PALM SPRINGS UNIFIED SCHOOL DISTRICT

RIVERSIDE COUNTY

AUDIT REPORT

For the Fiscal Year Ended
June 30, 2019

PALM SPRINGS UNIFIED SCHOOL DISTRICT
For the Fiscal Year Ended June 30, 2019
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NIGRO & NIGRO PC
A Professional Accountancy Corporation

INDEPENDENT AUDITORS' REPORT

Board of Education
Palm Springs Unified School District
Palm Springs, California

Report on the Financial Statements
We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Palm Springs Unified School District, as of and for the fiscal year ended June 30, 2019, 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.

Auditors' 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, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *2018-19 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 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 Palm Springs Unified School District, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Jeff Nigro, CPA, CFE | Elizabeth Nigro, CPA | Peter Glenn, CPA | Paul J. Kaymark, CPA | Michael Klein, CPA, CMA, EA

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of proportionate share of the net pension liability, schedule of pension contributions, schedule of changes in the District's total OPEB liability and related ratios, schedule of the District's proportionate share of the net OPEB liability-MPP Program, and the notes to the required supplementary information 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 basic financial statements. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements. The supplementary information on pages 67 to 70 and the schedule of expenditures of federal awards on page 71 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole. The information on pages 66 and 72 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated December 2, 2019, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

Nigro & Nigro, PC

Murrieta, California
December 2, 2019

This discussion and analysis of Palm Springs Unified School District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2019. Please read it in conjunction with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- Net position of governmental activities increased by approximately $3.5 million.
- Governmental expenses were approximately $360.6 million. Revenues were about $364.1 million.
- The District spent nearly $34.6 million in new capital assets during the year.
- The District decreased its outstanding long-term debt other than pensions by $19.1 million.
- Grades K-12 average daily attendance (ADA) decreased by 339, or 1.6%.
- Governmental funds decreased by $22.0 million, or 9.7%.
- Reserves for the General Fund decreased by $6.3 million, or 28.9%.

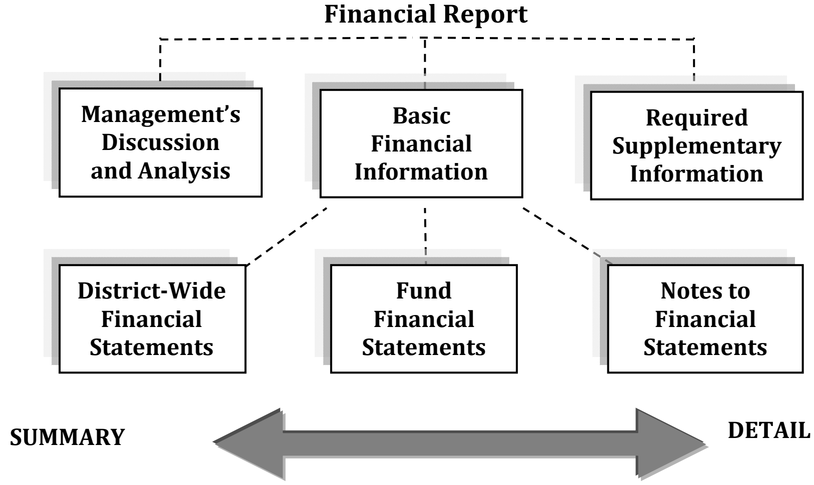
OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *district-wide financial statements* that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.
  - The *governmental funds* statements tell how basic services like regular and special education were financed in the short term as well as what remains for future spending.
  - Short and long-term financial information about the activities of the District that operate like businesses (self-insurance funds) are provided in the *proprietary funds statements.*
  - *Fiduciary funds* statement provides information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others to whom the resources belong.

The financial statements also include *notes* that explain some of the information in the statements and provide more detailed data. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

Figure A-1. Organization of Palm Springs Unified School District's Annual Financial Report



OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2. Major Features of the District-Wide and Fund Financial Statements

Type of Statements	District-Wide	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District, except fiduciary activities	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities of the District that operate like a business, such as self-insurance funds	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	• Statement of Net Position • Statement of Activities	• Balance Sheet • Statement of Revenues, Expenditures & Changes in Fund Balances	• Statement of Net Position • Statement of Revenues, Expenses & Changes in Net Position • Statement of Cash Flows	• Statement of Fiduciary Net Position • Statement of Changes in Fiduciary Net Position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both short-term and long-term; The District's funds do not currently contain nonfinancial assets, though they can	All assets and liabilities, both short-term and long-term; The District's funds do not currently contain nonfinancial assets, though they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All revenues and expenses during the year, regardless of when cash is received or paid

The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

District-Wide Statements
The district-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two district-wide statements report the District's net position and how it has changed. Net position – the difference between the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources – is one way to measure the District's financial health, or *position*.

- Over time, increases and decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.

- To assess the overall health of the District, you need to consider additional nonfinancial factors such as changes in the District's demographics and the condition of school buildings and other facilities.

- In the district-wide financial statements, the District's activities are categorized as *Governmental Activities*. Most of the District's basic services are included here, such as regular and special education, transportation, and administration. Property taxes and state aid finance most of these activities.

Fund Financial Statements
The fund financial statements provide more detailed information about the District's most significant funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (like repaying its long-term debt) or to show that it is properly using certain revenues.

The District has three kinds of funds:

- ***Governmental funds*** – Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information on a separate reconciliation page that explains the relationship (or differences) between them.

- ***Proprietary funds*** – When the District charges other District funds for the services it provides, these services are reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and Statement of Activities. In fact, the District's internal service fund is included within the governmental activities reported in the district-wide statements but provide more detail and additional information, such as cash flows. The District uses the internal service fund to report activities that relate to the District's self-insured program for liability and property losses, postemployment benefits, workers' compensation, and dental and vision premiums.

Fund Financial Statements (continued)

- ***Fiduciary funds*** – The District is the trustee, or fiduciary, for assets that belong to others, such as the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position. We exclude these activities from the district-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position. The District's combined net position was higher on June 30, 2019, than it was the year before – increasing 1.5% to $231.0 million (See Table A-1).

Table A-1: Statement of Net Position

	Governmental Activities		Variance
	2019	2018	Increase (Decrease)
Assets			
Current assets	$ 252,326,710	$ 274,972,397	$ (22,645,687)
Capital assets	696,591,879	679,490,388	17,101,491
Total assets	948,918,589	954,462,785	(5,544,196)
Deferred outflows of resources	106,279,896	108,466,190	(2,186,294)
Liabilities			
Current liabilities	30,571,764	32,298,699	(1,726,935)
Long-term liabilities	481,891,754	500,985,852	(19,094,098)
Net pension liability	299,662,466	289,691,983	9,970,483
Total liabilities	812,125,984	822,976,534	(10,850,550)
Deferred inflows of resources	12,070,802	12,428,929	(358,127)
Net position			
Net investment in capital assets	348,425,212	352,418,111	(3,992,899)
Restricted	104,253,043	69,900,182	34,352,861
Unrestricted	(221,676,556)	(194,794,781)	(26,881,775)
Total net position	$ 231,001,699	$ 227,523,512	$ 3,478,187

Changes in net position, governmental activities. The District's total revenues increased 1.4% to $364.1 million (See Table A-2). The increase is due primarily to an increase in State LCFF funding and local property tax revenues.

The total cost of all programs and services decreased 0.1% to $360.6 million. The District's expenses are predominantly related to educating and caring for students, 79.5%. The purely administrative activities of the District accounted for just 5.3% of total costs. A significant contributor to the decrease in costs was staffing reductions as a result of declining enrollment.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (continued)

Table A-2: Statement of Activities

	Governmental Activities 2019	Governmental Activities 2018	Variance Increase (Decrease)
Revenues			
Program Revenues:			
Charges for services	$ 3,615,117	$ 1,911,634	$ 1,703,483
Operating grants and contributions	57,111,377	64,735,867	(7,624,490)
Capital grants and contributions	1,918,900	800,790	1,118,110
General Revenues:			
Property taxes	104,742,126	100,356,248	4,385,878
Federal and state aid not restricted	192,821,226	179,375,055	13,446,171
Other general revenues	3,883,683	11,779,753	(7,896,070)
Total Revenues	364,092,429	358,959,347	5,133,082
Expenses			
Instruction-related	244,689,338	252,805,821	(8,116,483)
Pupil services	41,907,990	39,355,225	2,552,765
Administration	18,945,470	15,705,926	3,239,544
Plant services	37,600,642	34,934,658	2,665,984
All other activities	17,470,802	18,329,776	(858,974)
Total Expenses	360,614,242	361,131,406	(517,164)
Increase (decrease) in net position	$ 3,478,187	$ (2,172,059)	$ 5,650,246
Net Position	$ 231,001,699	$ 227,523,512	

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed this year, its governmental funds reported a combined fund balance of $203.9 million, which is below last year's ending fund balance of $225.9 million. The primary cause of the decreased fund balance is spending of bond money from the Building Fund.

Table A-3: The District's Fund Balances

	Fund Balances				
Fund	July 1, 2018	Revenues	Expenditures	Other Sources and (Uses)	June 30, 2019
General Fund	$ 26,042,353	$ 311,527,437	$ 315,467,946	$ 11,107,054	$ 33,208,898
Charter School Fund	5,390,177	10,005,425	9,314,421	(852,732)	5,228,449
Adult Education Fund	354,304	246,548	241,438	-	359,414
Child Development Fund	15,338	3,406,137	3,345,674	1,044	76,845
Cafeteria Fund	7,778,882	14,938,984	14,871,967	3,945	7,849,844
Special Reserve Fund for Other Than Capital Outlay	9,062,047	203,465	-	(4,556,375)	4,709,137
Building Fund	102,787,397	1,993,571	30,345,634	-	74,435,334
Capital Facilities Fund	18,361,434	3,940,016	1,703,489	-	20,597,961
County School Facilities Fund	-	1,918,900	-	(1,918,900)	-
Special Reserve Fund (Capital Outlay)	16,537,606	10,761,798	2,493,042	(5,432,800)	19,373,562
Bond Interest and Redemption Fund	39,615,378	34,187,509	35,698,042	-	38,104,845
	$ 225,944,916	$ 393,129,790	$ 413,481,653	$ (1,648,764)	$ 203,944,289

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (continued)

General Fund Budgetary Highlights

Over the course of the year, the District revised the annual operating budget several times. The major budget amendments fall into these categories:

- Revenues – increased by $14.7 million primarily to reflect increased estimated federal and state budget actions.
- Expenditures – increased $19.4 million mainly due to revised operational cost estimates.

