations who subsidized certain programs with grants and contributions (151,619,440). We paid for the remaining "public benefit" portion of our governmental activities with \$192,028,163 in taxes, \$6,417,748 in State funds, and with other revenues, like interest and general entitlements.

In Table 3, we have presented the cost and net cost of each of the District's largest functions: instruction including, special instruction programs and other instructional programs, pupil services, administration, plant services, and all other services. As discussed above, net cost shows the financial burden that was placed on the District's taxpayers by each of these functions. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

Table 3

	Total Cost of Services		Net Cost of Services	
	2021	2020*	2021	2020*
Instruction-related	\$ 298,747,888	\$ 265,483,319	\$ (187,954,406)	\$ (216,264,100)
Pupil services	46,573,970	46,276,684	(13,498,160)	(24,307,702)
Administration	18,873,730	25,895,813	(13,973,565)	(23,908,016)
Plant services	37,518,012	40,395,597	(34,773,400)	(39,463,119)
All other services	16,659,791	16,368,455	(11,409,173)	(9,112,642)
Total	\$ 418,373,391	\$ 394,419,868	\$ (261,608,704)	\$ (313,055,579)

* The total and net cost of services for fiscal year 2020 were not restated to show the effects of GASB 84 for comparative purposes.

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of \$367,589,169, which is an increase of \$165,988,347 from last year (Table 4).

Table 4

Governmental Fund	Balances and Activity			
	June 30, 2020 as restated	Revenues and Other Financing Sources	Expenditures and Other Financing Uses	June 30, 2021
General	\$ 35,098,127	\$ 360,835,455	\$ 331,751,309	\$ 64,182,273
Building	58,522,782	317,989	23,809,944	35,030,827
Special Reserve Fund for Capital				
Outlay Projects	25,518,991	25,242,760	7,243,598	43,518,153
Bond Interest and Redemption	40,876,257	67,274,926	63,307,390	44,843,793
Non-major Governmental	41,584,665	63,017,368	49,300,644	55,301,389
Total	\$ 201,600,822	\$ 516,688,498	\$ 475,412,885	\$ 242,876,435

General Fund Budgetary Highlights

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. The final amendment to the budget was adopted on August 10, 2021. (A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in our annual report on page 61).

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2021, the District had \$711,810,932 in a broad range of capital assets (net of depreciation), including land, buildings, furniture, and equipment. This amount represents a net decrease (including additions, deductions, and depreciation) of just under \$16,334,903, or 2.35%, from last year (Table 5).

Table 5

	Governmental Activities	
	2021	2020
Land and construction in progress	\$ 120,115,356	\$ 111,595,264
Buildings and improvements	586,173,782	577,879,421
Equipment	5,521,794	6,001,344
Total	<u>\$ 711,810,932</u>	<u>\$ 695,476,029</u>

Long-Term Liabilities

At the end of this year, the District had \$897,518,040 in long-term liabilities outstanding versus \$779,457,798 last year, an increase of 15.15%. Those long-term liabilities consisted of:

Table 6

	Governmental Activities	
	2021	2020
Long-Term Liabilities		
General obligation bonds	\$ 463,260,000	\$ 360,270,000
Private placement debt issuances	7,385,982	8,686,707
Unamortized premiums/(discounts)	35,388,545	34,003,098
Compensated absences	2,761,917	3,519,126
Claims liability	3,704,724	3,870,108
Net OPEB liability	50,955,544	55,573,248
Aggregate net pension liability	334,061,328	313,535,511
Total	<u>\$ 897,518,040</u>	<u>\$ 779,457,798</u>

SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2020-2021 ARE NOTED BELOW:

Continued the \$41.8 million High School Modernization project which includes renovating.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the District Budget for the 2021-2022 year, the governing board and management used the following criteria:

The key assumptions in our revenue forecast are:

1. Local Control Funding Formula per Average Daily Attendance (ADA) Cost of Living Adjustment (COLA)
2. Increase of 5.07% and a GAP Percentage of 100%.
3. Federal income will be projected at the prior year 2020-2021 level with COLA.
4. Other State income (categorical projects) will be projected at the prior year 2020-2021 level with COLA.

Expenditures are based on the following forecasts:

	Staffing Ratio	Enrollment
Grades kindergarten through third	24:1	6,092
Grades four through five	32:1	3,047
Grades six through eight	29:1	4,752
Grades nine through twelve	31:1	6,743

The new items specifically addressed in the budget are:

1. Increases in spending as a result of increased Supplemental and Concentration dollars through LCFF and COVID relief funds.
2. Increases to the employer contribution rate for CalSTRS and CalPERS.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the Assistant Superintendent, Business Services, at Palm Springs Unified School District, (760) 883-2700 or e-mail at bmurray@psusd.us.

Palm Springs Unified School District
Statement of Net Position
June 30, 2021

	<u>Governmental Activities</u>
Assets	
Deposits and investments	\$ 370,365,474
Receivables	51,190,413
Prepaid expense	1,047,088
Stores inventories	607,764
Capital assets not depreciated	120,115,356
Capital assets, net of accumulated depreciation	<u>591,695,576</u>
Total assets	<u>1,135,021,671</u>
Deferred Outflows of Resources	
Deferred charge on refunding	8,014,214
Deferred outflows of resources related to OPEB	4,294,920
Deferred outflows of resources related to pensions	<u>79,618,869</u>
Total deferred outflows of resources	<u>91,928,003</u>
Liabilities	
Accounts payable	21,490,161
Interest payable	6,836,958
Unearned revenue	7,288,861
Long-term liabilities	
Long-term liabilities other than OPEB and pensions due within one year	19,493,052
Long-term liabilities other than OPEB and pensions due in more than one year	493,008,116
Total other postemployment benefits liability (OPEB)	50,955,544
Aggregate net pension liability	<u>334,061,328</u>
Total liabilities	<u>933,134,020</u>
Deferred Inflows of Resources	
Deferred charge on refunding	1,341,432
Deferred inflows of resources related to OPEB	6,977,114
Deferred inflows of resources related to pensions	<u>10,585,464</u>
Total deferred inflows of resources	<u>18,904,010</u>
Net Position	
Net investment in capital assets	365,480,013
Restricted for	
Debt service	44,719,569
Capital projects	29,336,468
Educational programs	12,332,152
Other restrictions	20,281,205
Unrestricted (deficit)	<u>(197,237,763)</u>
Total net position	<u><u>\$ 274,911,644</u></u>

Palm Springs Unified School District
Statement of Activities
Year Ended June 30, 2021

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
Instruction	\$253,898,154	\$ 640,285	\$ 84,271,057	\$ 15,477,207	\$(153,509,605)
Instruction-related activities					
Supervision of instruction	17,920,323	97,035	7,301,575	-	(10,521,713)
Instructional library, media, and technology	3,343,486	-	293,042	-	(3,050,444)
School site administration	23,585,925	57	2,713,224	-	(20,872,644)
Pupil services					
Home-to-school transportation	4,318,175	-	1,874,776	-	(2,443,399)
Food services	16,294,181	2,877	22,881,614	-	6,590,310
All other pupil services	25,961,614	15,710	8,300,833	-	(17,645,071)
Administration					
Data processing	5,402,474	262	187,261	-	(5,214,951)
All other administration	13,471,256	58,408	4,654,234	-	(8,758,614)
Plant services	37,518,012	88,471	2,656,141	-	(34,773,400)
Ancillary services	3,257,562	-	1,002,451	-	(2,255,111)
Community services	368,565	-	6,025	-	(362,540)
Enterprise services	2,422	-	-	-	(2,422)
Interest on long-term liabilities	11,490,992	-	-	-	(11,490,992)
Other outgo	1,540,250	4,242,142	-	-	2,701,892
Total governmental activities	<u>\$418,373,391</u>	<u>\$ 5,145,247</u>	<u>\$136,142,233</u>	<u>\$ 15,477,207</u>	<u>(261,608,704)</u>
General Revenues and Subventions					
Property taxes, levied for general purposes					64,679,534
Property taxes, levied for debt service					37,200,796
Taxes levied for other specific purposes					11,619,563
Federal and State aid not restricted to specific purposes					192,028,163
Interest and investment earnings					300,450
Miscellaneous					<u>6,117,298</u>
Subtotal, general revenues					<u>311,945,804</u>
Transfers					<u>(2,537,526)</u>
Total general revenues and transfers					<u>309,408,278</u>
Change in Net Position					47,799,574
Net Position - Beginning, as restated					<u>227,112,070</u>
Net Position - Ending					<u>\$ 274,911,644</u>

See Note to Financial Statements

Palm Springs Unified School District
Balance Sheet – Governmental Funds
June 30, 2021

	General Fund	Building Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
Assets						
Deposits and investments	\$ 55,819,334	\$ 156,492,335	\$ 47,344,444	\$ 51,556,527	\$ 32,076,475	\$ 343,289,115
Receivables	45,807,813	204,084	133,219	-	5,019,379	51,164,495
Due from other funds	5,498,077	-	27,827	-	20,215,569	25,741,473
Prepaid expenditures	1,035,088	-	12,000	-	-	1,047,088
Stores inventories	71,684	-	-	-	536,080	607,764
Total assets	\$ 108,231,996	\$ 156,696,419	\$ 47,517,490	\$ 51,556,527	\$ 57,847,503	\$ 421,849,935
Liabilities and Fund Balances						
Liabilities						
Accounts payable	\$ 16,737,640	\$ 3,605,538	\$ 143,642	\$ -	\$ 779,230	\$ 21,266,050
Due to other funds	20,268,316	60,054	3,855,695	-	1,528,070	25,712,135
Unearned revenue	7,043,767	-	-	-	238,814	7,282,581
Total liabilities	44,049,723	3,665,592	3,999,337	-	2,546,114	54,260,766
Fund Balances						
Nonspendable	1,206,772	-	12,000	-	588,421	1,807,193
Restricted	12,332,152	153,030,827	18,785,739	51,556,527	49,617,672	285,322,917
Assigned	31,507,755	-	24,720,414	-	5,095,296	61,323,465
Unassigned	19,135,594	-	-	-	-	19,135,594
Total fund balances	64,182,273	153,030,827	43,518,153	51,556,527	55,301,389	367,589,169
Total liabilities and fund balances	\$ 108,231,996	\$ 156,696,419	\$ 47,517,490	\$ 51,556,527	\$ 57,847,503	\$ 421,849,935

See Note to Financial Statements

Palm Springs Unified School District
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2021

Total Fund Balance - Governmental Funds	\$ 367,589,169
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.	
The cost of capital assets is	\$ 962,726,112
Accumulated depreciation is	<u>(250,915,180)</u>
Net capital assets	711,810,932
In governmental funds, unmatured interest on long-term liabilities is recognized in the period when it is due. On the government-wide financial statements, unmatured interest on long-term liabilities is recognized when it is incurred.	(6,836,958)
An internal service fund is used by management to charge the costs of the workers' compensation insurance program to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities.	23,137,824
Deferred outflows of resources represent a consumption of net position in a future period and is not reported in the governmental funds. Deferred outflows of resources amounted to and related to	
Debt refundings (deferred charge on refunding)	8,014,214
Other postemployment benefits (OPEB)	4,294,920
Net pension liability	<u>79,618,869</u>
Total deferred outflows of resources	91,928,003
Deferred inflows of resources represent an acquisition of net position that applies to a future period and is not reported in the governmental funds. Deferred inflows of resources amount to and related to	
Debt refundings (deferred charge on refunding)	(1,341,432)
Other postemployment benefits (OPEB)	(6,977,114)
Net pension liability	<u>(10,585,464)</u>
Total deferred inflows of resources	(18,904,010)
Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.	(334,061,328)
The District's OPEB liability is not due and payable in the current period, and is not reported as a liability in the funds.	(50,955,544)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.	
Long-term liabilities at year-end consist of	
General obligation bonds	(463,260,000)
Private placement debt issuance	(7,385,982)
Unamortized debt premiums	(35,388,545)
Compensated absences (vacations)	<u>(2,761,917)</u>
Total long-term liabilities	<u>(508,796,444)</u>
Total net position - governmental activities	<u>\$ 274,911,644</u>