While the District's final budget for the General Fund anticipated that expenditures would exceed revenues by about $13.6 million, the actual results for the year show that expenditures exceeded revenues by roughly $3.9 million. Actual revenues were $4.7 million more than anticipated, and expenditures were $4.9 million less than budgeted. That amount consists primarily of restricted categorical program dollars that were not spent as of June 30, 2019, that will be carried over into the 2019-20 budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2018-19 the District had acquired $34.6 million in new capital assets, related to land, construction in progress, site improvements, and equipment purchases. (More detailed information about capital assets can be found in Note 6 to the financial statements). Total depreciation expense for the year was $17.5 million.

Table A-4: Capital Assets at Year End, Net of Depreciation

	Governmental Activities		Variance Increase (Decrease)
	2019	2018	
Land	$ 86,882,142	$ 86,526,832	$ 355,310
Improvement of sites	6,495,168	4,333,544	2,161,624
Buildings	536,660,897	546,653,774	(9,992,877)
Equipment	6,914,540	6,331,056	583,484
Construction in progress	59,639,132	35,645,182	23,993,950
Total	$ 696,591,879	$ 679,490,388	$ 17,101,491

CAPITAL ASSET AND DEBT ADMINISTRATION (continued)

Long-Term Debt

At year-end the District had $481.9 million in long-term debt other than pensions – a decrease of 3.8% from last year – as shown in Table A-5. (More detailed information about the District's long-term liabilities is presented in Note 7 to the financial statements).

Table A-5: Outstanding Long-Term Debt at Year-End

	Governmental Activities 2019	Governmental Activities 2018	Variance Increase (Decrease)
General obligation bonds	$ 422,602,001	$ 444,101,768	$ (21,499,767)
Claims liability	5,752,371	6,791,465	(1,039,094)
Compensated absences	2,807,505	2,139,906	667,599
Other postemployment benefits	50,729,877	47,952,713	2,777,164
Total	$ 481,891,754	$ 500,985,852	$ (19,094,098)

FACTORS BEARING ON THE DISTRICT'S FUTURE

The Legislature passed the final budget package on June 13, 2019. The Governor signed the *2019-20 Budget Act* and 15 other budget-related bills on June 27, 2019.

Major Features of the 2019-20 Spending Plan

Makes $5.9 Billion in Additional Unfunded Liability Payments

Teachers, administrators, and other certificated employees of school districts earn pension benefits from the California State Teachers' Retirement System (CalSTRS). Other school district employees, such as clerical staff, also earn pension benefits administered by California Public Employees' Retirement System (CalPERS). The state and school districts each have full responsibility for their respective CalPERS' unfunded liabilities associated with their own employees. In the case of CalSTRS, the state and school districts share responsibility for the system's total unfunded liability (about one-third is the responsibility of the state and two-thirds of the districts).

The spending plan allocates $5.9 billion General Fund to pay down unfunded pension liabilities on behalf of both the state and school districts (some of which is counted toward the state's Proposition 2 debt payment requirements). In particular, the spending plan dedicates:

- ***$3.6 Billion to Address State's Unfunded Liabilities.*** The spending plan uses $2.5 billion in General Fund monies to pay down the state's CalPERS unfunded liability. The spending plan also devotes $1.1 billion General Fund to reduce the state's share of the CalSTRS unfunded liability, as part of the state's Proposition 2 debt payment requirements.
- ***$2.3 Billion to Address School Districts' Unfunded Liabilities.*** The spending plan also devotes $1.6 billion General Fund to reduce the school districts' share of the CalSTRS unfunded liability and $660 million General Fund to address the school districts' CalPERS unfunded liability.

FACTORS BEARING ON THE DISTRICT'S FUTURE (continued)

K-14 Education

Provides a Few Notable Ongoing Proposition 98 Augmentations
Under the spending plan, Proposition 98 funding for 2019-20 increases $2.9 billion (3.7 percent) from the revised 2018-19 level. The spending plan devotes the largest share of this increase—$2 billion—to school districts to cover changes in student attendance and provide a 3.26 percent cost-of-living adjustment (COLA) for the Local Control Funding Formula (general purpose per-student funding). The budget also provides two augmentations related to special education: (1) $493 million for school districts based on the number of three- and four-year old children identified with disabilities affecting their education and (2) $153 million for special education agencies with average or below average per-pupil funding rates.

Pays a Portion of Districts' Pension Costs for the Next Two Years
The spending plan also provides additional monies to school districts outside of the Proposition 98 funding requirement by paying a portion of districts' pension costs for the next two years. School districts' pension contribution rates for both CalPERS and CalSTRS have been rising and are set to continue increasing for at least the next few years. For CalSTRS, the budget provides $606 million for the state to pay a portion of districts' costs (reducing district contribution rates by about 1 percent of payroll in 2019-20 and 2020-21). Similarly, the budget provides $244 million for the state to cover a portion of districts' CalPERS costs (reducing district rates by about 1 percent of payroll in 2019-20 and 2020-21). Although district pension rates will continue to rise, the increases will be slower than previously projected.

All of these factors were considered in preparing the Palm Springs Unified School District budget for the 2019-20 fiscal year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Peter Van Buskirk, Director of Fiscal Services, at Palm Springs Unified School District, 150 District Center Drive, Palm Springs, California 92264.

PALM SPRINGS UNIFIED SCHOOL DISTRICT
Statement of Net Position
June 30, 2019

	Total Governmental Activities
ASSETS	
Cash	$ 236,355,101
Accounts receivable	15,087,554
Inventories	559,773
Prepaid expenses	324,282
Capital assets:	
Non-depreciable capital assets	146,521,274
Depreciable capital assets	767,793,424
Less accumulated depreciation	(217,722,819)
Total assets	948,918,589
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	95,710,332
Deferred outflows related to OPEB	1,322,394
Deferred amounts on refunding	9,247,170
Total deferred outflows of resources	106,279,896
LIABILITIES	
Accounts payable	29,435,633
Unearned revenue	1,136,131
Long-term liabilities other than pensions:	
Due within one year	20,600,925
Due after one year	461,290,829
Net pension liability	299,662,466
Total liabilities	812,125,984
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	11,235,073
Deferred inflows related to OPEB	835,729
Total deferred inflows of resources	12,070,802
NET POSITION	
Net investment in capital assets	348,425,212
Restricted for:	
Capital projects	34,829,015
Debt service	38,104,845
Self-insurance	18,758,942
Categorical programs	12,560,241
Unrestricted	(221,676,556)
Total net position	$ 231,001,699

PALM SPRINGS UNIFIED SCHOOL DISTRICT
Statement of Activities
For the Fiscal Year Ended June 30, 2019

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Governmental Activities					
Instructional Services:					
Instruction	$ 206,170,834	$ 104,619	$ 27,483,677	$ 1,918,900	$ (176,663,638)
Instruction-Related Services:					
Supervision of instruction	15,034,489	4,104	5,195,866	-	(9,834,519)
Instructional library, media and technology	3,030,712	-	(12,927)	-	(3,043,639)
School site administration	20,453,303	1,027	(266,342)	-	(20,718,618)
Pupil Support Services:					
Home-to-school transportation	6,667,783	-	14,935	-	(6,652,848)
Food services	14,015,338	117,323	13,748,921	-	(149,094)
All other pupil services	21,224,869	26	4,712,415	-	(16,512,428)
General Administration Services:					
Data processing services	4,802,127	-	(2,454)	-	(4,804,581)
Other general administration	14,143,343	10,984	2,400,938	-	(11,731,421)
Plant services	37,600,642	1,477,983	1,917,732	-	(34,204,927)
Ancillary services	2,994,986	-	(46,691)	-	(3,041,677)
Enterprise activities	(142,687)	-	-	-	142,687
Interest on long-term debt	14,485,235	-	-	-	(14,485,235)
Other outgo	133,268	1,899,051	1,965,307	-	3,731,090
Total Governmental Activities	$ 360,614,242	$ 3,615,117	$ 57,111,377	$ 1,918,900	(297,968,848)

General Revenues:	
Property taxes	104,742,126
Federal and state aid not restricted to specific purpose	192,821,226
Interest and investment earnings	820,276
Interagency revenues	22,331
Miscellaneous	3,041,076
Total	301,447,035
Change in net position	3,478,187
Net position - July 1, 2018	227,523,512
Net position - June 30, 2019	$ 231,001,699

PALM SPRINGS UNIFIED SCHOOL DISTRICT

Balance Sheet - Governmental Funds

June 30, 2019

	General Fund	Building Fund	Special Reserve Fund for Capital Outlay	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS						
Cash	$ 36,410,377	$ 77,879,088	$ 26,412,107	$ 38,104,845	$ 32,987,052	$ 211,793,469
Accounts receivable	11,006,317	692,891	173,240	-	3,034,652	14,907,100
Due from other funds	9,196,018	-	16,708	-	305,850	9,518,576
Inventories	26,671	-	-	-	533,102	559,773
Prepaid expenditures	124,375	-	179,402	-	355	304,132
Total Assets	$ 56,763,758	$ 78,571,979	$ 26,781,457	$ 38,104,845	$ 36,861,011	$ 237,083,050
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable	$ 17,440,397	$ 4,099,957	$ 51,191	$ -	$ 905,756	$ 22,497,301
Due to other funds	275,367	36,688	7,356,704	-	1,836,570	9,505,329
Unearned revenue	1,129,959	-	-	-	6,172	1,136,131
Total Liabilities	18,845,723	4,136,645	7,407,895	-	2,748,498	33,138,761
Fund Balances						
Nonspendable	251,046	-	179,402	-	583,457	1,013,905
Restricted	4,158,454	74,435,334	14,231,054	38,104,845	28,466,291	159,395,978
Assigned	17,987,725	-	4,963,106	-	5,062,765	28,013,596
Unassigned	15,520,810	-	-	-	-	15,520,810
Total Fund Balances	37,918,035	74,435,334	19,373,562	38,104,845	34,112,513	203,944,289
Total Liabilities and Fund Balances	$ 56,763,758	$ 78,571,979	$ 26,781,457	$ 38,104,845	$ 36,861,011	$ 237,083,050

PALM SPRINGS UNIFIED SCHOOL DISTRICT
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2019

Total fund balances - governmental funds		$ 203,944,289
Amounts reported for governmental activities in the statement of net position are different because:		
In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation.		
Capital assets at historical cost	914,314,698	
Accumulated depreciation	(217,722,819)	
Net		696,591,879
In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unmatured interest owing at the end of the period was:		(6,700,656)
Deferred amounts on refunding represent amounts paid to an escrow agent in excess of the outstanding debt at the time of the payment for refunded bonds which have been defeased. In the government-wide statements they are recognized as a deferred outflow of resources. The remaining deferred amounts on refunding at the end of the period were:		9,247,170
Long-term liabilities, including bonds payable, 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 payable	422,602,001	
Compensated absences payable	2,807,505	
Other postemployment liabilities	50,729,877	
Total		(476,139,383)
The net pension liability is not due and payable in the current reporting period, and therefore is not reported as a liability in the fund financial statements.		(299,662,466)
In governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported as follows:		
Deferred outflows of resources	95,710,332	
Deferred inflows of resources	(11,235,073)	84,475,259
In governmental funds, deferred outflows and inflows of resources relating to OPEB are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to OPEB are reported as follows:		
Deferred outflows of resources	1,322,394	
Deferred inflows of resources	(835,729)	486,665
Internal service funds are used to conduct certain activities for which costs are charged to other funds on full cost-recovery basis. Because internal service funds are presumed to operate for the benefit of governmental activities, assets and liabilities of internal service funds are reported with governmental activities in the statement of net position. Net position for internal service funds is:		18,758,942
Total net position - governmental activities		$ 231,001,699

PALM SPRINGS UNIFIED SCHOOL DISTRICT

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds

For the Fiscal Year Ended June 30, 2019

REVENUES	General Fund	Building Fund	Special Reserve Fund for Capital Outlay	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
LCFF sources	$ 234,407,938	$ -	$ -	$ -	$ 8,795,729	$ 243,203,667
Federal sources	24,008,546	-	-	-	13,314,335	37,322,881
Other state sources	37,879,238	2,343	249	188,651	7,787,306	45,857,787
Other local sources	15,435,180	1,991,228	10,761,549	33,998,858	4,558,640	66,745,455
Total Revenues	311,730,902	1,993,571	10,761,798	34,187,509	34,456,010	393,129,790
EXPENDITURES						
Current:						
Instructional Services:						
Instruction	196,287,977	-	-	-	9,717,302	206,005,279
Instruction-Related Services:						
Supervision of instruction	15,631,402	-	-	-	454,428	16,085,830
Instructional library, media and technology	2,953,647	-	-	-	79,122	3,032,769
School site administration	20,089,847	-	-	-	890,772	20,980,619
Pupil Support Services:						
Home-to-school transportation	6,650,518	-	-	-	-	6,650,518
Food services	87,975	-	-	-	14,137,287	14,225,262
All other pupil services	21,361,849	-	-	-	372,894	21,734,743
General Administration Services:						
Data processing services	4,578,805	-	-	-	-	4,578,805
Other general administration	12,182,532	-	-	-	345,802	12,528,334
Plant services	33,553,732	1,222,439	698,655	-	710,931	36,185,757
Ancillary services	3,129,682	-	-	-	-	3,129,682
Transfers of indirect costs	(1,357,962)	-	-	-	1,357,962	-
Capital outlay	207,808	29,107,633	1,786,815	-	1,410,489	32,512,745
Intergovernmental transfers	110,134	15,562	7,572	-	-	133,268
Debt service:						
Debt service - principal	-	-	-	19,208,912	-	19,208,912
Debt service - interest	-	-	-	16,489,130	-	16,489,130
Total Expenditures	315,467,946	30,345,634	2,493,042	35,698,042	29,476,989	413,481,653
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,737,044)	(28,352,063)	8,268,756	(1,510,533)	4,979,021	(20,351,863)
OTHER FINANCING SOURCES (USES)						
Interfund transfers in	8,204,432	-	1,918,900	-	4,989	10,128,321
Interfund transfers out	(1,653,753)	-	(7,351,700)	-	(2,771,632)	(11,777,085)
Total Other Financing Sources and Uses	6,550,679	-	(5,432,800)	-	(2,766,643)	(1,648,764)
Net Change in Fund Balances	2,813,635	(28,352,063)	2,835,956	(1,510,533)	2,212,378	(22,000,627)
Fund Balances, July 1, 2018	35,104,400	102,787,397	16,537,606	39,615,378	31,900,135	225,944,916
Fund Balances, June 30, 2019	$ 37,918,035	$ 74,435,334	$ 19,373,562	$ 38,104,845	$ 34,112,513	$ 203,944,289

PALM SPRINGS UNIFIED SCHOOL DISTRICT

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities
For the Fiscal Year Ended June 30, 2019

Total net change in fund balances - governmental funds		$ (22,000,627)
Amounts reported for governmental *activities* in the statement of activities are different because:		
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:		
Expenditures for capital outlay	34,649,735	
Depreciation expense	(17,548,244)	
Net		17,101,491
In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reduction of liabilities. Expenditures for repayment of the principal portion of long-term debt were:		19,208,912
In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period that it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period, was:		329,518
In governmental funds, pension costs are recognized when employer contributions are made, in the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between the accrual basis pension costs and actual employer contributions was:		(12,451,780)
In governmental funds, OPEB expenses are recognized when employer contributions are made. In the statement of activities, OPEB expenses are recognized on the accrual basis. This year, the difference between OPEB expenses and actual employer OPEB contributions was:		(1,507,556)
In governmental funds, if debt is issued at a premium or at a discount the premium or discount is recognized as an Other Financing Source or an Other Financing Use in the period it is incurred. In the government-wide statements, the premium or discount, plus any deferred gain or loss from debt refunding, is amortized as interest over the life of the debt. Amortization of debt issue premium or discount, or deferred gain or loss from debt refunding for the period is:		1,674,377
In the statement of activities, compensated absences 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*).		(667,599)
The internal service fund is used by management to charge the cost of self-insurance activities. The net revenue (expense) of the internal service fund is reported with governmental activities.		1,791,451
Change in net position of governmental activities		$ 3,478,187

PALM SPRINGS UNIFIED SCHOOL DISTRICT
Statement of Net Position – Proprietary Fund
June 30, 2019

	Governmental Activities Internal Service Fund
ASSETS	
Current Assets	
Cash	$ 24,561,632
Receivables	180,454
Due from other funds	25,244
Prepaid expenses	20,150
Total Assets	24,787,480
LIABILITIES	
Current Liabilities	
Accounts payable	237,676
Due to other funds	38,491
Current portion of claims liability	958,729
Total Current Liabilities	1,234,896
Noncurrent Liabilities	
Claims liability	4,793,642
Total liabilities	6,028,538
NET POSITION	
Restricted	$ 18,758,942

PALM SPRINGS UNIFIED SCHOOL DISTRICT
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Fund
For the Fiscal Year Ended June 30, 2019

	Governmental Activities
	Internal Service Fund
OPERATING REVENUES	
Pension on-behalf contributions	$ 14,931
Charges to other funds	5,552,060
Other local revenues	183,913
Total operating revenues	5,750,904
OPERATING EXPENSES	
Payroll costs	151,013
Supplies and materials	6,059
Professional and contract services	5,989,042
Total operating expenses	6,146,114
Operating Income (Loss)	(395,210)
NON-OPERATING REVENUES	
Interest income	537,897
Income (Loss) Before Transfers	142,687
Transfers in	1,648,764
Change in net position	1,791,451
Net position - July 1, 2018	16,967,491
Net position - June 30, 2019	$ 18,758,942

PALM SPRINGS UNIFIED SCHOOL DISTRICT
Statement of Cash Flows - Proprietary Fund
For the Fiscal Year Ended June 30, 2019

	Governmental Activities Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from assessments made to other funds	$ 5,720,686
Cash received from other local sources	175,536
Cash payments for payroll costs	(136,082)
Cash payments to other suppliers of goods or services	(7,129,977)
Net cash provided (used) by operating activities	(1,369,837)
CASH FLOWS FROM FINANCING ACTIVITIES	
Transfer in	1,648,764
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	490,487
Net increase (decrease) in cash	769,414
Cash, July 1, 2018	23,792,218
Cash, June 30, 2019	$ 24,561,632
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	$ (395,210)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Changes in assets and liabilities:	
Receivables	(8,377)
Due from other funds	168,626
Prepaid expenses	(20,150)
Accounts payable	(16,845)
Due to other funds	(58,787)
Claims liability	(1,039,094)
Net cash provided (used) by operating activities	$ (1,369,837)

PALM SPRINGS UNIFIED SCHOOL DISTRICT
Statement of Fiduciary Net Position
June 30, 2019

	Agency Funds		
	Student Body Funds	Warrant Pass-Through Fund	Total
Assets			
Cash	$ 1,054,222	$ 97,055	$ 1,151,277
Inventory	75,991	-	75,991
Total Assets	$ 1,130,213	$ 97,055	$ 1,227,268
Liabilities			
Accounts payable	$ 7,527	$ 97,055	$ 104,582
Due to student groups	1,122,686	-	1,122,686
Total Liabilities	$ 1,130,213	$ 97,055	$ 1,227,268

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Palm Springs Unified School District (the "District") accounts for its financial transactions in accordance with the policies and procedures of the California Department of Education's *California School Accounting Manual*. The accounting policies of the District conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. The following is a summary of the more significant policies:

A. Reporting Entity

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, and agencies that are not legally separate from the District. For Palm Springs Unified School District, this includes general operations, food service, and student related activities of the District.

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

The District has identified no component units.

B. Basis of Presentation, Basis of Accounting

1. Basis of Presentation

Government-Wide Financial Statements
The statement of net position and the statement of activities display information about the primary government (the District) and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) 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, including all taxes, are presented as general revenues.

Fund Financial Statements
The fund financial statements provide information about the District's funds, including its fiduciary funds and blended component units. Separate statements for each fund category - *governmental*, *proprietary*, and *fiduciary* - are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation, Basis of Accounting (continued)

1. Basis of Presentation (continued)

Fund Financial Statements (continued)
Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

Major Governmental Funds
The District maintains the following major governmental funds:

General Fund: This is the chief operating fund for the District. 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. The District also maintains a Special Reserve Fund for Other than Capital Outlay. This fund does not meet the definition of a special revenue fund as it is not primarily composed of restricted or committed revenue sources. Because this fund does not meet the definition of a special revenue funds under GASB 54, the activity in this fund is being reported within the General Fund.