Palm Springs Unified School District
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
Year Ended June 30, 2021

	General Fund	Building Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues						
Local Control Funding Formula	\$ 242,855,071	\$ -	\$ -	\$ -	\$ 9,090,725	\$ 251,945,796
Federal sources	58,405,757	-	-	-	24,523,233	82,928,990
Other State sources	36,210,880	-	-	182,456	20,510,512	56,903,848
Other local sources	18,719,589	317,989	12,373,209	37,192,470	8,891,864	77,495,121
Total revenues	356,191,297	317,989	12,373,209	37,374,926	63,016,334	469,273,755
Expenditures						
Current						
Instruction	209,307,934	-	-	-	9,589,136	218,897,070
Instruction-related activities						
Supervision of instruction	15,768,589	-	-	-	494,221	16,262,810
Instructional library, media, and technology	2,936,635	-	-	-	84,633	3,021,268
School site administration	20,640,141	-	-	-	774,052	21,414,193
Pupil services						
Home-to-school transportation	4,245,110	-	-	-	-	4,245,110
Food services	200,304	-	-	-	15,348,215	15,548,519
All other pupil services	23,203,069	-	-	-	391,533	23,594,602
Administration						
Data processing	5,002,351	-	-	-	-	5,002,351
All other administration	10,294,271	-	-	-	1,716,236	12,010,507
Plant services	34,360,544	400,376	649,256	-	675,012	36,085,188
Ancillary services	2,387,198	-	-	-	715,796	3,102,994
Community services	327,934	-	-	-	-	327,934
Other outgo	156,479	-	-	-	-	156,479
Enterprise services	-	-	-	-	-	-
Facility acquisition and construction	382,190	23,401,906	2,702,279	-	5,860,164	32,346,539
Debt service						
Principal	-	-	-	18,005,725	-	18,005,725
Interest and other	-	7,662	30,000	15,712,894	-	15,750,556
Total expenditures	329,212,749	23,809,944	3,381,535	33,718,619	35,648,998	425,771,845
Excess (Deficiency) of Revenues Over Expenditures	26,978,548	(23,491,955)	8,991,674	3,656,307	27,367,336	43,501,910

See Note to Financial Statements

Palm Springs Unified School District
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
Year Ended June 30, 2021

	General Fund	Building Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
Other Financing Sources (Uses)						
Transfers in	\$ 4,644,158	\$ -	\$ 12,869,551	\$ -	\$ 1,034	\$ 17,514,743
Other sources - proceeds from bonds issuance	-	118,000,000	-	6,712,734	-	124,712,734
Other sources - proceeds from refunding bonds	-	-	-	29,900,000	-	29,900,000
Transfers out	(2,538,560)	-	(3,862,063)	-	(13,651,646)	(20,052,269)
Other uses - payment to refunded bond escrow agent	-	-	-	(29,588,771)	-	(29,588,771)
Net Financing Sources (Uses)	2,105,598	118,000,000	9,007,488	7,023,963	(13,650,612)	122,486,437
Net Change in Fund Balances	29,084,146	94,508,045	17,999,162	10,680,270	13,716,724	165,988,347
Fund Balance - Beginning, as restated	35,098,127	58,522,782	25,518,991	40,876,257	41,584,665	201,600,822
Fund Balance - Ending	<u>\$ 64,182,273</u>	<u>\$ 153,030,827</u>	<u>\$ 43,518,153</u>	<u>\$ 51,556,527</u>	<u>\$ 55,301,389</u>	<u>\$ 367,589,169</u>

Palm Springs Unified School District

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2021

Total Net Change in Fund Balances - Governmental Funds \$ 165,988,347

Amounts Reported for Governmental Activities in the Statement of Activities are Different Because

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

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

Capital outlays	\$ 33,199,886
Depreciation expense	<u>(16,864,983)</u>

Net expense adjustment	16,334,903
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In the Statement of Activities, certain operating expenses, such as compensated absences (vacations) and special termination benefits (early retirement) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This amount is the difference between vacation and early retirement earned and used.

757,209

In the governmental funds, pension costs are based on employer contributions made to pension plans during the year. However, in the Statement of Activities, pension expense is the net effect of all changes in the deferred outflows, deferred inflows and net pension liability during the year.

(28,964,703)

In the governmental funds, OPEB costs are based on employer contributions made to OPEB plans during the year. However, in the Statement of Activities, OPEB expense is the net effect of all changes in the deferred outflows, deferred inflows, and net OPEB liability during the year.

(2,199,471)

Proceeds received from general obligation bonds or certificates of participation is a revenue in the governmental funds, but it increases long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.

(147,900,000)

Deferred charge on refunding (the difference between the reacquisition price and the net carrying amount of the refunded debt) are capitalized and amortized over the remaining life of the new or old debt, whichever is shorter.

(1,341,432)

Palm Springs Unified School District
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental
Funds to the Statement of Activities
Year Ended June 30, 2021

Payment of principal on long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.

General obligation bonds	\$ 44,910,000
Private placement debt issuances	1,300,725

Interest on long-term liabilities is recorded as an expenditure in the funds when it is due; however, in the Statement of Activities, interest expense is recognized as the interest accretes or accrues, regardless of when it is due.

(451,245)

An internal service fund is used by management to charge the costs of the self insurance program to the individual funds. The net revenue of the Internal Service Fund is reported with governmental activities.

1,367,166

Change in net position of governmental activities

\$ 47,799,574

Palm Springs Unified School District
Statement of Net Position – Proprietary Funds
June 30, 2021

	Governmental Activities - Internal Service Fund
Assets	
Current assets	
Deposits and investments	\$ 27,076,359
Receivables	25,918
Due from other funds	<u>25,140</u>
Total assets	<u>27,127,417</u>
Liabilities	
Current liabilities	
Accounts payable	224,111
Due to other funds	54,478
Unearned revenue	6,280
Current portion of claims liabilities	<u>555,709</u>
Total current liabilities	<u>840,578</u>
Noncurrent liabilities	
Claims liabilities	<u>3,149,015</u>
Total liabilities	<u>3,989,593</u>
Net Position	
Restricted	<u><u>\$ 23,137,824</u></u>

Palm Springs Unified School District
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds
Year Ended June 30, 2021

	Governmental Activities - Internal Service Fund
Operating Revenues	
Charges for services	\$ 5,462,440
Other local revenues	552,549
	<hr/>
Total operating revenues	6,014,989
	<hr/>
Operating Expenses	
Payroll costs	157,194
Professional and contract services	4,766,087
Supplies and materials	17,385
Facility rental	20,178
Other operating cost	2,351,204
	<hr/>
Total operating expenses	7,312,048
	<hr/>
Operating (Loss)	(1,297,059)
	<hr/>
Nonoperating Revenues (Expenses)	
State and local grants	11,213
Fair market value adjustments	5,414
Interest income	110,072
	<hr/>
Total nonoperating revenues	126,699
	<hr/>
(Loss) before transfers	(1,170,360)
	<hr/>
Transfers in	2,537,526
	<hr/>
Change in Net Position	1,367,166
	<hr/>
Total Net Position - Beginning	21,770,658
	<hr/>
Total Net Position - Ending	<u><u>\$ 23,137,824</u></u>

Palm Springs Unified School District
Statement of Cash Flows – Proprietary Funds
Year Ended June 30, 2021

	<u>Governmental Activities - Internal Service Fund</u>
Operating Activities	
Cash receipts from customers	\$ 5,462,440
Other operating cash receipts	552,549
Cash payments to other suppliers of goods or services	(7,137,469)
Cash payments to employees for services	(157,194)
Other operating cash payments	<u>(16,412)</u>
Net Cash From (Used for) Operating Activities	<u>(1,296,086)</u>
Noncapital Financing Activities	
Non-operating grants received	11,213
Transfer in from other funds	<u>2,537,526</u>
Net Cash From (Used for) Noncapital Financing Activities	<u>2,548,739</u>
Investing Activities	
Interest on investments	<u>115,486</u>
Net Change in Cash and Cash Equivalents	1,368,139
Cash and Cash Equivalents, Beginning	<u>25,708,220</u>
Cash and Cash Equivalents, Ending	<u><u>\$ 27,076,359</u></u>
Reconciliation of Operating (Loss) to Net Cash From (Used for) Operating Activities	
Operating (loss)	\$ (1,297,059)
Changes in assets and liabilities	
Receivables	62,630
Due from other fund	(7,554)
Accounts payable	86,777
Due to other fund	18,224
Unearned revenue	6,280
Claims liability	<u>(165,384)</u>
Net Cash From Operating Activities	<u><u>\$ (1,296,086)</u></u>

Note 1 - Summary of Significant Accounting Policies

Financial Reporting Entity

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

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

Other Related Entities

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

Basis of Presentation - Fund Accounting

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

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

Major Governmental Funds

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

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

As a result, the General Fund reflects an increase in fund balance of \$4,848,813.

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

Special Reserve Fund for Capital Outlay Projects The Special Reserve Fund for Capital Outlay Projects exists primarily to provide for the accumulation of General Fund monies for capital outlay purposes (Education Code Section 42840).

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

Non-Major Governmental Funds

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

- **Student Activity Fund** The Student Activity Fund is used to account separately for the operating activities of the associated student body accounts that are not fiduciary in nature, including student clubs, general operations, athletics, and other student body activities.
- **Charter Schools Fund** The Charter Schools Fund may be used by authorizing districts to account separately for the operating activities of district-operated charter schools that would otherwise be reported in the authorizing District's General Fund.
- **Adult Education Fund** The Adult Education Fund is used to account separately for Federal, State, and local revenues that are restricted or committed for adult education programs and is to be expended for adult education purposes only.
- **Child Development Fund** The Child Development Fund is used to account separately for Federal, State, and local revenues to operate child development programs and is to be used only for expenditures for the operation of child development programs.

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

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

- **Capital Facilities Fund** The Capital Facilities Fund is used primarily to account separately for monies received from fees levied on developers or other agencies as a condition of approval (*Education Code* Sections 17620-17626 and Government Code Section 65995 et seq.). Expenditures are restricted to the purposes specified in Government Code Sections 65970-65981 or to the items specified in agreements with the developer (Government Code Section 66006).
- **County School Facilities Fund** The County School Facilities Fund is established pursuant to *Education Code* Section 17070.43 to receive apportionments from the 1998 State School Facilities Fund (Proposition 1A), the 2002 State School Facilities Fund (Proposition 47), the 2004 State School Facilities Fund (Proposition ks55), the 2006 State School Facilities Fund (Proposition 1D), or the 2016 State School Facilities Fund (Proposition 51) authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (*Education Code* Section 17070 et seq.).

Proprietary Funds Proprietary funds are used to account for activities that are more business-like than government-like in nature. Business-type activities include those for which a fee is charged to external users or to other organizational units of the local education agency, normally on a full cost-recovery basis. Proprietary funds are generally intended to be self-supporting and are classified as enterprise or internal service. The District has the following proprietary funds:

- **Internal Service Fund** Internal Service funds may be used to account for goods or services provided to other funds of the District on a cost-reimbursement basis. The District operates self insurance programs that are accounted for in an internal service fund.

Fiduciary Funds Fiduciary funds are used to account for resources held for the benefit of parties outside the District and are not available to support the District's own programs. Fiduciary funds are split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and custodial funds. The three types of trust funds are distinguished from custodial funds by the existence of a trust agreement or equivalent arrangement that has certain characteristics. The District does not have any fiduciary funds.

Basis of Accounting - Measurement Focus

Government-Wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements, but differs from the manner in which governmental fund financial statements are prepared.

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

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

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

- **Governmental Funds** All governmental funds are accounted for using the flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting, and the governmental fund financial statements, prepared using the flow of current financial resources measurement focus and the modified accrual basis of accounting.
- **Proprietary Funds** Proprietary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. All assets and all liabilities associated with the operation of this fund are included in the statement of net position. The statement of changes in fund net position presents increases (revenues) and decreases (expenses) in net total assets. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary fund.

Revenues – Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter, to be used to pay liabilities of the current fiscal year. The District considers revenues to be available if they are collected within one year after year-end, except for property taxes, which are considered available if collected within 60 days. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

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

Unearned Revenue Unearned revenues arise when resources are received by the District before it has a legal claim to them, such as when certain grants are received prior to the occurrence of qualifying expenditures. In the subsequent periods, when the District has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and the revenue is recognized.

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

Cash and Cash Equivalents

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

Investments

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

Prepaid Expenditures (Expenses)

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Stores Inventories

Inventories consist of expendable food and supplies held for consumption. Inventories are stated at cost, on the first-in, first-out basis. The costs of inventory items are recorded as expenditures in the governmental funds and expenses in the proprietary funds when consumed rather than when purchased.

Capital Assets and Depreciation

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

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

Capital assets in the proprietary funds are capitalized in the fund in which they are utilized. The valuation basis for proprietary fund capital assets is the same as those used for the capital assets of governmental funds.

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

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental and business-type activities columns of the statement of net position, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

Compensated Absences

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

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

Accrued Liabilities and Long-Term Liabilities

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

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

Debt Issuance Costs, Premiums and Discounts

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

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

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The District reports deferred outflows of resources for deferred charges on refunding of debt, for pension related items, and for OPEB related items. The deferred charge on refunding resulted from the difference between the carrying value of the refunded debt and its reacquisition price. The amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred amounts related to pension and OPEB relate to differences between expected and actual earnings on investments, changes of assumptions, and other pension and OPEB related changes.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The District reports deferred inflows of resources for deferred charges on refunding of debt, for pension related items, and for OPEB related items.

Pensions

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

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District Plan and the CalSTRS Medicare Premium Payment (MPP) Program and additions to/deductions from the District Plan and the MPP's fiduciary net position have been determined on the same basis as they are reported by the District Plan and the MPP. For this purpose, the District Plan and the MPP recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost. The total OPEB liability attributable to the governmental activities will be paid primarily by the General Fund.

Fund Balances - Governmental Funds

As of June 30, 2021, fund balances of the governmental funds are classified as follows:

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

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

Committed - amounts that can be used only for specific purposes determined by a formal action of the governing board. The governing board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through resolutions or other action as approved by the governing board. The District currently does not have any committed funds.

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

Unassigned - all other spendable amounts.

The District's policy is that if both restricted and unrestricted amounts are available for expenditure, the restricted amount is spent first. Likewise, if only unrestricted is available for an expenditure, then committed is spent first if allowable, before assigned or unassigned is spent.

Minimum Fund Balance Policy

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

Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net position net of investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide financial statements report \$106,669,394 of restricted net position, restricted by enabling legislation.

Operating Revenues and Expenses

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

Interfund Activity

Transfers between governmental and business-type activities in the government-wide financial statements are reported in the same manner as general revenues.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented in the financial statements. Interfund transfers are eliminated in the governmental and business-type activities columns of the Statement of Activities, except for the net residual amounts transferred between governmental and business-type activities.

Estimates

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

Property Tax

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

Change in Accounting Principles

Implementation of GASB Statement No. 84

As of July 1, 2020, the District adopted GASB Statement No. 84, Fiduciary Activities. The objective of this Statement is to improve the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. Greater consistency and comparability enhance the value provided by the information reported in financial statements for assessing government accountability and stewardship. The impact to the District resulted in a reclassification of the District's student body activities from fiduciary to governmental. The effect of the implementation of this standard on beginning fund balance and net position is disclosed in Note 15.

Note 2 - Deposits and Investments

Summary of Deposits and Investments

Deposits and investments as of June 30, 2021, are classified in the accompanying financial statements as follows:

Governmental funds	\$ 343,289,115
Proprietary funds	<u>27,076,359</u>
Total deposits and investments	<u><u>\$ 370,365,474</u></u>

Deposits and investments as of June 30, 2021, consist of the following:

Cash on hand and in banks	\$ 1,222,703
Cash in revolving	152,340
Investments	<u>368,990,431</u>
Total deposits and investments	<u><u>\$ 370,365,474</u></u>

Policies and Practices

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

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

General Authorizations

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

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

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by investing in the County Pool and purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Weighted Average Maturity

The District monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. Information about the weighted average maturity of the District's portfolio is presented in the following schedule:

Palm Springs Unified School District

Note to Financial Statements

June 30, 2021

Investment Type	Reported Amount	Weighted Average Maturity in Days
Certificates of deposit	\$ 180,269	243
Riverside county investment pool	368,810,162	420
Total	<u>\$ 368,990,431</u>	

Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the California Government code. All investments of the District other than the investments in commercial paper are exempt. The commercial paper has the limitations of a maximum percentage of portfolio not to exceed 25% and a maximum investment in one issuer of the portfolio not to exceed 10%. The investments in commercial paper do not exceed either of these limitations as of year-end.

Investment Type	Reported Amount	Minimum Legal Rating	Rating as of Year End	
			Aaa-bf	Unrated
Certificates of deposit	\$ 180,269	N/A	\$ -	180,269
Riverside county investment pool	368,810,162	N/A	368,810,162	-
Total	<u>\$ 368,990,431</u>		<u>\$ 368,810,162</u>	<u>\$ 180,269</u>

N/A - Not applicable

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105% of the secured deposits. As of June 30, 2021, the District's bank balance \$1,246,255 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

Note 3 - Fair Value Measurements

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value. The following provides a summary of the hierarchy used to measure fair value:

- Level 1 - Quoted prices in active markets for identical assets that the District has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.
- Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specified term, a Level 2 input is required to be observable for substantially the full term of the asset.
- Level 3 - Unobservable inputs should be developed using the best information available under the circumstances, which might include the District's own data. The District should adjust that data if reasonably available information indicates that other market participants would use different data or certain circumstances specific to the District are not available to other market participants.

The District's fair value measurements are as follows at June 30, 2021:

Investment Type	Reported Amount	Fair Value Measurements Using		
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Certificates of deposits	\$ 180,269	\$ -	\$ 180,269	\$ -

Note 4 - Receivables

Receivables at June 30, 2021, consisted of intergovernmental grants, entitlements, interest and other local sources. All receivables are considered collectible in full.

	General Fund	Building Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total	Proprietary Funds
Federal Government						
Categorical aid	\$ 9,545,847	\$ -	\$ -	\$ 2,793,663	\$ 12,339,510	\$ -
State Government						
LCFF apportionment	27,391,351	-	-	1,466,178	28,857,529	-
Categorical aid	7,036,080	-	-	379,446	7,415,526	-
Lottery	1,404,651	-	-	58,852	1,463,503	-
Local Government						
Interest	25,436	99,084	32,148	29,074	185,742	20,060
Other local sources	404,448	105,000	101,071	292,166	902,685	5,858
Total	<u>\$ 45,807,813</u>	<u>\$ 204,084</u>	<u>\$ 133,219</u>	<u>\$ 5,019,379</u>	<u>\$ 51,164,495</u>	<u>\$ 25,918</u>

Note 5 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2021, was as follows:

	Balance July 1, 2020	Additions	Deductions	Balance June 30, 2021
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 86,882,142	\$ -	\$ -	\$ 86,882,142
Construction in progress	24,713,122	29,761,784	(21,241,692)	33,233,214
Total capital assets not being depreciated	<u>111,595,264</u>	<u>29,761,784</u>	<u>(21,241,692)</u>	<u>120,115,356</u>
Capital assets being depreciated				
Land improvements	7,795,825	11,463,542	-	19,259,367
Buildings and improvements	782,545,497	12,362,040	-	794,907,537
Furniture and equipment	27,589,640	854,212	-	28,443,852
Total capital assets being depreciated	<u>817,930,962</u>	<u>24,679,794</u>	<u>-</u>	<u>842,610,756</u>
Total capital assets	<u>929,526,226</u>	<u>54,441,578</u>	<u>(21,241,692)</u>	<u>962,726,112</u>
Accumulated depreciation				
Land improvements	(1,333,269)	(942,701)	-	(2,275,970)
Buildings and improvements	(211,128,632)	(14,588,520)	-	(225,717,152)
Furniture and equipment	(21,588,296)	(1,333,762)	-	(22,922,058)
Total accumulated depreciation	<u>(234,050,197)</u>	<u>(16,864,983)</u>	<u>-</u>	<u>(250,915,180)</u>
Governmental activities capital assets, net	<u>\$ 695,476,029</u>	<u>\$ 37,576,595</u>	<u>\$ (21,241,692)</u>	<u>\$ 711,810,932</u>

Depreciation expense was charged as a direct expense to governmental and business-type functions as follows:

Governmental Activities	
Instruction	\$ 16,278,331
Home-to-school transportation	54,676
Food services	36,990
All other administration	435,001
Plant services	59,985
	<u>59,985</u>
Total depreciation expenses governmental activities	<u>\$ 16,864,983</u>

Note 6 - Interfund Transactions

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund receivable and payable balances at June 30, 2021, between major and non-major governmental funds, non-major enterprise funds, internal service funds, and fiduciary funds are as follows:

Due To	Due From					Total
	General Fund	Building Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Proprietary Funds	
General Fund	\$ -	\$ 60,054	\$ 3,855,695	\$ 1,527,850	\$ 54,478	\$ 5,498,077
Special Reserve Fund for Capital Outlay Projects	27,761	-	-	66	-	27,827
Non-Major Governmental Funds	20,215,415	-	-	154	-	20,215,569
Proprietary Funds	25,140	-	-	-	-	25,140
Total	<u>\$ 20,268,316</u>	<u>\$ 60,054</u>	<u>\$ 3,855,695</u>	<u>\$ 1,528,070</u>	<u>\$ 54,478</u>	<u>\$ 25,766,613</u>

A balance of \$3,855,695 is due to the General Fund from the Special Reserve Fund for Capital Outlay Projects for the Solar19 project.

The balance of \$20,008,182 is due to the Capital Facilities Non-Major Governmental Fund from the General Fund for a temporary loan.

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

Operating Transfers

Interfund transfers for the year ended June 30, 2021, consisted of the following:

The General Fund transferred to the Cafeteria Non-Major Governmental Fund for LCFF eligibility processing.	\$ 1,034
The General Fund transferred to the Internal Service Fund for current year pool contribution.	2,537,526
The Charter Schools Non-Major Governmental Fund for special education contribution share.	782,095
The County School Facilities Non-Major Governmental Fund transferred to the Special Reserve Fund for Capital Outlay projects for OPSC funding.	12,869,551
The Special Reserve Fund for Capital Outlay Projects transferred to the General Fund for reimbursement of costs.	<u>3,862,063</u>
Total	<u>\$ 20,052,269</u>

Note 7 - Accounts Payable

Accounts payable at June 30, 2021, consisted of the following:

	General Fund	Building Fund	Building Fund	Non-Major Governmental Funds	Total	Proprietary Funds
Vendor payables	\$ 3,642,466	\$ -	\$ -	\$ 219,808	\$ 3,862,274	\$ 224,111
LCFF apportionment	10,854,686	-	-	413,062	11,267,748	-
Salaries and benefits	2,240,488	-	-	140,039	2,380,527	-
Construction	-	3,605,538	143,642	6,321	3,755,501	-
Other	-	-	-	-	-	-
Total	<u>\$ 16,737,640</u>	<u>\$ 3,605,538</u>	<u>\$ 143,642</u>	<u>\$ 779,230</u>	<u>\$ 21,266,050</u>	<u>\$ 224,111</u>

Note 8 - Unearned Revenue

Unearned revenue at June 30, 2021, consisted of the following:

	General Fund	Non-Major Governmental Funds	Total	Proprietary Funds
Federal financial assistance	\$ 1,370,711	\$ 6,826	\$ 1,377,537	\$ -
State categorical aid	5,672,887	231,988	5,904,875	-
Other local	169	-	169	6,280
Total	<u>\$ 7,043,767</u>	<u>\$ 238,814</u>	<u>\$ 7,282,581</u>	<u>\$ 6,280</u>

Note 9 - Long-Term Liabilities Other than OPEB and Pensions

Summary

The changes in the District's long-term liabilities other than OPEB and pensions during the year consisted of the following:

	Balance July 1, 2020	Additions	Deductions	Balance June 30, 2021	Due in One Year
Long-Term Liabilities					
General obligation bonds	\$ 360,270,000	\$ 147,900,000	\$ (44,910,000)	\$ 463,260,000	\$ 17,580,000
Private placement debt issuances	8,686,707	-	(1,300,725)	7,385,982	1,357,343
Unamortized debt premiums	34,003,098	6,712,734	(5,327,287)	35,388,545	-
Compensated absences	3,519,126	-	(757,209)	2,761,917	-
Claims liability	3,870,108	896,368	(1,061,752)	3,704,724	555,709
Total	<u>\$ 410,349,039</u>	<u>\$ 155,509,102</u>	<u>\$ (53,356,973)</u>	<u>\$ 512,501,168</u>	<u>\$ 19,493,052</u>

Payments on general obligation bonds and private placement debt issuances are made by the Bond Interest and Redemption Fund with local revenues. The compensated absences is be paid by the General Fund, Charter Schools Fund, Adult Education Fund, Child Development Fund, Cafeteria Fund, and Capital Facilities Fund.