Building Fund: This 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: This fund exists primarily to provide for the accumulation of general fund moneys for capital outlay purposes (*Education Code* Section 42840). This fund may also be used to account for any other revenues specifically for capital projects that are not restricted to fund 21, 25, 30, 35, or 49.

Bond Interest and Redemption Fund: This fund is used for the repayment of bonds issued for the District (*Education Code* sections 15125-15262).

Non-Major Governmental Funds
The District maintains the following non-major governmental funds:

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

Charter Schools Special Revenue Fund: This fund is used by the District to account separately for the operating activities of the Cielo Vista Charter School.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation, Basis of Accounting (continued)

1. Basis of Presentation (continued)

Non-Major Governmental Funds (continued)

Special Revenue Funds (continued):

Adult Education Fund: This fund is used to account separately for federal, state, and local revenues that are restricted or committed for adult education programs.

Child Development Fund: This fund is used to account separately for federal, state, and local revenues to operate child development programs.

Cafeteria Fund: This fund is used to account separately for federal, state, and local resources to operate the food service program (*Education Code* sections 38090 and 38093).

Capital Projects Funds: Capital projects funds are established 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: This fund is used to account for resources received from developer impact fees assessed under provisions of the California Environmental Quality Act.

County School Facilities Fund: This fund is used to account for state apportionments provided for modernization of school facilities under SB50.

Proprietary Funds
Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. Proprietary funds are classified as enterprise or internal service. The District has the following proprietary fund:

Internal Service Funds: These funds are used to account for services rendered on a cost-reimbursement basis within the District. The District operates self-insurance programs that are accounted for in the Internal Service Fund.

Fiduciary Funds
Fiduciary funds are used to account for assets held in a trustee or agent capacity for others that cannot be used to support the District's own programs. The key distinction between trust and agency funds is that trust funds are subject to a trust agreement that affects the degree of management involvement and the length of time that the resources are held. The District maintains the following fiduciary funds:

Agency Funds: The District maintains a separate agency fund for each school that operates an Associated Student Body (ASB) Fund, whether it is organized or not and a warrant pass-through fund.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation, Basis of Accounting (continued)

2. Measurement Focus, Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resource or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities for the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the District's proprietary funds and various other functions of the District. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

The agency fund has no measurement focus and utilizes the accrual basis of accounting for reporting its assets and liabilities.

3. 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. Generally, available is defined as collectible within 60 days. However, to achieve comparability of reporting among California districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to state-aid apportionments, the California Department of Education has defined available for districts as collectible within one year. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation, Basis of Accounting (continued)

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

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

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for. For budget purposes, on behalf payments have been included as revenue and expenditures as required under generally accepted accounting principles.

D. Encumbrances
Encumbrance accounting is used in all budgeted funds to reserve portions of applicable appropriations for which commitments have been made. Encumbrances are recorded for purchase orders, contracts, and other commitments when they are written. Encumbrances are liquidated when the commitments are paid. All encumbrances are liquidated as of June 30.

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position

1. Cash and Cash Equivalents
The District considers cash and cash equivalents to be cash on hand and demand deposits. In addition, because the Treasury Pool is sufficiently liquid to permit withdrawal of cash at any time without prior notice or penalty, equity in the pool is also deemed to be a cash equivalent.

2. Inventories
Inventories are valued at cost using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)

3. Capital Assets
Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value rather than fair value. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Description	Estimated Lives
Buildings	20-50 years
Improvements	5-50 years
Equipment	2-15 years

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

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

5. Deferred Outflows/Inflows of Resources
In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time.

6. Compensated Absences
The liability for compensated absences reported in the government-wide statements consists of unpaid, accumulated vacation balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)

7. 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 CalSTRS Medicare Premium Payment (MPP) Program and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by the Plans. For this purpose, the Plans recognize 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.

8. 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 District's California State Teachers Retirement System (CalSTRS) and California Public Employees' Retirement System (CalPERS) plans and addition 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. Investments are reported at fair value.

9. Fund Balances
The fund balance for governmental funds is reported in classifications based on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Nonspendable: Fund balance is reported as nonspendable when the resources cannot be spent because they are either in a nonspendable form or legally or contractually required to be maintained intact. Resources in nonspendable form include inventories and prepaid assets.

Restricted: Fund balance is reported as restricted when the constraints placed on the use of resources are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provision or by enabling legislation.

Committed: The District's highest decision-making level of authority rests with the District's Board. Fund balance is reported as committed when the Board passes a resolution that places specified constraints on how resources may be used. The Board can modify or rescind a commitment of resources through passage of a new resolution.

Assigned: Resources that are constrained by the District's intent to use them for a specific purpose, but are neither restricted nor committed, are reported as assigned fund balance. Intent may be expressed by either the Board, committees (such as budget or finance), or officials to which the Board has delegated authority.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)

9. Fund Balances (continued)

Unassigned: Unassigned fund balance represents fund balance that has not been restricted, committed, or assigned and may be utilized by the District for any purpose. When expenditures are incurred, and both restricted and unrestricted resources are available, it is the District's policy to use restricted resources first, then unrestricted resources in the order of committed, assigned, and then unassigned, as they are needed.

10. Net Position

Net position is classified into three components: net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

- **Net investment in capital assets -** This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

- **Restricted -** This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

- **Unrestricted net position -** This component of net position consists of net position that does not meet the definition of "net investment in capital assets" or "restricted".

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

F. Minimum Fund Balance Policy

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Property Tax Calendar
The County is responsible for the assessment, collection, and apportionment of property taxes for all jurisdictions including the schools and special districts within the County. The Board of Supervisors levies property taxes as of September 1 on property values assessed on July 1. Secured property tax payments are due in two equal installments. The first is generally due November 1 and is delinquent with penalties on December 10, and the second is generally due on February 1 and is delinquent with penalties on April 10. Secured property taxes become a lien on the property on January 1.

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

I. New GASB Pronouncements
During the 2018-19 fiscal year, the following GASB Pronouncements became effective:

1. In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

   This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO.

   The District has implemented the provisions of this Statement as of June 30, 2019.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. New GASB Pronouncements (continued)

2. In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

   This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established.

   This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

   For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

   The District has implemented the provisions of this Statement as of June 30, 2019.

J. Future Accounting Pronouncements
Other GASB pronouncements, which will be effective in future periods, are as follows:

1. In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

   This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

   The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Early implementation is encouraged.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Future Accounting Pronouncements (continued)

2. In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

   The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Early implementation is encouraged.

3. In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

   This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5-22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

   This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

   The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements of this Statement should be applied prospectively.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Future Accounting Pronouncements (continued)

4. In August 2018, the GASB issued Statement No. 90, *Majority Equity Interests-An Amendment of GASB Statements No. 14 and No. 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

   For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

   This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition.

   The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis.

5. In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

   This Statement also addresses arrangements – often characterized as leases – that are associated with conduit debt obligations. In those arrangements, capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by third-party obligors in the course of their activities.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Future Accounting Pronouncements (continued)

5. (continued)
Payments from third-party obligors are intended to cover and coincide with debt service payments. During those arrangements, issuers retain the titles to the capital assets. Those titles may or may not pass to the obligors at the end of the arrangements.

This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged.

NOTE 2 – CASH

Cash at June 30, 2019 is reported at fair value and consisted of the following:

	Governmental Activities			
	Governmental Funds	Proprietary Fund	Total	Fiduciary Funds
Pooled Funds:				
Cash in county treasury	$ 211,643,469	$ 24,561,632	$ 236,205,101	$ 97,055
Deposits:				
Cash on hand and in banks	-	-	-	1,054,222
Cash in revolving fund	150,000	-	150,000	-
Total Deposits	150,000	-	150,000	1,054,222
Total Cash	$ 211,793,469	$ 24,561,632	$ 236,355,101	$ 1,151,277

Pooled Funds
In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the County Treasury. The County pools and invests the cash. These pooled funds are carried at cost which approximates fair value. Interest earned is deposited annually to participating funds. Any investment losses are proportionately shared by all funds in the pool.

Because the District's deposits are maintained in a recognized pooled investment fund under the care of a third party and the District's share of the pool does not consist of specific, identifiable investment securities owned by the District, no disclosure of the individual deposits and investments or related custodial credit risk classifications is required.

NOTE 2 – CASH (continued)

Pooled Funds (continued)
In accordance with applicable state laws, the County Treasurer may invest in derivative securities with the State of California. However, at June 30, 2019, the County Treasurer has represented that the Pooled Investment Fund contained no derivatives or other investments with similar risk profiles.

Custodial Credit Risk – Deposits
Custodial credit risk 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. Cash balances held in banks are insured up to $250,000 by the Federal Depository Insurance Corporation (FDIC) and are collateralized by the respective financial institutions. In addition, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies.

California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits.

As of June 30, 2019, $819,742 of the District's bank balance was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agency, but not in the name of the District.

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 date 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.

Uncategorized – Investments in the Riverside County Treasury Investment Pool are not measured using the input levels above because the District's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at $1.00 net asset value per share.

All assets have been valued using a market approach, with quoted market prices.