On October 28, 2020, the District issued \$29,900,000 of 2020 General Obligation Refunding Bonds. A portion of the bonds were issued to refund certain maturities of the 2011 General Obligation Refunding Bonds the District on August 1, 2032. As a result, the outstanding liability of the general obligation bonds are defeased and the liability has been removed from the government-wide statement of net position. The refunding resulted in a cumulative cash flow cost of \$3,083,081 over the life of the new debt and an economic gain of \$4,703,136 based on the difference between the present value of the existing debt service requirements and the new debt service requirements discounted at 1.68%.

General Obligation Bonds

The outstanding general obligation bonded debt is as follows:

Issuance Date	Final Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2020	Issued	Redeemed	Bonds Outstanding June 30, 2021
11/21/13	08/01/38	3.00% - 5.00%	\$ 70,000,000	\$ 60,930,000	\$ -	\$ (2,090,000)	\$ 58,840,000
06/08/21	08/01/22	0.40% - 5.00%	75,105,000	35,720,000	-	(32,610,000)	3,110,000
07/30/13	08/01/33	3.00% - 5.00%	20,425,000	11,965,000	-	(1,600,000)	10,365,000
07/30/14	08/01/36	0.10% - 5.00%	100,085,000	84,495,000	-	(3,525,000)	80,970,000
07/07/16	08/01/33	4.00% - 5.00%	77,215,000	77,215,000	-	-	77,215,000
07/28/16	08/01/33	2.00% - 4.00%	100,000,000	89,945,000	-	(5,085,000)	84,860,000
10/28/20	08/01/32	0.39% - 2.22%	29,900,000	-	29,900,000	-	29,900,000
04/20/21	08/01/34	1.25% - 4.00%	118,000,000	-	118,000,000	-	118,000,000
				<u>\$ 360,270,000</u>	<u>\$ 147,900,000</u>	<u>\$ (44,910,000)</u>	<u>\$ 463,260,000</u>

Palm Springs Unified School District

Note to Financial Statements

June 30, 2021

Private Placement Debt Issuances

The outstanding private placement debt issuances is as follows:

Issuance Date	Final Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2020	Issued	Redeemed	Bonds Outstanding June 30, 2021
05/26/10	02/01/26	4.37%	\$ 19,539,035	<u>\$ 8,686,707</u>	<u>\$ -</u>	<u>\$ (1,300,725)</u>	<u>\$ 7,385,982</u>

Debt Service Requirements to Maturity

The current interest bonds mature as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2022	\$ 17,580,000	\$ 16,321,522	\$ 33,901,522
2023	32,005,000	14,687,312	46,692,312
2024	33,055,000	13,725,694	46,780,694
2025	32,700,000	12,721,566	45,421,566
2026	25,390,000	11,731,269	37,121,269
2027-2031	164,690,000	42,259,240	206,949,240
2032-2036	145,900,000	36,964,244	182,864,244
2037-2039	11,940,000	539,100	12,479,100
Total	<u>\$ 463,260,000</u>	<u>\$ 148,949,947</u>	<u>\$ 612,209,947</u>

The current interest private placement debt issuances mature as follows:

Year Ending June 30,	Principal	Interest	Total
2022	\$ 1,357,343	\$ 322,767	\$ 1,680,110
2023	1,416,292	263,452	1,679,744
2024	1,477,675	201,560	1,679,235
2025	1,536,622	136,985	1,673,607
2026	1,598,050	69,835	1,667,885
Total	<u>\$ 7,385,982</u>	<u>\$ 994,599</u>	<u>\$ 8,380,581</u>

Compensated Absences

Compensated absences (unpaid employee vacation) for the District at June 30, 2021, amounted to \$2,761,917.

Claims Liability

The District has an outstanding long-term liability for claims for the District's Workers' Compensation Insurance Program in the amount of \$3,704,724.

Note 10 - Net Other Postemployment Benefit (OPEB) Liability

For the fiscal year ended June 30, 2021, the District reported net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense for the following plans:

OPEB Plan	Net OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
Retiree Health Plan	\$ 49,195,378	\$ 4,294,920	\$ 6,977,114	\$ 4,989,240
Medicare Premium Payment (MPP) Program	<u>1,760,166</u>	<u>-</u>	<u>-</u>	<u>371,536</u>
Total	<u><u>\$ 50,955,544</u></u>	<u><u>\$ 4,294,920</u></u>	<u><u>\$ 6,977,114</u></u>	<u><u>\$ 5,360,776</u></u>

The details of each plan are as follows:

District Plan

Plan Administration

The District's Governing Board administers the Postemployment Benefits Plan (the Plan). The Plan is a single employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for eligible retirees and their spouses. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Plan Membership

At June 30, 2021, the valuation date, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	82
Active employees	<u>2,036</u>
Total	<u><u>2,118</u></u>

Benefits Provided

The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Benefits are provided through a third-party insurer, and the full cost of benefits is covered by the Plan. The District's governing board has the authority to establish and amend the benefit terms as contained within the negotiated labor agreements.

Benefit Payments

The benefit payment requirements of the Plan members and the District are established and may be amended by the District and the Palm Springs Teachers Association (PSTA), the Teamsters, and unrepresented groups. The benefit payment is based on projected pay-as-you-go financing requirements as determined annually through the agreements with the District, PSTA, Teamsters, and the unrepresented groups are based on availability of funds. For the measurement date of June 30, 2021, the District paid \$2,555,380 in benefits.

Actuarial Assumptions

The total OPEB liability in the June 30, 2021 actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75 percent
Salary increases	2.75 percent, average, including inflation
Discount rate	2.16 percent
Healthcare cost trend rates	4.00 percent for 2021

The discount rate was based on the Bond Buyer 20-bond General Obligation Index.

Mortality rates were based on the 2020 CalSTRS Mortality Table for certificated employees and the 2017 CalPERS Active Mortality for Miscellaneous Employees Table for classified employees. Mortality rates vary by age and sex. (Unisex mortality rates are not often used as individual OPEB benefits do not depend on the mortality table used.) If employees die prior to retirement, past contributions are available to fund benefits for employees who live to retirement. After retirement, death results in benefit termination or reeducation. Although higher mortality rates reduce service costs, the mortality assumption is not likely to vary from employer to employer.

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actual experience study for the period July 1, 2020 to June 30, 2021.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance, June 30, 2020	\$ 54,184,618
Service cost	3,094,993
Interest	1,197,997
Differences between expected and actual experience	(2,822,929)
Changes of assumptions	(3,903,921)
Benefit payments	(2,555,380)
Net change in total OPEB liability	(4,989,240)
Balance, June 30, 2021	\$ 49,195,378

No changes to benefits noted from the prior evaluation.

Changes of assumptions and other inputs reflect a change in the discount rate from 2.20% in 2020 to 2.16% in 2021.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is one% lower or higher than the current rate:

Discount Rate	Total OPEB Liability
1% decrease (1.16%)	\$ 53,273,887
Current discount rate (2.16%)	49,195,378
1% increase (3.16%)	45,323,721

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one% lower or higher than the current healthcare costs trend rates:

Healthcare Cost Trend Rates	Total OPEB Liability
1% decrease (3.00%)	\$ 42,887,278
Current healthcare cost trend rate (4.00%)	49,195,378
1% increase (5.00%)	56,750,709

OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources related to OPEB

For the year ended June 30, 2021, the District recognized OPEB expense of \$ 4,989,240, respectively. At June 30, 2021, District reported deferred outflows of resources and deferred inflows of resources related to the OPEB from the following sources.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 161,036	\$ 2,754,866
Changes of assumptions	4,133,884	4,222,248
Total	<u>\$ 4,294,920</u>	<u>\$ 6,977,114</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2022	\$ (69,287)
2023	(69,287)
2024	(69,287)
2025	(69,287)
2026	(69,287)
Thereafter	(2,335,759)
Total	<u>\$ (2,682,194)</u>

Medicare Premium Payment (MPP) Program

Plan Description

The Medicare Premium Payment (MPP) Program is administered by the California State Teachers' Retirement System (CalSTRS). The MPP Program is a cost-sharing multiple-employer other postemployment benefit plan (OPEB) established pursuant to Chapter 1032, Statutes 2000 (SB 1435). CalSTRS administers the MPP Program through the Teachers' Health Benefits Fund (THBF).

A full description of the MPP Program regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2019 annual actuarial valuation report, Medicare Premium Payment Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

Benefits Provided

The MPP Program pays Medicare Part A premiums and Medicare Parts A and B late enrollment surcharges for eligible members of the State Teachers Retirement Plan (STRP) Defined Benefit (DB) Program who were retired or began receiving a disability allowance prior to July 1, 2012 and were not eligible for premium free Medicare Part A. The payments are made directly to the Centers for Medicare and Medicaid Services (CMS) on a monthly basis.

The MPP Program is closed to new entrants as members who retire after July 1, 2012, are not eligible for coverage under the MPP Program.

The MPP Program is funded on a pay-as-you go basis from a portion of monthly District benefit payments. In accordance with California *Education Code* Section 25930, contributions that would otherwise be credited to the DB Program each month are instead credited to the MPP Program to fund monthly program and administrative costs. Total redirections to the MPP Program are monitored to ensure that total incurred costs do not exceed the amount initially identified as the cost of the program.

Net OPEB Liability and OPEB Expense

At June 30, 2021, the District reported a liability of \$1,760,166 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2019. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB Plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2020 and June 30, 2019, respectively, was 0.4153%, and 0.4268%, resulting in a net decrease in the proportionate share of 0.0115%.

For the year ended June 30, 2021, the District recognized OPEB expense of \$371,536.

Actuarial Methods and Assumptions

The June 30, 2020 total OPEB liability was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2019, and rolling forward the total OPEB liability to June 30, 2020, using the assumptions listed in the following table:

Measurement Date	June 30, 2019	June 30, 2018
Valuation Date	June 30, 2018	June 30, 2017
Experience Study	July 1, 2014 through June 30, 2018	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry age normal	Entry age normal
Investment Rate of Return	2.21%	3.50%
Medicare Part A Premium Cost Trend Rate	4.50%	3.70%
Medicare Part B Premium Cost Trend Rate	5.40%	4.10%

For the valuation as of June 30, 2019, CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among our members. The projection scale was set equal to 110% of the ultimate improvement factor from the Mortality Improvement Scale (MP-2019) table, issued by the Society of Actuaries.

Assumptions were made about future participation (enrollment) into the MPP Program because CalSTRS is unable to determine which members not currently participating meet all eligibility criteria for enrollment in the future. Assumed enrollment rates were derived based on past experience and are stratified by age with the probability of enrollment diminishing as the members' age increases. This estimated enrollment rate was then applied to the population of members who may meet criteria necessary for eligibility and are not currently enrolled in the MPP Program. Based on this, the estimated number of future enrollments used in the financial reporting valuation was 294 or an average of 0.18% of the potentially eligible population (159,339).

The MPP Program is funded on a pay-as-you-go basis with contributions generally being made at the same time and in the same amount as benefit payments and expenses coming due. Any funds within the MPP Program as of June 30, 2020, were to manage differences between estimated and actual amounts to be paid and were invested in the Surplus Money Investment Fund, which is a pooled investment program administered by the State Treasurer.

Discount Rate

The discount rate used to measure the total OPEB liability as of June 30, 2020, is 2.21%. As the MPP Program is funded on a pay-as-you-go basis as previously noted, the OPEB Plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, a discount rate of 2.21%, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2020, was applied to all periods of projected benefit payments to measure the total OPEB liability. The discount rate decreased 1.29% from 3.50% as of June 30, 2019.

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

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

Discount Rate	Net OPEB Liability
1% decrease (1.21%)	\$ 1,946,353
Current discount rate (2.21%)	1,760,166
1% increase (3.21%)	1,601,734

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Medicare Costs Trend Rates

The following presents the District's proportionate share of the net OPEB liability calculated using the Medicare costs trend rates, as well as what the net pension liability would be if it were calculated using Medicare costs trend rates that are one% lower or higher than the current rates:

Medicare Costs Trend Rate	Net OPEB Liability
1% decrease (3.5% Part A and 4.4% Part B)	\$ 1,596,002
Current Medicare costs trend rate (4.5% Part A and 5.4% Part B)	1,760,166
1% increase (5.5% Part A and 6.4% Part B)	1,949,149

Palm Springs Unified School District

Note to Financial Statements

June 30, 2021

Note 11 - Fund Balances

Fund balances are composed of the following elements:

	General Fund	Building Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total
Nonspendable						
Revolving cash	\$ 100,000	\$ -	\$ -	\$ -	\$ 52,340	\$ 152,340
Stores inventories	71,684	-	-	-	536,081	607,765
Prepaid expenditures	1,035,088	-	12,000	-	-	1,047,088
Total nonspendable	1,206,772	-	12,000	-	588,421	1,807,193
Restricted						
Legally restricted programs	12,332,152	-	-	-	20,281,205	32,613,357
Capital projects	-	153,030,827	18,785,739	-	29,336,467	201,153,033
Debt services	-	-	-	51,556,527	-	51,556,527
Total restricted	12,332,152	153,030,827	18,785,739	51,556,527	49,617,672	285,322,917
Assigned						
ROTC supplies - CCHS	21,041	-	-	-	-	21,041
District office move	42,854	-	-	-	-	42,854
One-time furniture replacement	256	-	-	-	-	256
Healthy wage	2,064	-	-	-	-	2,064
Site discretionary	694,671	-	-	-	7,513	702,184
Computer insurance replacement	6,884	-	-	-	-	6,884
Computer replacement	199	-	-	-	-	199
Anderson grants	36,100	-	-	-	-	36,100
Local grants	39,094	-	-	-	-	39,094
The foundation	5,977	-	-	-	-	5,977
Assistance league of the PS area	155	-	-	-	-	155
Donations and fees	278,030	-	-	-	47,128	325,158
LCAP	15,730,060	-	-	-	678,022	16,408,082
Textbooks	2,913,555	-	-	-	-	2,913,555
MH Riverside county contract	27,359	-	-	-	-	27,359
Medical administrative activities	1,482	-	-	-	-	1,482
Fair market value	10,144	-	-	-	1,113	11,257
Carryover balance	2,000,000	-	-	-	-	2,000,000
Operational expectations	9,496,420	-	-	-	4,030,915	13,527,335
Site carryover	201,410	-	-	-	-	201,410
Catering	-	-	-	-	330,605	330,605
Energy projects	-	-	4,716,748	-	-	4,716,748
Site lease revenues	-	-	45,355	-	-	45,355
OPSC reimbursement for closed projects	-	-	19,958,311	-	-	19,958,311
Total assigned	31,507,755	-	24,720,414	-	5,095,296	61,323,465
Unassigned						
Reserve for economic uncertainties	14,790,139	-	-	-	-	14,790,139
Remaining unassigned	4,345,455	-	-	-	-	4,345,455
Total unassigned	19,135,594	-	-	-	-	19,135,594
Total	\$ 64,182,273	\$153,030,827	\$ 43,518,153	\$ 51,556,527	\$ 55,301,389	\$367,589,169

Note 12 - Risk Management**Description**

The District's risk management activities are recorded in the General and Self-Insurance Funds. Employee life, health, vision, dental, disability, and workers' compensation programs are administered by the District. The District is exposed to various risks of loss related to torts; theft, damage and destruction of assets; errors and omissions; injuries to employees; life and health of employees; and natural disasters. The District purchases commercial insurance through Southern California Regional Liability Excess Fund Joint Powers Authority for first party damage with coverage up to a maximum of \$250 million, subject to Member Retained Limits ranging from \$250 to \$5,000 per occurrence. The District also purchases commercial insurance for general liability claims with coverage up to \$1 million per occurrence with excess liability coverage up to \$24 million per occurrence and \$52 million aggregate, all subject to a \$5,000 Member Retained Limit per occurrence. The District self-insures workers' compensation coverage up to \$1,000,000 per occurrence with excess coverage up to \$10,000,000.

Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2021, the District contracted with Southern California Regional Liability Excess Fund (SoCal ReLiEF) for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

Employee Medical Benefits

The District has contracted with Self-Insured Schools of California (SISC) to provide employee health benefits. SISC is a shared risk pool comprised of 32 member Districts and Inland Empire region. Rates are set through an annual calculation process. The District pays a monthly contribution, which is placed in a common fund from which claim payments are made for all participating districts. Claims are paid for all participants regardless of claims flow. The Board of Directors has a right to return monies to a district subsequent to the settlement of all expenses and claims if a district withdraws from the pool.

The District has contracted with Teamsters Miscellaneous Security Trust (TMST) to provide employee health benefits. TMST represents 23 Teamster Unions Locals located in Southern California, Southern Nevada, Guam, Saipan, and Hawaii. Rates are set through an annual calculation process. The District pays a monthly contribution, which is placed in a common fund from which claim payments are made for all participating districts. Claims are paid for all participants regardless of claims flow. The Board of Directors has a right to return monies to a district subsequent to the settlement of all expenses and claims if a district withdraws from the pool.

Claims Liabilities

The District records an estimated liability for indemnity torts and other claims against the District. Claims liabilities are based on estimates of the ultimate cost of reported claims (including future claim adjustment expenses) and an estimate for claims incurred, but not reported based on historical experience.

Unpaid Claims Liabilities

The fund establishes a liability for both reported and unreported events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following represent the changes in approximate aggregate liabilities for the District from July 1, 2019 to June 30, 2021 (in thousands):

	Workers' Compensation
Liability Balance, July 1, 2019	\$ 5,752,371
Claims and changes in estimates	-
Claims payments	(1,882,263)
Liability Balance, June 30, 2020	3,870,108
Claims and changes in estimates	896,368
Claims payments	(1,061,752)
Liability Balance, June 30, 2021	\$ 3,704,724
Assets available to pay claims at June 30, 2021	\$ 27,127,417

Note 13 - Employee Retirement Systems

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

For the fiscal year ended June 30, 2021, the District reported its proportionate share of net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
CalSTRS	\$ 230,999,055	\$ 61,762,918	\$ 9,740,297	\$ 35,085,103
CalPERS	103,062,273	17,855,951	845,167	20,853,651
Total	\$ 334,061,328	\$ 79,618,869	\$ 10,585,464	\$ 55,938,754

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2019, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

Benefits Provided

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

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

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

The STRP provisions and benefits in effect at June 30, 2021, are summarized as follows:

	STRP Defined Benefit Program	
	On or before December 31, 2012	On or after January 1, 2013
Hire date		
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	10.205%
Required employer contribution rate	16.15%	16.15%
Required state contribution rate	10.328%	10.328%

Contributions

Required member, District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level%age of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1% of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2021, are presented above and the District's total contributions were \$21,181,901.

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

At June 30, 2021, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support and the total portion of the net pension liability that was associated with the District were as follows:

Total net pension liability, including State share

Proportionate share of net pension liability	\$ 230,999,055
State's proportionate share of the net pension liability	<u>119,080,040</u>
Total	<u><u>\$ 350,079,095</u></u>

The net pension liability was measured as of June 30, 2020. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportionate share for the measurement period June 30, 2020 and June 30, 2019, respectively was 0.2384% and 0.2413 %, resulting in a net increase/decrease in the proportionate share of 0.0029%.

For the year ended June 30, 2021, the District recognized pension expense of \$35,085,103. In addition, the District recognized pension expense and revenue of \$16,681,945 for support provided by the State. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 21,181,901	\$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	12,160,521	3,225,728
Differences between projected and actual earnings on pension plan investments	5,487,208	-
Differences between expected and actual experience in the measurement of the total pension liability	407,608	6,514,569
Changes of assumptions	<u>22,525,680</u>	<u>-</u>
Total	<u><u>\$ 61,762,918</u></u>	<u><u>\$ 9,740,297</u></u>

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Palm Springs Unified School District

Note to Financial Statements

June 30, 2021

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2022	\$ (3,348,262)
2023	1,869,592
2024	3,730,047
2025	3,235,831
Total	<u>\$ 5,487,208</u>

The deferred outflows/(inflows) of resources related to the change in proportion and differences between contributions made and District's proportionate share of contributions, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is seven years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2022	\$ 9,970,015
2023	7,890,982
2024	7,191,262
2025	453,400
2026	259,949
Thereafter	(412,096)
Total	<u>\$ 25,353,512</u>

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2019, and rolling forward the total pension liability to June 30, 2020. The financial reporting actuarial valuation as of June 30, 2019, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2019
Measurement date	June 30, 2020
Experience study	July 1, 2015 through June 30, 2018
Actuarial cost method	Entry age normal
Discount rate	7.10%
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%

CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among its members. The projection scale was set equal to 110% of the ultimate improvement factor from the Mortality Improvement Scale (MP-2019) table, issued by the Society of Actuaries.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance-PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in January 2020 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2020, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Public equity	42%	4.8%
Fixed income	15%	1.3%
Real estate	13%	3.6%
Private equity	12%	6.3%
Risk mitigating strategies	10%	1.8%
Inflation sensitive	6%	3.3%
Cash/liquidity	2%	-0.4%

Discount Rate

The discount rate used to measure the total pension liability was 7.10%. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10%) and assuming that contributions, benefit payments and administrative expense occurred midyear. Based on these assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

Discount Rate	Net Pension Liability
1% decrease (6.10%)	\$ 349,007,395
Current discount rate (7.10%)	230,999,055
1% increase (8.10%)	133,566,553

California Public Employees Retirement System (CalPERS)

Plan Description

Qualified employees are eligible to participate in the School Employer Pool (SEP) and the Safety Risk 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. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2019 annual actuarial valuation report, Schools Pool Actuarial Valuation, and the Risk Pool Actuarial Valuation Report, Safety. This report and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at: <https://www.calpers.ca.gov/page/forms-publications>.

Benefits Provided

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

The CalPERS provisions and benefits in effect at June 30, 2021, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before December 31, 2012	On or after January 1, 2013
Hire date		
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	7.00%
Required employer contribution rate	20.70%	20.70%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2021, are presented above and the total District contributions were \$10,089,497.

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

As of June 30, 2021, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$103,062,273. The net pension liability was measured as of June 30, 2019. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2019 and June 30, 2019, respectively was 0.3359% and 0.3281%, resulting in a net increase/decrease in the proportionate share of 0.0078%.