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2019, consisted of the following:

	General Fund	Building Fund	Special Reserve Fund for Capital Outlay	Non-Major Governmental Funds	Totals	Self Insurance Fund
Federal Government:						
Categorical aid programs	$ 5,585,131	$ -	$ -	$ 2,019,840	$ 7,604,971	$ -
State Government:						
LCFF sources	-	-	-	62,201	62,201	-
Lottery	1,035,932	-	-	46,445	1,082,377	-
Categorical aid programs	328,925	-	-	292,753	621,678	-
Local:						
Interest	198,930	508,903	143,190	203,678	1,054,701	153,861
SELPA transfers	1,863,721	-	-	-	1,863,721	-
Miscellaneous	1,993,678	183,988	30,050	409,735	2,617,451	26,593
Total	$ 11,006,317	$ 692,891	$ 173,240	$ 3,034,652	$ 14,907,100	$ 180,454

NOTE 4 – INTERFUND TRANSACTIONS

A. Balances Due To/From Other Funds

Balances due to/from other funds at June 30, 2019, consisted of the following:

	Due from Other Funds				
	General Fund	Special Reserve Fund for Capital Outlay	Non-Major Governmental Funds	Self-Insurance Fund	Total
General Fund	$ -	$ 16,214	$ 234,716	$ 24,437	$ 275,367
Building Fund	36,688	-	-	-	36,688
Special Reserve Fund for Capital Outlay	7,356,704	-	-	-	7,356,704
Non-Major Governmental Funds	1,764,532	494	70,737	807	1,836,570
Self-Insurance Fund	38,094	-	397	-	38,491
Total	$ 9,196,018	$ 16,708	$ 305,850	$ 25,244	$ 9,543,820

Charter Schools Fund due from General Fund for in-lieu of prop taxes, STRS charges, expense reimbursement & use tax	$ 143,940
Child Development Fund due from General Fund for excess meals and expense transfers	56,599
Cafeteria Fund due from General Fund for catering & LCAP eligiblity monitoring/processing	6,499
Capital Facilities Fund due from General Fund for facilities expenses	27,678
Special Reserve Fund for Capital Outlay due from General Fund for use of facilities	16,214
Self-Insurance Fund due from General Fund for benefits	24,437
Special Reserve Fund for Capital Outlay due from County School Facilities Fund for interest	494
General Fund due from Charter Schools Fund for contribution to special education & student field trip expenses	1,441,980
Self-Insurance Fund due from Charter Schools Special Revenue Fund for benefits	419
General Fund due from Child Development Fund for student field trip expenses, indirect costs, and temporary loan	206,675
Cafeteria Fund due from Child Development Fund for CACFP April claim	70,737
Self-Insurance Fund due from Child Development Fund for benefits	10
General Fund due from Adult Education Fund for indirect costs	80
General Fund due from Child Nutrition Fund for electric charges, indirect costs, and PERS	98,621
Self-Insurance Fund due from Child Nutrition Fund for benefits	378
General Fund due from Building Fund for CCHS roof solar project, NNC Chiller & use tax	36,688
General Fund due from Capital Facilities Fund for DHSDS CTE building	17,176
General Fund due from Special Reserve Fund for Capital Outlay for solar project & redevelopment	5,004
General Fund due from Special Reserve Fund for Capital Outlay for redevelopment for technology plan	2,000,000
General Fund due from Special Reserve Fund for Capital Outlay for DW furniture	1,800,000
General Fund due from Special Reserve Fund for Capital Outlay contribution to M&O RRM	3,551,700
General Fund due from Self-Insurance Fund for forfeited HAS and to reduce contribution	38,094
Other Non-Major Governmental Funds due from Self-Insurance Fund for miscellaneous purposes	397
Total	$ 9,543,820

NOTE 4 – INTERFUND TRANSACTIONS (continued)

B. Transfers To/From Other Funds

Transfers to/from other funds for the fiscal year ended June 30, 2019, consisted of the following:

	Interfund Transfers In				
	General Fund	Special Reserve Fund for Capital Outlay	Non-Major Governmental Funds	Self-Insurance Funds	TOTAL
General Fund	$ -	$ -	$ 4,989	$ 1,648,764	$ 1,653,753
Special Reserve Fund for Capital Outlay	7,351,700	-	-	-	7,351,700
Non-Major Governmental Funds	852,732	1,918,900	-	-	2,771,632
Total	$ 8,204,432	$ 1,918,900	$ 4,989	$ 1,648,764	$ 11,777,085

General Fund transfer to Self-Insurance Fund for property & liability, cover settlement and H.S.A.	$ 1,648,764
General Fund transfer to Child Development Fund for contribution to RCOE	1,044
General Fund transfer to Cafeteria Special Revenue Fund for LCAP eligibility process	3,945
County School Facilities Fund transfer to Special Reserve Fund for Capital Outlay to move OPSC Funds	1,918,900
Charter Schools Fund transfer to General Fund for special education	852,732
Special Reserve Fund for Capital Outlay transfer to General Fund for DW	1,800,000
Special Reserve Fund for Capital Outlay transfer to General Fund for technology plan	2,000,000
Special Reserve Fund for Capital Outlay transfer to General Fund for maintenance & operations RRM	3,551,700
Total	$ 11,777,085

NOTE 5 – FUND BALANCES

At June 30, 2019, fund balances of the District's governmental funds were classified as follows:

	General Fund	Building Fund	Special Reserve for Capital Outlay Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total
Nonspendable:						
Revolving cash	$ 100,000	$ -	$ -	$ -	$ 50,000	$ 150,000
Stores inventories	26,671	-	-	-	533,102	559,773
Prepaid expenditures	124,375	-	179,402	-	355	304,132
Total Nonspendable	251,046	-	179,402	-	583,457	1,013,905
Restricted:						
Categorical programs	4,158,454	-	-	-	878,340	5,036,794
Child nutrition program	-	-	-	-	6,989,990	6,989,990
Capital projects	-	74,435,334	14,231,054	-	20,597,961	109,264,349
Debt service	-	-	-	38,104,845	-	38,104,845
Total Restricted	4,158,454	74,435,334	14,231,054	38,104,845	28,466,291	159,395,978
Assigned:						
ROTC supplies	21,815	-	-	-	-	21,815
One-time furniture replacement	1,061,292	-	-	-	-	1,061,292
Use of facilities	198,750	-	-	-	-	198,750
Healthy wage	4,060	-	-	-	-	4,060
Operational expectations 0000	559,552	-	-	-	4,206,464	4,766,016
Site discretionary	670,600	-	-	-	14,229	684,829
Anderson grants	22,744	-	-	-	-	22,744
Local grants	48,575	-	-	-	12,001	60,576
The Foundation for PSUSD	6,839	-	-	-	-	6,839
Assistance League of PS Desert Area	155	-	-	-	-	155
Drug awareness & prevention	81,429	-	-	-	-	81,429
Donations & fees	146,731	-	-	-	51,577	198,308
Local Control Accountability Plan	7,669,865	-	-	-	85,577	7,755,442
Textbooks	3,903,120	-	-	-	-	3,903,120
MAA	1,052,423	-	-	-	-	1,052,423
Site carryovers	102,527	-	-	-	-	102,527
Operational expectations 1100	2,437,248	-	-	-	366,520	2,803,768
Catering account	-	-	-	-	326,397	326,397
Capital outlay	-	-	4,963,106	-	-	4,963,106
Total Assigned	17,987,725	-	4,963,106	-	5,062,765	28,013,596
Unassigned:						
Reserve for economic uncertainties	13,916,397	-	-	-	-	13,916,397
Remaining unassigned balances	1,604,413	-	-	-	-	1,604,413
Total Unassigned	15,520,810	-	-	-	-	15,520,810
Total	$ 37,918,035	$ 74,435,334	$ 19,373,562	$ 38,104,845	$ 34,112,513	$ 203,944,289

NOTE 6 – CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2019, was as follows:

	Balance, July 1, 2018	Additions	Decreases	Balance, June 30, 2019
Capital assets not being depreciated:				
Land	$ 86,526,832	$ 355,310	$ -	$ 86,882,142
Construction in progress	35,645,182	29,053,983	5,060,033	59,639,132
Total capital assets not being depreciated	122,172,014	29,409,293	5,060,033	146,521,274
Capital assets being depreciated:				
Improvements to sites	4,840,376	2,636,927	-	7,477,303
Buildings	727,770,448	5,567,676	-	733,338,124
Equipment	24,882,125	2,095,872	-	26,977,997
Total capital assets being depreciated	757,492,949	10,300,475	-	767,793,424
Accumulated depreciation for:				
Improvements to sites	(506,832)	(475,303)	-	(982,135)
Buildings	(181,116,674)	(15,560,553)	-	(196,677,227)
Equipment	(18,551,069)	(1,512,388)	-	(20,063,457)
Total accumulated depreciation	(200,174,575)	(17,548,244)	-	(217,722,819)
Total capital assets being depreciated, net	557,318,374	(7,247,769)	-	550,070,605
Governmental activity capital assets, net	$ 679,490,388	$ 22,161,524	$ 5,060,033	$ 696,591,879

Depreciation expense is allocated to the following functions in the statement of activities:

Allocation of Depreciation Expense:	
Instruction	$ 16,199,590
General administration	541,787
Plant services	806,867
	$ 17,548,244

NOTE 7 – LONG-TERM DEBT OTHER THAN PENSIONS

Changes in long-term debt for the year ended June 30, 2019, were as follows:

	Balance, July 1, 2018	Additions	Deductions	Balance, June 30, 2019	Amount Due Within One Year
General Obligation Bonds:					
Principal Payments	$ 405,516,960	$ -	$ 19,208,912	$ 386,308,048	$ 17,351,341
Issuance Premium	38,584,808	-	2,290,855	36,293,953	2,290,855
Sub-total General Obligation Bonds	444,101,768	-	21,499,767	422,602,001	19,642,196
Claims Liability	6,791,465	7,688	1,046,782	5,752,371	958,729
Compensated Absences	2,139,906	667,599	-	2,807,505	-
Other Postemployment Benefits	47,952,713	5,684,984	2,907,820	50,729,877	-
Sub-Totals	$ 500,985,852	$ 6,360,271	$ 25,454,369	$ 481,891,754	$ 20,600,925

Payments for general obligation bonds are made by the Bond Interest and Redemption Fund. Compensated absences and OPEB costs will be paid for by the fund for which the employee worked. Claims liabilities will be paid from the Self-Insurance Fund.

NOTE 7 – LONG-TERM DEBT OTHER THAN PENSIONS (continued)

A. General Obligation Bonds

Election of 2008 (Measure E)
On February 5, 2008, the voters of the District approved a measure by more than a 55% affirmative vote authorizing the District to issue up to $516 million of general obligation bonds. The Bonds are being issued to finance specific construction and renovation projects approved by eligible voters within the District. As of June 30, 2019, there is a remaining balance of $211,355,965 in authorized and unissued bonds.

Prior-Year Defeasance of Debt
In prior years, the District defeased certain general obligation bonds by placing the proceeds of new refunding bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. At June 30, 2019, none of the defeased debt remains outstanding.

The difference between the reacquisition price and the net carrying amount of the old debt is reported as a deferred outflow of resources and recognized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the life of the new debt, whichever is shorter. At June 30, 2019, deferred amounts on refunding were $9,247,170.

A summary of all bond issued and outstanding at June 30, 2019 follows:

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Balance, July 1, 2018	Issuances	Redemptions	Balance, June 30, 2019
Election of 2008 (Measure E)								
Series A	6/15/2010	2/1/2026	4.37%	$ 19,539,035	$ 11,131,960	$ -	$ 1,198,912	$ 9,933,048
Series B	1/28/2010	8/1/2019	2.0% - 5.0%	110,000,000	3,670,000	-	1,665,000	2,005,000
Series C	11/21/2013	8/1/2037	3.0% - 5.0%	70,000,000	64,770,000	-	1,865,000	62,905,000
Series D	7/28/2016	8/1/2033	2.0% - 4.0%	100,000,000	96,760,000	-	4,535,000	92,225,000
Refunding Bonds								
2011 Ref.	6/8/2011	8/1/2032	0.4% - 5.0%	75,105,000	45,805,000	-	5,170,000	40,635,000
2013 Ref.	7/30/2013	8/1/2033	3.0% - 5.0%	20,425,000	14,990,000	-	1,485,000	13,505,000
2014 Ref.	7/30/2014	8/1/2036	3.0% - 5.0%	100,085,000	91,175,000	-	3,290,000	87,885,000
2016 Ref.	7/7/2016	8/1/2033	4.0% - 5.0%	77,215,000	77,215,000	-	-	77,215,000
					$ 405,516,960	$ -	$ 19,208,912	$ 386,308,048

The annual requirements to amortize all general obligation bonds payable outstanding as of June 30, 2019, were as follows:

Fiscal Year	Principal	Interest	Total
2019-2020	$ 17,351,341	$ 15,730,874	$ 33,082,215
2020-2021	18,005,725	14,966,934	32,972,659
2021-2022	17,837,342	14,220,942	32,058,284
2022-2023	18,096,292	13,472,652	31,568,944
2023-2024	18,787,675	12,655,460	31,443,135
2024-2029	113,759,673	49,416,945	163,176,618
2029-2034	148,035,000	21,717,963	169,752,963
2034-2038	34,435,000	2,690,000	37,125,000
	$ 386,308,048	$ 144,871,770	$ 531,179,818

NOTE 7 – LONG-TERM DEBT OTHER THAN PENSIONS (continued)

B. Other Postemployment Benefits (OPEB) Liability

For the fiscal year ended June 30, 2019, the District reported net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense for the following plans:

Pension Plan	Net OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
District Plan	$ 49,342,384	$ 1,322,394	$ 835,729	$ 4,415,376
MPP Program	1,387,493	-	-	(356,080)
Total	$ 50,729,877	$ 1,322,394	$ 835,729	$ 4,059,296

The details of each plan are as follows:

District Plan

Plan Description

The District's single-employer defined benefit OPEB plan provides OPEB for eligible certificated, classified, and management employees of the District. The authority to establish and amend the benefit terms and financing requirements are governed by collective bargaining agreements with plan members. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Benefits Provided

The postretirement health plans and the District's obligation vary by employee group as described below.

Certificated employees may retire with District-paid benefits after attaining age 55 and completing at least 10 years of service, being in at least salary Column 4 and Step 14 and above, and retiring voluntarily. The District pays for medical, prescription, dental and vision benefits, including spousal and family coverage, up to the active employee cap in the year of retirement, currently $14,258 per year as of the valuation date. Any cost above the cap must be borne by the retiree. District-paid benefits end at the earlier of 5 years or age 65.

Classified Teamsters I & II employees may retire with District-paid benefits after attaining age 55 with at least 15 years of service, and retiring from the District through CalPERS. The District pays for medical and prescription drug benefits for the retiree only, up to $5,000 per year. Additional amounts may be paid from a Supplemental Retiree Medical Benefits Pool funded through an amount negotiated as a percent of pay that is adjusted periodically. These amounts are $292.33 per month and $326.78 per month as of the valuation date. Any cost above the cap must be borne by the retiree, including the cost of spousal and dependent coverage and dental insurance, if elected. District-paid benefits end at the earlier of 5 years or age 65. Part-time employees working fewer than 7 hours per day are not eligible for health benefits and have been excluded from the valuation, with the exception of approximately 60 employees grandfathered as of July 1, 2016 and listed in Schedule A of the Teamsters II bargaining agreement.

Management employees may retire and receive District-paid benefits after attaining age 50 and completing at least 7 years of service. The District pays for the cost of medical, prescription drug, dental and vision insurance up to the active employee cap in the year of retirement, currently $14,100 per year as of the valuation date. In addition to the cap the District pays for life insurance with a face amount of $150,000 and a premium of $1,508.40 per year (certain positions receive higher amounts). Benefits are paid for 10 years and may extend beyond age 65.

NOTE 7 – LONG-TERM DEBT OTHER THAN PENSIONS (continued)

B. Other Postemployment Benefits (OPEB) Liability (continued)

District Plan (continued)

Employees Covered by Benefit Terms
At June 30, 2017, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	143
Active employees	2,082
Total	2,225

Total OPEB Liability
The District's total OPEB liability of $49,342,384 for the Plan was measured as of June 30, 2019, and was determined by an actuarial valuation as of July 1, 2017.

Actuarial Assumptions and Other Inputs
The total OPEB liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Valuation Date	July 1, 2017
Inflation	2.25%
Salary increases	3.00%, average, including inflation
Healthcare cost trend rates	8.00% for 2017-18, decreasing to 5.00% for 2020-21 and after
Retirees' share of cost	Retirees pay the balance of the premium in excess of the District cap, which varies by employment classification.

Discount Rate
The discount rate of 3.50 percent was based on the Bond Buyer 20-bond General Obligation Index.

Mortality Rates
Mortality rates were based on the RP-2014 Employee and Healthy Annuitant Mortality Tables for Males or Females, as appropriate, projected using a generational projection based on 100% of scale MP-2016 for years 2014 through 2029, 50% of MP-2016 for years 2030 through 2049, and 20% of MP-2016 for 2050 and thereafter.

NOTE 7 – LONG-TERM DEBT OTHER THAN PENSIONS (continued)

B. Other Postemployment Benefits (OPEB) Liability (continued)

District Plan (continued)

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at July 1, 2018	$ 46,209,140
Changes for the year:	
Service cost	2,517,617
Interest	1,851,832
Differences between expected and actual experience	63,979
Changes of assumptions	1,251,556
Benefit payments	(2,551,740)
Net changes	3,133,244
Balance at June 30, 2019	$ 49,342,384

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 percentage-point lower or one percentage-point higher than the current discount rate:

Discount Rate	OPEB Liability
1% decrease (2.50%)	$ 53,154,679
Current discount rate (3.50%)	$ 49,342,384
1% increase (4.50%)	$ 45,820,362

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 percentage-point lower or one percentage-point higher than the current healthcare cost trend rates:

Healthcare Cost Trend Rate	OPEB Liability
1% decrease (7.0% decreasing to 4.0%)	$ 46,109,256
Current rate (8.0% derceasing to 5.0%)	$ 49,342,384
1% increase (9.0% decreasing to 6.0%)	$ 52,550,300

NOTE 7 – LONG-TERM DEBT OTHER THAN PENSIONS (continued)

B. Other Postemployment Benefits (OPEB) Liability (continued)

District Plan (continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2019, the District recognized OPEB expense of $4,415,376. In addition, at June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 200,956	$ -
Changes of assumptions	1,121,438	835,729
Total	$ 1,322,394	$ 835,729

The deferred outflows of resources related to the differences between expected and actual experience in the measurement of the total OPEB liability and the deferred outflows of resources and deferred inflows of resources related to changes in 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 9.6186 years.

The amount reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30:	Deferred Outflows of Resources	Deferred Inflows of Resources
2020	$ 155,623	$ 109,696
2021	155,623	109,696
2022	155,623	109,696
2023	155,623	109,696
2024	155,623	109,696
Thereafter	544,279	287,249
Total	$ 1,322,394	$ 835,729

Medicare Premium Payment (MPP) Program

Plan Description

The MPP Program is a cost-sharing multiple-employer other postemployment benefit (OPEB) plan established pursuant to Chapter 1032, Statutes of 2000 (SB 1435). CalSTRS administers the MPP Program through the Teachers' Health Benefit Fund (THBF).

NOTE 7 – LONG-TERM DEBT OTHER THAN PENSIONS (continued)

B. Other Postemployment Benefits (OPEB) Liability (continued)

Medicare Premium Payment (MPP) Program (continued)

Plan Description (continued)
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, 2017 annual actuarial valuation report, Medicare Premium Payment Program. 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/actuarial-financial-and-investor-information.

Benefits Provided
The MPP Program pays Medicare Part A premiums and Medicare Parts A and B late enrollment surcharges for eligible members of the 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 MPP Program is closed to new entrants as members who retire on or after July 1, 2012, are not eligible for coverage under the MPP Program.

As of June 30, 2018, 5,984 retirees participated in the MPP Program. The number of retired members who will participate in the program in the future is unknown because eligibility cannot be predetermined.

The MPP Program is funded on a pay-as-you-go basis from a portion of monthly employer contributions. 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.

Total OPEB Liability
At June 30, 2019, the District reported a liability of $1,387,493 for its proportionate share of the net OPEB liability for the MPP Program. The total OPEB liability for the MPP Program as of June 30, 2018, was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2017, and rolling forward the total OPEB liability to June 30, 2018. 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 and the State, actuarially determined. The District's proportions of the net OPEB liability for the two most recent measurement periods were:

	Percentage Share of MPP Program		
	Fiscal Year Ending June 30, 2019	**Fiscal Year Ending June 30, 2018**	**Change Increase/ (Decrease)**
Measurement Date	June 30, 2018	June 30, 2017	
Proportion of the Net OPEB Liability	0.362488%	0.414400%	-0.051912%

For the year ended June 30, 2019, the District reported OPEB expense of $(356,080).

NOTE 7 – LONG-TERM DEBT OTHER THAN PENSIONS (continued)

B. Other Postemployment Benefits (OPEB) Liability (continued)

Medicare Premium Payment (MPP) Program (continued)

Actuarial Assumptions and Other Inputs
The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Measurement Date	June 30, 2018
Valuation Date	June 30, 2017
Experience Study	July 1, 2010, through June 30, 2015
Actuarial Cost Method	Entry age normal
Investment Rate of Return	3.87%
Healthcare Cost Trend Rates	3.70% for Medicare Part A, and
	4.10% for Medicare Part B

In addition, 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 459 or an average of 0.27 percent of the potentially eligible population (171,593).

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 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table issued by the Society of Actuaries.

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, 2018, 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 was 3.87%. The MPP Program is funded on a pay-as-you-go basis, and under the pay-as-you-go method, the OPEB plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, a discount rate of 3.87 percent, which is The Bond Buyer's 20-Bond GO Index from Bondbuyer.com as of June 30, 2018, was applied to all periods of projected benefit payments to measure the total OPEB liability. The discount rate increased 0.29 percent from 3.58 percent as of June 30, 2017.