For the year ended June 30, 2021, the District recognized pension expense of \$20,853,651. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 10,089,497	\$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	131,520	845,167
Differences between projected and actual earnings on pension plan investments	2,145,429	-
Differences between expected and actual experience in the measurement of the total pension liability	5,111,572	-
Changes of assumptions	377,933	-
Total	<u>\$ 17,855,951</u>	<u>\$ 845,167</u>

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2022	\$ (802,863)
2023	716,127
2024	1,244,745
2025	987,420
Total	<u>\$ 2,145,429</u>

The deferred outflows/(inflows) of resources related to the change in proportion and differences between contributions made and District's proportionate share of contributions, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 4.1 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2022	\$ 3,294,312
2023	1,228,918
2024	239,655
2025	12,973
Total	<u>\$ 4,775,858</u>

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2019, and rolling forward the total pension liability to June 30, 2020. The financial reporting actuarial valuation as of June 30, 2019, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2019
Measurement date	June 30, 2020
Experience study	July 1, 1997 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.15%
Investment rate of return	7.15%
Consumer price inflation	2.50%
Wage growth	Varies by entry age and service

The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using Society of Actuaries 90% of scale MP-2016.

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

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	50%	5.98%
Fixed income	28%	2.62%
Inflation assets	0%	1.81%
Private equity	8%	7.23%
Real assets	13%	4.93%
Liquidity	1%	-0.92%

Discount Rate

The discount rate used to measure the total pension liability was 7.15%. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

Discount Rate	Net Pension Liability
1% decrease (6.15%)	\$ 148,170,812
Current discount rate (7.15%)	103,062,273
1% increase (8.15%)	65,624,450

Social Security

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (CalSTRS or CalPERS) must be covered by social security or an alternative plan. The District has elected to use the Social Security as its alternative plan.

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of \$ 13,476,323 (10.328% of annual payroll). Contributions are no longer appropriated in the annual Budget Act for the legislatively mandated benefits to CalPERS.

Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements.

Note 14 - Commitments and Contingencies

Grants

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2021.

Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2021.

Construction Commitments

As of June 30, 2021, the District had the following commitments with respect to the unfinished capital projects:

Capital Project	Remaining Construction Commitment	Expected Date of Completion
Modernization at various sites		
PROP39 Energy - incl. Bond Match	\$ 933,001	2021-2022
Shade Structures & Shade Trees all elementary sites	412,341	2021-2022
PSHS AB300 Seismic - building renovations	15,228,385	2021-2022
DLA500 BLDG	5,114,805	2023-2024
DAC-Tenant Improvements	297,625	2021-2022
M&O Deferred Maintenance Projects - capitalized	70,287	2021-2022
HVAC for DHSHS Locker Rooms	297,753	2021-2022
Solar at Rio Vista & Mount San Jacinto	1,903,287	2021-2022
PSHS Chiller	1,852,743	2021-2022
Desert Hot Springs Mini-Gym Floor replacement	682,900	2021-2022
Additional Solar, battery storage and micro-grids & EV Charging Stations	6,289,690	2022-2023
RMES Ramp / Access - Design, Survey, and DSA only	9,950	2022-2023
PSHS BB Theater Lighting Equipment Replacement	(7,000)	2021-2022
Della S Lindely Elementary Modernization - incl. Fire Alarm Upgrade	19,058,959	2023-2024
Landau Elementary Modernization - incl. Fire Alarm Upgrade	38,868,557	2024-2025
Sunny Sands Elementary Modernization - incl. Fire Alarm Upgrade	39,713,186	2024-2025
Bubbling Wells Elementary Modernization - Design only	962,323	2025-2026
James Workman Middle School Modernization - Design only	3,159,600	2024-2025
Cathedral City High School Modernization - Design and Fire Alarms Upgrade only	4,415,773	2026-2027
Total	<u>\$ 139,264,165</u>	

Note 15 - Joint Powers Authorities and Other Related Party Transactions

The District is a member of the Southern California Regional Liability Excess Fund (SoCal ReLiEF), Self-Insured Schools of California (SISC), Teamsters Miscellaneous Security Trust (TMST), and the Riverside Schools Risk Management Authority (RSRMA) a joint powers authority (JPA). The relationship between the District and the JPA is such that it is not a component unit 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 JPA and the District are included in these statements. Audited financial statements are available from the respective entities.

During the year ended June 30, 2021, the District made payments of \$2,260,829, \$20,940,370, \$10,393,719, and \$6,648,731 to SoCal ReLiEF, SISC, TMST, and RSRMA, respectively, for its health coverage, property liability and workers' compensation.

Note 16 - Restatement of Prior Year Net Position and Fund Balance

As of June 30, 2021, the District adopted GASB Statement No. 84, *Fiduciary Activities* (GASB 84). As a result of the implementation of GASB 84, the District has reclassified its associated student body activity previously reported as fiduciary funds to a governmental fund – Student Activity Fund. The following table describes the effects of the implementation on beginning fund balance/net position.

	Non-Major Governmental Funds	Total Governmental Funds
Beginning fund balance previously reported at June 30, 2020	\$ 40,279,477	\$ 200,295,634
Prior period adjustment - Implementation of GASB 84		
Reclassification of student activity funds from agency funds to a special revenue fund	<u>1,305,188</u>	<u>1,305,188</u>
Fund balance restated at July 1, 2020	<u><u>\$ 41,584,665</u></u>	<u><u>\$ 201,600,822</u></u>

The restatement of net position is identified as follows:

Governmental Activities	
Beginning Net Position Governmental Activities as Previously Reported at June 30, 2020	\$ 225,806,882
Reclassification of student activity funds from agency funds to a special revenue fund	<u>1,305,188</u>
Net position restated at July 1, 2020	<u><u>\$ 227,112,070</u></u>



Required Supplementary Information
June 30, 2021

Palm Springs Unified School District

Palm Springs Unified School District
Budgetary Comparison Schedule – General Fund
Year Ended June 30, 2021

	Budgeted Amounts		Actual	Variances - Positive (Negative)
	Original	Final		Final to Actual
Revenues				
Local Control Funding Formula	\$ 245,020,743	\$ 242,804,239	\$ 242,855,071	\$ 50,832
Federal sources	29,154,107	92,084,570	58,405,757	(33,678,813)
Other State sources	26,905,654	57,972,055	36,210,880	(21,761,175)
Other local sources	14,635,721	18,743,237	18,719,589	(23,648)
Total revenues	315,716,225	411,604,101	356,191,297	(55,412,804)
Expenditures				
Current				
Certificated salaries	130,525,921	129,777,362	131,370,506	(1,593,144)
Classified salaries	47,953,952	47,357,676	47,587,736	(230,060)
Employee benefits	95,511,663	89,335,586	85,133,110	4,202,476
Books and supplies	12,453,125	74,885,505	28,702,041	46,183,464
Services and operating expenditures	35,782,145	45,862,839	36,669,708	9,193,131
Other outgo	(1,041,806)	(1,458,273)	(1,340,654)	(117,619)
Capital outlay	446,804	3,000,437	1,090,302	1,910,135
Total expenditures	321,631,804	388,761,132	329,212,749	59,548,383
Excess (Deficiency) of Revenues Over Expenditures	(5,915,579)	22,842,969	26,978,548	4,135,579
Other Financing Sources (Uses)				
Transfers in	9,206,009	5,267,731	4,644,158	(623,573)
Transfers out	(2,998,001)	(3,002,227)	(2,538,560)	463,667
Net financing sources (uses)	6,208,008	2,265,504	2,105,598	(159,906)
Net Change in Fund Balances	292,429	25,108,473	29,084,146	3,975,673
Fund Balance - Beginning	35,098,127	35,098,127	35,098,127	-
Fund Balance - Ending	\$ 35,390,556	\$ 60,206,600	\$ 64,182,273	\$ 3,975,673

¹ Due to the consolidation of Fund 17, Special Reserve Fund for Other Than Capital Outlay Projects for reporting purposes into the General Fund, additional revenues and expenditures pertaining to these other funds are included in the Actual (GAAP Basis) revenues and expenditures, however are not included in the original and final General Fund budgets.

Palm Springs Unified School District
Schedule of Changes in the District's Net/Total OPEB Liability and Related Ratios
Year Ended June 30, 2021

	2021	2020	2019	2018
Total OPEB Liability				
Service cost	\$ 3,094,993	\$ 3,004,848	\$ 2,517,617	\$ 2,563,184
Interest	1,197,997	1,192,239	1,851,832	1,680,193
Changes of benefit terms	-	(1,058,918)	-	-
Difference between expected and actual experience	(2,822,929)	13,862	63,979	181,335
Changes of assumptions	(3,903,921)	4,090,852	1,251,556	(1,055,121)
Benefit payments	(2,555,380)	(2,400,649)	(2,551,740)	(2,357,253)
Net change in total OPEB liability	(4,989,240)	4,842,234	3,133,244	1,012,338
Total OPEB Liability - Beginning	54,184,618	49,342,384	46,209,140	45,196,802
Total OPEB Liability - Ending	<u>\$ 49,195,378</u>	<u>\$ 54,184,618</u>	<u>\$ 49,342,384</u>	<u>\$ 46,209,140</u>
Covered Payroll	N/A ¹	N/A ¹	N/A ¹	N/A ¹
Total OPEB Liability as a Percentage of Covered Payroll	N/A ¹	N/A ¹	N/A ¹	N/A ¹
Measurement Date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018

¹ The OPEB Plan is not administered through a trust and contributions are not made based on a measure of pay. Therefore, no measure of payroll is presented.

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

See Notes to Required Supplementary Information

Palm Springs Unified School District
Schedule of the District's Proportionate Share of the Net OPEB Liability – MPP Program
Year Ended June 30, 2021

Year ended June 30,	2021	2020	2019	2018
Proportion of the net OPEB liability	0.4153%	0.3729%	0.3625%	0.3625%
Proportionate share of the net OPEB liability	\$ 1,760,166	\$ 1,388,630	\$ 1,387,493	\$ 1,743,573
Covered payroll	N/A ¹	N/A ¹	N/A ¹	N/A ¹
Proportionate share of the net OPEB liability as a percentage of it's covered payroll	N/A ¹	N/A ¹	N/A ¹	N/A ¹
Plan fiduciary net position as a percentage of the total OPEB liability	-0.71%	-0.81%	-0.40%	0.01%
Measurement Date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017

¹ As of June 30, 2012, active members are no longer eligible for future enrollment in the MPP Program; therefore, the covered payroll disclosure is not applicable.