NOTE 7 – LONG-TERM DEBT OTHER THAN PENSIONS (continued)

B. Other Postemployment Benefits (OPEB) Liability (continued)

Medicare Premium Payment (MPP) Program (continued)

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

Discount Rate	MPP OPEB Liability
1% decrease (2.87%)	$ 1,534,634
Current discount rate (3.87%)	$ 1,387,493
1% increase (4.87%)	$ 1,254,631

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

Medicare Cost Trend Rates	MPP OPEB Liability
1% decrease (2.7% Part A and 3.1% Part B)	$ 1,265,252
Current rate (3.7% Part A and 4.1% Part B)	$ 1,387,493
1% increase (4.7% Part A and 5.1% Part B)	$ 1,518,956

NOTE 8 – PENSION PLANS

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

For the fiscal year ended June 30, 2019, the District reported 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	$ 211,855,128	$ 69,490,291	$ 11,235,073	$ 29,397,264
CalPERS	87,807,338	26,220,041	-	16,812,501
Total	$ 299,662,466	$ 95,710,332	$ 11,235,073	$ 46,209,765

NOTE 8 – PENSION PLANS (continued)

The details of each plan are as follows:

A. 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, 2017, 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/actuarial-financial-and-investor-information.

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, 2019, are summarized as follows:

	STRP Defined Benefit Program	
	On or before	On or after
Hire Date	December 31, 2012	January 1, 2013
Benefit Formula	2% at 60	2% at 62
Benefit Vesting Schedule	5 years of service	5 years of service
Benefit Payments	Monthly for life	Monthly for life
Retirement Age	60	62
Monthly Benefits as a Percentage of Eligible Compensation	2.0%-2.4%	2.0%-2.4%
Required Member Contribution Rate	10.25%	10.205%
Required Employer Contribution Rate	16.28%	16.28%
Required State Contribution Rate	9.828%	9.828%

NOTE 8 – PENSION PLANS (continued)

A. California State Teachers' Retirement System (CalSTRS)

Contributions
Required member District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1% of applicable member earnings phased over a seven year period.

The contribution rates for each program for the year ended June 30, 2019, are presented above and the District's total contributions were $21,344,919.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions
At June 30, 2019, 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:

District's proportionate share of net pension liability	$	211,855,128
State's proportionate share of the net pension liability associated with the District		121,296,969
Total	$	333,152,097

The net pension liability was measured as of June 30, 2018. 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 proportions of the net pension liability for the two most recent measurement periods were:

	Percentage Share of Risk Pool		
	Fiscal Year Ending June 30, 2019	**Fiscal Year Ending June 30, 2018**	**Change Increase/ (Decrease)**
Measurement Date	June 30, 2018	June 30, 2017	
Proportion of the Net Pension Liability	0.230510%	0.228917%	0.001593%

NOTE 8 – PENSION PLANS (continued)

A. California State Teachers' Retirement System (CalSTRS) (continued)

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

For the year ended June 30, 2019, the District recognized pension expense of $29,397,264. In addition, the District recognized pension expense and revenue of $4,136,202 for support provided by the State. At June 30, 2019, 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	$ 21,344,919	$ -
Net change in proportionate share of net pension liability	14,576,152	-
Difference between projected and actual earnings on pension plan investments	-	8,157,760
Changes of assumptions	32,912,265	-
Differences between expected and actual experience	656,955	3,077,313
Total	$ 69,490,291	$ 11,235,073

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. The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and differences between expected and actual experience in the measurement of the total pension liability 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 7 years.

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2020	$ 10,959,799
2021	7,900,927
2022	2,334,102
2023	7,824,858
2024	7,766,410
Thereafter	124,203
Total	$ 36,910,299

NOTE 8 – PENSION PLANS (continued)

A. California State Teachers' Retirement System (CalSTRS) (continued)

Actuarial Methods and Assumptions

The total pension liability for the STRP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2017, and rolling forward the total pension liability to June 30, 2018. In determining the total pension liability, the financial reporting actuarial valuation used the following actuarial methods and assumptions:

Valuation Date	June 30, 2017
Experience Study	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.1%
Consumer Price of Inflation	2.75%
Wage Growth	3.5%

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 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) 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 inputs to the process. The actuarial investment rate of return assumption was adopted by the board in February 2017 in conjunction with the most recent experience study.

For each future valuation, CalSTRS' consulting actuary reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of expected 20-year geometrically linked real rates of return and the assumed asset allocation for each major asset class as of June 30, 2019, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global Equity	47%	6.30%
Fixed Income	12%	0.30%
Real Estate	13%	5.20%
Private Equity	13%	9.30%
Risk Mitigating Strategies	9%	2.90%
Inflation Sensitive	4%	3.80%
Cash/Liquidity	2%	(1.00)%

NOTE 8 – PENSION PLANS (continued)

A. California State Teachers' Retirement System (CalSTRS) (continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.1%. 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 (7.1%) 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%)	$ 310,342,971
Current discount rate (7.10%)	211,855,128
1% increase (8.10%)	130,199,149

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 pursuant to Sections 22954 and 22955.1 of the Education Code and Public Resources Code Section 6217.5. In addition, for the 2018-19 fiscal year, California Senate Bill No. 90 (SB 90) was signed into law on June 27, 2019, and appropriated supplemental contributions of $2,246,000,000. Under accounting principles generally accepted in the United States of America, these amounts are reported as revenues and expenditures in the fund financial statements. The total amount recognized by the District for its proportionate share of the State's on-behalf contributions is $19,338,243.

B. California Public Employees Retirement System (CalPERS)

Plan Description

Qualified employees are eligible to participate in the Schools Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer 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, 2017 annual actuarial valuation report, Schools Pool Accounting Report. This report and CalPERS audited financial information are publically available reports that can be found on the CalPERS website under Forms and Publications at: https://www.calpers.ca.gov/page/employers/actuarial-services/gasb.

NOTE 8 – PENSION PLANS (continued)

B. California Public Employees Retirement System (CalPERS) (continued)

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, 2019, are summarized as follows:

	Schools Pool (CalPERS)	
	On or before	On or after
Hire Date	December 31, 2012	January 1, 2013
Benefit Formula	2% at 55	2% at 62
Benefit Vesting Schedule	5 years of service	5 years of service
Benefit Payments	Monthly for life	Monthly for life
Retirement Age	55	62
Monthly Benefits as a Percentage of Eligible Compensation	1.1%-2.5%	1.0%-2.5%
Required Employee Contribution Rate	7.00%	6.50%
Required Employer Contribution Rate	18.062%	18.062%

Contributions
Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contribution rates are expressed as a percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2019, are presented above and the total District contributions were $8,276,863.

NOTE 8 – PENSION PLANS (continued)

B. California Public Employees Retirement System (CalPERS) (continued)

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

As of June 30, 2019, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $87,807,338. The net pension liability was measured as of June 30, 2018. 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 proportions of the net pension liability for the two most recent measurement periods were:

	Percentage Share of Risk Pool		
	Fiscal Year Ending June 30, 2019	**Fiscal Year Ending June 30, 2018**	**Change Increase/ (Decrease)**
Measurement Date	June 30, 2018	June 30, 2017	
Proportion of the Net Pension Liability	0.329321%	0.326689%	0.002632%

For the year ended June 30, 2019, the District recognized pension expense of $16,812,501. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 8,276,863	$ -
Net change in proportionate share of net pension liability	2,699,457	-
Difference between projected and actual earnings on pension plan investments	720,217	-
Changes of assumptions	8,767,175	-
Differences between expected and actual experience	5,756,329	-
Total	$ 26,220,041	$ -

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. The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and differences between expected and actual experience in the measurement of the total pension liability 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 years.

NOTE 8 – PENSION PLANS (continued)

B. California Public Employees Retirement System (CalPERS) (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)
Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2020	$ 10,475,763
2021	7,815,063
2022	45,699
2023	(393,347)
2024	-
Thereafter	-
Total	$ 17,943,178

Actuarial Methods and Assumptions
Total pension liability for the Schools Pool was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2017, and rolling forward the total pension liability to June 30, 2018. The financial reporting actuarial valuation as of June 30, 2017, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2017
Experience Study	1997-2015
Actuarial Cost Method	Entry age normal
Discount Rate	7.15%
Consumer Price of Inflation	2.75%
Wage Growth	Varies by entry age and service

Post-retirement mortality rates are based on CalPERS' experience and include 15 years of projected ongoing mortality improvement using 90 percent of Scale MP 2016 published by the Society of Actuaries.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first ten years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and adjusted to account for assumed administration expenses.

NOTE 8 – PENSION PLANS (continued)

B. California Public Employees Retirement System (CalPERS) (continued)

Actuarial Methods and Assumptions (continued)

The target asset allocation and best estimates of real rates of return for each major asset class are summarized in the following table:

Asset Class	Assumed Asset Allocation	Real Return Years 1-10	Real Return Years 11+
Global Equity	50%	4.80%	5.98%
Fixed Income	28%	1.00%	2.62%
Inflation Assets	0%	0.77%	1.81%
Private Equity	8%	6.30%	7.23%
Real Assets	13%	3.75%	4.93%
Liquidity	1%	0.00%	(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 percent lower or higher than the current rate:

Discount Rate	Net Pension Liability
1% decrease (6.15%)	$ 127,843,285
Current discount rate (7.15%)	87,807,338
1% increase (8.15%)	54,591,789

On-Behalf Payments

The State of California normally makes no contributions to CalPERS on behalf of the District. However, for the 2018-19 fiscal year, California Senate Bill No. 90 (SB 90) was signed into law on June 27, 2019, and appropriated contributions of $904,000,000. Under accounting principles generally accepted in the United States of America, these amounts are reported as revenues and expenditures in the fund financial statements. The total amount recognized by the District for its proportionate share of the State's on-behalf contributions is $2,977,062.

C. 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.

D. Payables to the Pension Plans

At June 30, 2019, the District did not have any outstanding payables for outstanding contributions to the CalSTRS and CalPERS pension plans, respectively, required for the fiscal year ended June 30, 2019.

NOTE 9 – JOINT VENTURES

The District is a member of the Southern California Regional Liability Excess Fund (SoCal ReLiEF), California Valley Trust (CVT), and the Riverside Schools Risk Management Authority (RSRMA) joint powers authorities. The District pays an annual premium to each entity for its health and property and liability coverage. The relationships between the District and the JPAs are such that they are not component units of the District for financial reporting purposes.