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

See Notes to Required Supplementary Information

Palm Springs Unified School District
Schedule of the District's Proportionate Share of the Net Pension Liability
Year Ended June 30, 2021

	2021	2020	2019	2018	2017	2016	2015
CalSTRS							
Proportion of the net pension liability	0.2384%	0.2413%	0.2305%	0.2289%	0.2308%	0.2203%	0.0750%
Proportionate share of the net pension liability	\$ 230,999,055	\$ 217,900,290	\$ 211,855,128	\$ 211,702,726	\$ 186,675,227	\$ 148,312,147	\$ 116,093,098
State's proportionate share of the net pension liability	119,080,040	118,879,155	121,296,969	125,241,544	106,286,523	78,440,566	70,102,025
Total	<u>\$ 350,079,095</u>	<u>\$ 336,779,445</u>	<u>\$ 333,152,097</u>	<u>\$ 336,944,270</u>	<u>\$ 292,961,750</u>	<u>\$ 226,752,713</u>	<u>\$ 186,195,123</u>
Covered payroll	<u>\$ 131,966,058</u>	<u>\$ 131,111,296</u>	<u>\$ 124,947,685</u>	<u>\$ 122,773,402</u>	<u>\$ 113,836,850</u>	<u>\$ 98,694,989</u>	<u>103,962,473</u>
Proportionate share of the net pension liability as a percentage of its covered payroll	175.04%	166.19%	169.56%	172.43%	163.98%	150.27%	111.67%
Plan fiduciary net position as a percentage of the total pension liability	72%	73%	71%	69%	70%	74%	77%
Measurement Date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
CalPERS							
Proportion of the net pension liability	0.3359%	0.3281%	0.3293%	0.3267%	0.3258%	0.3013%	0.2952%
Proportionate share of the net pension liability	\$ 103,062,273	\$ 95,635,221	\$ 87,807,338	\$ 77,989,257	\$ 64,353,119	\$ 44,414,852	\$ 33,509,892
Covered payroll	<u>\$ 48,591,618</u>	<u>\$ 45,824,731</u>	<u>\$ 43,606,980</u>	<u>\$ 41,678,190</u>	<u>\$ 40,021,930</u>	<u>\$ 32,838,170</u>	<u>34,228,832</u>
Proportionate share of the net pension liability as a percentage of its covered payroll	212.10%	208.70%	201.36%	187.12%	160.79%	135.25%	97.90%
Plan fiduciary net position as a percentage of the total pension liability	70%	70%	71%	72%	74%	79%	83%
Measurement Date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014

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

Palm Springs Unified School District
Schedule of the District Contributions
Year Ended June 30, 2021

	2021	2020	2019	2018	2017	2016	2015
CalSTRS							
Contractually required contribution	\$ 21,181,901	\$ 22,566,196	\$ 21,344,919	\$ 18,029,951	\$ 15,444,894	\$ 12,214,694	\$ 8,764,115
Less contributions in relation to the contractually required contribution	21,181,901	22,566,196	21,344,919	18,029,951	15,444,894	12,214,694	8,764,115
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 131,157,282	\$ 131,966,058	\$ 131,111,296	\$ 124,947,685	\$ 122,773,402	\$ 113,836,850	\$ 98,694,989
Contributions as a percentage of covered payroll	16.15%	17.10%	16.28%	14.43%	12.58%	10.73%	8.88%
CalPERS							
Contractually required contribution	\$ 10,089,497	\$ 9,582,753	\$ 8,276,863	\$ 6,772,600	\$ 5,788,267	\$ 4,741,398	\$ 3,865,381
Less contributions in relation to the contractually required contribution	10,089,497	9,582,753	8,276,863	6,772,600	5,788,267	4,741,398	3,865,381
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 48,741,531	\$ 48,591,618	\$ 45,824,731	\$ 43,606,980	\$ 41,678,190	\$ 40,021,930	\$ 32,838,170
Contributions as a percentage of covered payroll	20.700%	19.721%	18.062%	15.531%	13.888%	11.847%	11.771%

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

Note 1 - Purpose of Schedules

Budgetary Comparison Schedule(s)

The District employs budget control by object codes and by individual appropriation accounts. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United State of America as prescribed by the Governmental Accounting Standards Board and provisions of the California *Education Code*. The governing board is required to hold a public hearing and adopt an operating budget no later than July 1 of each year. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for.

Schedule of Changes in the District's Total OPEB Liability and Related Ratios

This schedule presents information on the District's changes in the total OPEB liability, including beginning and ending balances, the plan's fiduciary net position, and the total OPEB liability. In the future, as data becomes available, ten years of information will be presented.

Changes in Benefit Terms – There were no changes in benefit terms since the previous valuation for other postemployment benefits.

Changes of Assumptions – Liability changes resulting from changes in economic and demographic assumptions are also deferred based on the average working life. In addition, the discount rate was changed from 2.20% to 2.16%.

Schedule of District Contributions for OPEB

This schedule presents information on the District's actuarially determined contribution, contributions in relation to the actuarially determined contribution, and any excess or deficiency related to the actuarially determined contribution. In the future, as data becomes available, ten years of information will be presented.

Schedule of OPEB Investment Returns

This schedule presents information on the annual money-weighted rate of return on OPEB plan investments. In future years, as data becomes available, ten years of information will be presented.

Schedule of the District's Proportionate Share of the Net OPEB Liability - MPP Program

This schedule presents information on the District's proportionate share of the net OPEB Liability – MPP Program and the plans' fiduciary net position. In the future, as data becomes available, ten years of information will be presented.

- *Changes in Benefit Terms* – There were no changes in the benefit terms since the previous valuation.
- *Changes of Assumptions* – The plan rate of investment return assumption was changed from 3.50% to 2.21% since the previous valuation.

Schedule of the District's Proportionate Share of the Net Pension Liability

This schedule presents information on the District's proportionate share of the net pension liability (NPL), the plans' fiduciary net position and, when applicable, the State's proportionate share of the NPL associated with the District. In the future, as data becomes available, ten years of information will be presented.

- *Changes in Benefit Terms* – There were no changes in benefit terms since the previous valuations for both CalSTRS and CalPERS.
- *Changes of Assumptions* – There were no changes in economic assumptions for either the CalSTRS or CalPERS plans from the previous valuations.

Schedule of District Contributions

This schedule presents information on the District's required contribution, the amounts actually contributed, and any excess or deficiency related to the required contribution. In the future, as data becomes available, ten years of information will be presented.



Supplementary Information
June 30, 2021

Palm Springs Unified School District

Palm Springs Unified School District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2021

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing/Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	Amounts Passed Through to Subrecipients
U.S. Department of Agriculture				
Passed Through California Department of Education (CDE)				
Child Nutrition Cluster				
National School Lunch Program (NSLP) - Summer Food Service				
Program Operations	10.559	13004	\$ 12,900,796	\$ -
NSLP - Summer Food Service Sponsor Administration	10.559	13006	1,322,873	-
NSLP - Commodity Supplemental Food	10.555	13391	200,178	-
Total Child Nutrition Cluster			14,423,847	-
Child and Adult Care Food Program	10.558	13393	7,589,382	-
Fresh Fruit and Vegetable Program	10.582	14968	94,121	-
Passed Through Riverside County Office of Education				
Forest Service Schools and Roads Cluster				
Forest Reserve Funds	10.665	10044	7,681	-
Total U.S. Department of Agriculture			22,115,031	-
U.S. Department of Defense				
Junior Reserve Officer Training Corps - Air Force	12.357	[1]	126,821	-
U.S. Department of Treasury				
Passed Through CDE				
COVID-19 Coronavirus Relief Fund (CRF)	21.019	25516	24,455,993	-
U.S. Department of Education				
Passed Through CDE				
Special Education Cluster				
Basic Local Assistance Entitlement	84.027	13379	3,301,466	-
Private School ISP	84.027	10115	31,975	-
Preschool Capacity Building	84.173A	13839	666	-
Preschool Grants	84.173	13430	101,236	-
Mental Health Services	84.027	15197	148,742	-
Preschool Staff Development	84.173	13431	766	-
Total Special Education Cluster			3,584,851	-
Title I Grants to Local Educational Agencies	84.010	14329	9,163,314	142,174
School Improvement Funding for LEAs	84.010	15438	248,974	-
Subtotal			9,412,288	-
Supporting Effective Instruction State Grants - Teacher Quality	84.367	14341	661,146	21,721
English Language Acquisition State Grants				
Immigrant Student Program	84.365	15146	39,333	-
Limited English Proficient (LEP) Student Program	84.365	14346	740,494	-
Subtotal			779,827	-
Student Support and Academic Enrichment Program	84.424	15396	510,793	3,067
Career and Technical Education - Basic Grants to States	84.048	14894	207,282	-
Education for Homeless Children and Youth	84.196	14332	79,777	-
COVID-19 Governor's Emergency Education Relief (GEER) Fund	84.425C	15517	761,912	-
COVID-19 Elementary and Secondary School Emergency Relief (ESSER I) Fund	84.425D	15536	7,348,092	115,119
COVID-19 Elementary and Secondary School Emergency Relief (ESSER II) Fund	84.425D	15547	7,890,105	-
COVID-19 Act Supplemental Meal Reimbursement	84.425D	15535	1,609,602	-
Subtotal			17,609,711	115,119
Total U.S. Department of Education			32,845,675	139,907
U.S. Department of Health and Human Services				
Passed Through California Department of Health and Human Services				
Head Start Cluster				
Head Start	93.600	10016	3,265,375	-
Total Expenditures of Federal Awards			\$ 82,808,895	\$ 139,907

See Notes to Required Supplementary Information

ORGANIZATION

The District was established in 1948 and consists of an area comprising approximately 498 square miles. The District operates fifteen elementary schools, five middle schools, four high schools, one charter school, one continuation, and one adult school. There were not boundary changes during the year.

GOVERNING BOARD

MEMBER	OFFICE	TERM EXPIRES
Timothy S. Wood	President	2022
Madonna Gerrell	Clerk	2024
Karen Cornett	Member	2022
Sergio Espericueta	Member	2024
John Gerardi	Member	2022

ADMINISTRATION

NAME	TITLE
Mike Swize, Ed.D.	Superintendent
Brian J. Murray, Ed.D.	Assistant Superintendent, Business Services
Simone Kovats, Ed.D.	Assistant Superintendent, Educational Services
Tony Signoret, Ed.D.	Assistant Superintendent, Human Resources
Peter VanBuskirk	Director of Fiscal Services

Palm Springs Unified School District

Schedule of Instructional Time

Year Ended June 30, 2021

Grade Level	Number of Actual Days		Number of Days Credited Form J-13A	Total Days Offered	Status
	Traditional Calendar	Multitrack Calendar			
Kindergarten	180	-	-	180	Complied
Grades 1 - 3					
Grade 1	180	-	-	180	Complied
Grade 2	180	-	-	180	Complied
Grade 3	180	-	-	180	Complied
Grades 4 - 8					
Grade 4	180	-	-	180	Complied
Grade 5	180	-	-	180	Complied
Grade 6	180	-	-	180	Complied
Grade 7	180	-	-	180	Complied
Grade 8	180	-	-	180	Complied
Grades 9 - 12					
Grade 9	180	-	-	180	Complied
Grade 10	180	-	-	180	Complied
Grade 11	180	-	-	180	Complied
Grade 12	180	-	-	180	Complied

Cielo Vista Charter School

Grade Level	Number of Actual Days		Number of Days Credited Form J-13A	Total Days Offered	Status
	Traditional Calendar	Multitrack Calendar			
Kindergarten	180	-	-	180	Complied
Grades 1 - 3					
Grade 1	180	-	-	180	Complied
Grade 2	180	-	-	180	Complied
Grade 3	180	-	-	180	Complied
Grades 4 - 8					
Grade 4	180	-	-	180	Complied
Grade 5	180	-	-	180	Complied
Grade 6	180	-	-	180	Complied
Grade 7	180	-	-	180	Complied
Grade 8	180	-	-	180	Complied

Palm Springs Unified School District
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements
Year Ended June 30, 2021

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

	<u>General Fund</u>
Fund Balance	
Balance, June 30, 2021, Unaudited Actuals	\$ 64,182,245
Increase in	
Cash in county treasury	143,906
Accounts payable	<u>(143,878)</u>
Balance, June 30, 2021, Audited Financial Statements	<u><u>\$ 64,182,273</u></u>

Palm Springs Unified School District
Schedule of Financial Trends and Analysis
Year Ended June 30, 2021

	(Budget) 2022 ¹	2021	2020	2019
General Fund				
Revenues	\$ 318,863,015	\$ 356,191,297	\$ 308,091,645	\$ 324,288,243
Other sources and transfers in	5,334,878	4,644,158	7,494,466	-
Total Revenues and Other Sources	<u>324,197,893</u>	<u>360,835,455</u>	<u>315,586,111</u>	<u>324,288,243</u>
Expenditures	328,349,801	329,212,749	316,262,075	315,467,945
Other uses and transfers out	<u>(3,027,725)</u>	<u>2,538,560</u>	<u>2,143,944</u>	<u>1,653,753</u>
Total Expenditures and Other Uses	<u>325,322,076</u>	<u>331,751,309</u>	<u>318,406,019</u>	<u>317,121,698</u>
Increase/(Decrease) in Fund Balance	<u>(1,124,183)</u>	<u>29,084,146</u>	<u>(2,819,908)</u>	<u>7,166,545</u>
Ending Fund Balance	<u>\$ 58,230,326</u>	<u>\$ 59,354,509</u>	<u>\$ 30,270,363</u>	<u>\$ 33,090,271</u>
Available Reserves ²	<u>\$ 11,882,467</u>	<u>\$ 19,135,594</u>	<u>\$ 17,256,336</u>	<u>\$ 15,520,810</u>
Available Reserves as a Percentage of Total Outgo	<u>3.65%</u>	<u>5.77%</u>	<u>5.42%</u>	<u>4.89%</u>
Long-Term Liabilities	<u>N/A</u>	<u>\$ 897,518,040</u>	<u>\$ 779,457,798</u>	<u>\$ 781,551,220</u>
K-12 Average Daily Attendance at P-2	<u>19,862</u>	<u>20,302</u>	<u>20,302</u>	<u>20,780</u>

The General Fund balance has increased by \$26,264,238 over the past two years. The fiscal year 2021-2022 budget projects a further decrease of \$1,124,183 (1.89%). For a district this size, the State recommends available reserves of at least 3.00% 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 but anticipates incurring an operating deficit during the 2021-2022 fiscal year. Total long-term liabilities have increased by \$115,966,820 over the past two years.

Average daily attendance has decreased by 478 over the past two years. Additional decline of 440 ADA is anticipated during fiscal year 2021-2022.

¹ Budget 2022 is included for analytical purposes only and has not been subjected to audit.

² Available reserves consist of all unassigned fund balances including all amounts reserved for economic uncertainties contained with the General Fund and the Special Reserve Fund for Other Than Capital Outlay Projects.

Palm Springs Unified School District
Schedule of Charter Schools
Year Ended June 30, 2021

<u>Name of Charter School</u>	<u>Charter Number</u>	<u>Included in Audit Report</u>
Cielo Vista Charter	1173	Yes

Palm Springs Unified School District
Combining Balance Sheet – Non-Major Governmental Funds
June 30, 2021

	Student Activity Fund	Charter Schools Fund	Adult Education Fund	Child Development Fund	Cafeteria Fund	Capital Facilities Fund	County School Facilities Fund	Total Non-Major Governmental Funds
Assets								
Deposits and investments	\$ 1,405,312	\$ 5,618,090	\$ 266,366	\$ 359,751	\$ 15,405,889	\$ 9,021,000	\$ 67	\$ 32,076,475
Receivables	-	1,566,362	213	341,657	2,793,664	317,462	21	5,019,379
Due from other funds	-	202,831	-	3,368	1,034	20,008,270	66	20,215,569
Stores inventories	60,841	-	-	-	475,239	-	-	536,080
Total assets	\$ 1,466,153	\$ 7,387,283	\$ 266,579	\$ 704,776	\$ 18,675,826	\$ 29,346,732	\$ 154	\$ 57,847,503
Liabilities and Fund Balances								
Liabilities								
Accounts payable	\$ -	\$ 475,749	\$ 23,530	\$ 49,087	\$ 224,543	\$ 6,321	\$ -	\$ 779,230
Due to other funds	-	1,384,922	2,709	39,399	96,942	3,944	154	1,528,070
Unearned revenue	-	148,908	-	83,283	6,623	-	-	238,814
Total liabilities	-	2,009,579	26,239	171,769	328,108	10,265	154	2,546,114
Fund Balances								
Nonspendable	63,182	50,000	-	-	475,239	-	-	588,421
Restricted	1,402,971	563,013	240,340	533,007	17,541,874	29,336,467	-	49,617,672
Assigned	-	4,764,691	-	-	330,605	-	-	5,095,296
Total fund balances	1,466,153	5,377,704	240,340	533,007	18,347,718	29,336,467	-	55,301,389
Total liabilities and fund balances	\$ 1,466,153	\$ 7,387,283	\$ 266,579	\$ 704,776	\$ 18,675,826	\$ 29,346,732	\$ 154	\$ 57,847,503

See Notes to Supplementary Information

Palm Springs Unified School District

Combining Statement of Revenues, Expenditure, and Changes in Fund Balances – Non-Major Governmental Funds

Year Ended June 30, 2021

	Student Activity Fund	Charter Schools Fund	Adult Education Fund	Child Development Fund	Cafeteria Fund	Capital Facilities Fund	County School Facilities Fund	Total Non-Major Governmental Funds
Revenues								
Local Control Funding Formula	\$ -	\$ 9,090,725	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,090,725
Federal sources	-	686,186	-	120,094	23,716,953	-	-	24,523,233
Other State sources	-	1,068,461	275,744	3,513,557	175,652	-	15,477,098	20,510,512
Other local sources	876,761	27,601	1,166	1,669	83,554	7,901,004	109	8,891,864
Total revenues	876,761	10,872,973	276,910	3,635,320	23,976,159	7,901,004	15,477,207	63,016,334
Expenditures								
Current								
Instruction	-	7,007,284	158,697	2,423,155	-	-	-	9,589,136
Instruction-related activities								
Supervision of instruction	-	12,157	3,841	478,223	-	-	-	494,221
Instructional library, media, and technology	-	84,633	-	-	-	-	-	84,633
School site administration	-	774,052	-	-	-	-	-	774,052
Pupil services								
Food services	-	-	-	-	15,348,215	-	-	15,348,215
All other pupil services	-	208,891	104,341	78,301	-	-	-	391,533
Administration								
All other administration	-	604,843	8,811	137,683	745,796	219,103	-	1,716,236
Plant services	-	474,941	18,523	53,403	103,807	24,338	-	675,012
Ancillary services	715,796	-	-	-	-	-	-	715,796
Facility acquisition and construction	-	14,041	-	-	-	3,222,127	2,623,996	5,860,164
Total expenditures	715,796	9,180,842	294,213	3,170,765	16,197,818	3,465,568	2,623,996	35,648,998
Excess (Deficiency) of Revenues Over Expenditures	160,965	1,692,131	(17,303)	464,555	7,778,341	4,435,436	12,853,211	27,367,336
Other Financing Sources (Uses)								
Transfers in	-	-	-	-	1,034	-	-	1,034
Transfers out	-	(782,095)	-	-	-	-	(12,869,551)	(13,651,646)
Net Financing Sources (Uses)	-	(782,095)	-	-	1,034	-	(12,869,551)	(13,650,612)
Net Change in Fund Balances	160,965	910,036	(17,303)	464,555	7,779,375	4,435,436	(16,340)	13,716,724
Fund Balance - Beginning, as Restated	1,305,188	4,467,668	257,643	68,452	10,568,343	24,901,031	16,340	41,584,665
Fund Balance - Ending	\$ 1,466,153	\$ 5,377,704	\$ 240,340	\$ 533,007	\$ 18,347,718	\$ 29,336,467	\$ -	\$ 55,301,389

See Notes to Supplementary Information

Note 1 - Purpose of Schedules

Schedule of Expenditures of Federal Awards (SEFA)

Basis of Presentation

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of the District under programs of the federal government for the year ended June 30, 2021. The information is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position or changes in fund balance of the District.

Summary of Significant Accounting Policies

Expenditures reported in the schedule are reported on the modified accrual basis of accounting, except for subrecipient expenditures, which are recorded on the cash basis. When applicable, such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Indirect Cost Rate

The District has not elected to use the ten percent de minimis cost rate.

Food Donation

Nonmonetary assistance is reported in this schedule at the fair market value of the commodities received and disbursed. At June 30, 2021, the District had no food commodities in inventory.

SEFA Reconciliation

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances, and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The COVID-19 Child Care and Development Block Grant have been recorded in the current period as revenues that have not been expended as of June 30, 2021. These unspent balances are reported as legally restricted ending balances within the General Fund.

	Federal Financial Assistance Listing/Federal CFDA Number	Amount
Description		
Total Federal Revenues reported on the financial statements		\$ 82,928,990
COVID-19 Child Care and Development Block Grant	93.575	(120,095)
Total Schedule of Expenditures of Federal Awards		<u>\$ 82,808,895</u>

Local Education Agency Organization Structure

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

Schedule of Instructional Time

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

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

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

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

Schedule of Financial Trends and Analysis

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

Schedule of Charter Schools

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

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

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



Independent Auditor's Reports
June 30, 2021

Palm Springs Unified School District



Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Directors
Palm Springs Unified School District
City, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information Palm Springs Unified School District (the District), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 21, 2022.

Emphasis of Matter – Change in Accounting Principle

As discussed in Notes 1 and 15 to the financial statements, the District has adopted the provisions of GASB Statement No. 84, *Fiduciary Activities*, which has resulted in a restatement of the net position and fund balance as of July 1, 2020. Our opinions are not modified with respect to this matter.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Rancho Cucamonga, California
January 21, 2022



Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance Required by the Uniform Guidance

To the Board of Directors
Palm Springs Unified School District
Palm Springs, California

Report on Compliance for Each Major Federal Program

We have audited the District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2021. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District's complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control over Compliance

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

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

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

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

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Rancho Cucamonga, California
January 21, 2022



Independent Auditor's Report on State Compliance

To the Board of Directors
Palm Springs Unified School District
Palm Springs, California

Report on State Compliance

We have audited Palm Springs Unified School District's (the District) compliance with the types of compliance requirements described in the *2020-2021 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, applicable to the state laws and regulations listed in the table below for the year ended June 30, 2021.

Management's Responsibility

Management is responsible for compliance with the state laws and regulations as identified in the table below.

Auditor's Responsibility

Our responsibility is to express an opinion on the District's compliance with state laws and regulations based on our audit of the types of compliance requirements referred to below. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of the *2020-2021 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements listed below has occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on state compliance. However, our audit does not provide a legal determination of the District's compliance.

Compliance Requirements Tested

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

	Procedures Performed
LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS	
Attendance and Distance Learning	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	No, see below
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
K-3 Grade Span Adjustment	Yes
Apprenticeship: Related and Supplemental Instruction	No, see below
Comprehensive School Safety Plan	Yes
District of Choice	No, see below
SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS	
California Clean Energy Jobs Act	Yes
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Independent Study - Course Based	No, see below
CHARTER SCHOOLS	
Attendance	Yes
Mode of Instruction	Yes
Nonclassroom-Based Instruction/Independent Study	No, see below
Determination of Funding for Nonclassroom-Based Instruction	No, see below
Charter School Facility Grant Program	No, see below

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

We did not perform Apprenticeship: Related and Supplemental Instruction procedures because the program is not offered by the District.

We did not perform District of Choice procedures because the program is not offered by the District.

The Charter School does not offer an Independent Study - Course Based Program; therefore, we did not perform any procedures related to the Independent Study - Course Based Program.

We did not perform procedures for the Nonclassroom-Based Instruction/Independent Study nor for Determination of Funding for Nonclassroom-Based Instruction because the Charter School is classroom-based.

Additionally, we did not perform procedures for the Charter School Facility Grant Program because the District did not receive funding for this program.

Unmodified Opinion

In our opinion, the District complied, in all material respects, with the laws and regulations of the state programs referred to above for the year ended June 30, 2021.

The purpose of this report on state compliance is solely to describe the results of our testing based on the requirements of the *2020-2021 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Rancho Cucamonga, California
January 21, 2022



Schedule of Findings and Questioned Costs
June 30, 2021

Palm Springs Unified School District

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major program	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516(a)	No

Identification of major programs

Name of Federal Program or Cluster	Federal Financial Assistance Listing/ Federal CFDA Number
COVID-19 Coronavirus Relief Fund (CRF)	20.019
Title I, Part A	84.010
COVID-19 Educational Stabilization Fund (ESF)	84.425C, 84.425D
Dollar threshold used to distinguish between type A and type B programs	\$2,484,267
Auditee qualified as low-risk auditee?	No

State Compliance

Type of auditor's report issued on compliance for programs	Unmodified
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None reported.

None reported.

None reported.

There were no audit findings reported in the prior year's Schedule of Findings and Questioned Costs.