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

NOTE 10 – RISK MANAGEMENT

Description

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

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

Claims Liabilities

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

Unpaid Claim Liabilities

The Internal Service Fund establishes a liability for both reported and unreported events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following represents the changes in approximate aggregate liabilities of the District from July 1, 2017 to June 30, 2019:

	Workers' Compensation
Liability Balance, July 1, 2017	$ 8,020,271
Claims and changes in estimates	219,622
Claims payments	(1,448,428)
Liability Balance, June 30, 2018	6,791,465
Claims and changes in estimates	7,688
Claims payments	(1,046,782)
Liability Balance, June 30, 2019	$ 5,752,371
Assets available to pay claims at June 30, 2019	$ 24,787,480

NOTE 11 – COMMITMENTS AND CONTINGENCIES

A. State and Federal Allowances, Awards, and Grants

The District has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursement will not be material.

B. Litigation

The District is involved in various litigation that arose out of the normal course of business. In the opinion of legal counsel, the District does not anticipate that the outcome of any of the litigation will have a material impact on the financial statements.

C. Construction Commitments

As of June 30, 2019, the District had commitments with respect to unfinished capital projects of approximately $87.9 million to be paid from a combination of State and local funds.

Required Supplementary Information

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PALM SPRINGS UNIFIED SCHOOL DISTRICT

Budgetary Comparison Schedule – General Fund
For the Fiscal Year Ended June 30, 2019

	Budgeted Amounts Original	Budgeted Amounts Final	Actual (Budgetary Basis)	Variance with Final Budget - Pos (Neg)
Revenues				
LCFF/Revenue Limit Sources	$ 232,952,693	$ 234,407,938	$ 234,407,938	$ -
Federal	18,843,822	27,571,095	24,008,546	(3,562,549)
Other State	27,448,472	29,570,264	37,879,238	8,308,974
Other Local	12,824,678	15,231,715	15,231,715	-
Total Revenues	292,069,665	306,781,012	311,527,437	4,746,425
Expenditures				
Current:				
Certificated Salaries	126,487,634	131,752,052	129,674,151	2,077,901
Classified Salaries	44,520,673	44,713,745	43,434,766	1,278,979
Employee Benefits	81,369,424	81,326,303	90,232,605	(8,906,302)
Books and Supplies	16,168,137	22,801,251	14,392,855	8,408,396
Services and Other Operating Expenditures	32,960,010	39,894,921	37,870,240	2,024,681
Transfers of indirect costs	(1,451,309)	(1,449,379)	(1,357,962)	(91,417)
Capital Outlay	711,503	1,268,194	1,111,156	157,038
Intergovernmental	294,126	110,134	110,134	-
Total Expenditures	301,060,198	320,417,221	315,467,945	4,949,276
Excess (Deficiency) of Revenues Over (Under) Expenditures	(8,990,533)	(13,636,209)	(3,940,508)	9,695,701
Other Financing Sources and Uses				
Interfund Transfers In	11,280,313	12,760,806	12,760,806	-
Interfund Transfers Out	(1,556,970)	(1,653,753)	(1,653,753)	-
Total Other Financing Sources and Uses	9,723,343	11,107,053	11,107,053	-
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	732,810	(2,529,156)	7,166,545	9,695,701
Fund Balances, July 1, 2018	16,823,887	26,042,353	26,042,353	-
Fund Balances, June 30, 2019	$ 17,556,697	$ 23,513,197	$ 33,208,898	$ 9,695,701

Other Fund Balances included in the Statement of Revenues, Expenditures and Changes in Fund Balances:

Special Revenue Fund for Other Than Capital Outlay	4,709,137
Total reported General Fund balance on the Statement of Revenues, Expenditures and Changes in Fund Balances:	$ 37,918,035

The actual amounts for State revenues and employee benefits expenditures above include an additional $10,864,349 for STRS and PERS on-behalf contributions due to SB 90. These amounts were not recorded in the District's final budget.

PALM SPRINGS UNIFIED SCHOOL DISTRICT

Schedule of Proportionate Share of the Net Pension Liability
For the Fiscal Year Ended June 30, 2019

*Last Ten Fiscal Years**

	2017-18	2016-17	2015-16	2014-15	2013-14
CalSTRS					
District's proportion of the net pension liability	0.2305%	0.2289%	0.2308%	0.2203%	0.0750%
District's proportionate share of the net pension liability	$ 211,855,128	$ 211,702,726	$ 186,675,227	$ 148,312,147	$ 116,093,098
State's proportionate share of the net pension liability associated with the District	121,296,969	125,241,544	106,286,523	78,440,566	70,102,025
Totals	$ 333,152,097	$ 336,944,270	$ 292,961,750	$ 226,752,713	$ 186,195,123
District's covered-employee payroll	$ 124,947,685	$ 122,773,402	$ 113,836,850	$ 98,694,989	$ 106,231,697
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	169.56%	172.43%	163.98%	150.27%	109.28%
Plan fiduciary net position as a percentage of the total pension liability	71%	69%	70%	74%	77%
CalPERS					
District's proportion of the net pension liability	0.3293%	0.3267%	0.3258%	0.3013%	0.2952%
District's proportionate share of the net pension liability	$ 87,807,338	$ 77,989,257	$ 64,353,119	$ 44,414,852	$ 33,509,892
District's covered-employee payroll	$ 43,606,980	$ 41,678,190	$ 40,021,930	$ 32,838,170	$ 33,782,389
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	201.36%	187.12%	160.79%	135.25%	99.19%
Plan fiduciary net position as a percentage of the total pension liability	71%	72%	74%	79%	83%

* *This schedule is required to show information for ten years; however, until a full ten year trend is compiled, information is presented for those years for which information is available.*

PALM SPRINGS UNIFIED SCHOOL DISTRICT

Schedule of Pension Contributions

For the Fiscal Year Ended June 30, 2019

*Last Ten Fiscal Years**

	2018-19	2017-18	2016-17	2015-16	2014-15
CalSTRS					
Contractually required contribution	$ 21,344,919	$ 18,029,951	$ 15,444,894	$ 12,214,694	$ 8,764,115
Contributions in relation to the contractually required contribution	21,344,919	18,029,951	15,444,894	12,214,694	8,764,115
Contribution deficiency (excess):	$ -	$ -	$ -	$ -	$ -
District's covered-employee payroll	$ 131,111,296	$ 124,947,685	$ 122,773,402	$ 113,836,850	$ 98,694,989
Contributions as a percentage of covered-employee payroll	16.28%	14.43%	12.58%	10.73%	8.88%
CalPERS					
Contractually required contribution	$ 8,276,863	$ 6,772,600	$ 5,788,267	$ 4,741,398	$ 3,865,381
Contributions in relation to the contractually required contribution	8,276,863	6,772,600	5,788,267	4,741,398	3,865,381
Contribution deficiency (excess):	$ -	$ -	$ -	$ -	$ -
District's covered-employee payroll	$ 45,824,734	$ 43,606,980	$ 41,678,190	$ 40,021,930	$ 32,838,170
Contributions as a percentage of covered-employee payroll	18.062%	15.531%	13.888%	11.847%	11.771%

* *This schedule is required to show information for ten years; however, until a full ten year trend is compiled, information is presented for those years for which information is available.*

PALM SPRINGS UNIFIED SCHOOL DISTRICT
Schedule of Changes in the District's Total OPEB Liability and Related Ratios
For the Fiscal Year Ended June 30, 2019

Last 10 Fiscal Years*

	2019	2018
Total OPEB liability		
Service cost	$ 2,517,617	$ 2,563,184
Interest	1,851,832	1,680,193
Differences between expected and actual experience	63,979	181,335
Changes of assumptions or other inputs	1,251,556	(1,055,121)
Benefit payments	(2,551,740)	(2,357,253)
Net change in total OPEB liability	3,133,244	1,012,338
Total OPEB liability - beginning	46,209,140	45,196,802
Total OPEB liability - ending	$ 49,342,384	$ 46,209,140
Covered-employee payroll	$ 180,907,316	$ 175,638,171
Total OPEB liability as a percentage of covered-employee payroll	27.27%	26.31%

Notes to Schedule:
The discount rate, which is based on an outside index, was decreased from 3.90% to 3.50%.

** This schedule is required to show information for ten years; however, until a full ten year trend is compiled, information is presented for those years for which information is available.*

PALM SPRINGS UNIFIED SCHOOL DISTRICT

Schedule of the District's Proportionate Share of the Net OPEB Liability – MPP Program
For the Fiscal Year Ended June 30, 2019

	2018	2017
District's proportion of net OPEB liability	0.3625%	0.4144%
District's proportionate share of net OPEB liability	$ 1,387,493	$ 1,743,573
Covered-employee payroll	N/A	N/A
District's net OPEB liability as a percentage of covered-employee payroll	N/A	N/A
Plan fiduciary net position as a percentage of the total OPEB liability	0.40%	0.01%

Notes to Schedule:
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.

This schedule is required to show information for ten years; however, until a full ten year trend is compiled, information is presented for those years for which information is available.

NOTE 1 – PURPOSE OF SCHEDULES

Budgetary Comparison Schedule
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 States of America as prescribed by the Governmental Accounting Standards Board and provisions of the California Education Code. The Board of Education 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 adoptions 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.

This schedule presents information for the original and final budgets and actual results of operations, as well as the variances from the final budget to actual results of operations.

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.

Change in benefit terms – There were no changes in benefit terms since the previous valuations for both CalSTRS and CalPERS.

Change of assumptions **-** In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate.

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.

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, and the total OPEB liability. In the future, as data becomes available, ten years of information will be presented.

Change in benefit terms – There were no changes in benefit terms since the previous valuation.

Change of assumptions – Liability changes resulting from changes in economic and demographic assumptions are also deferred based on the average working life. The discount rate was decreased from 3.90% to 3.50%.

NOTE 1 – PURPOSE OF SCHEDULES (continued)

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.

Change in benefit terms – There were no changes in benefit terms since the previous valuation.

Change of assumptions – The plan rate of investment return assumption was changed from 3.58 percent to 3.87 percent since the previous valuation.

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Supplementary Information

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The Palm Springs Unified School District was established in 1948, and consists of an area comprising approximately 498 square miles. The District includes the incorporated cities of Palm Springs, Cathedral City, Desert Hot Springs, most of Rancho Mirage, the unincorporated community of Thousand Palms, and some unincorporated areas of Riverside County. The District operates fifteen elementary schools, five middle schools, four high schools, one continuation high school, a charter school (grades K-8), an adult education program, and an alternative education program. There were no boundary changes during the year.

Board of Education

Member	Office	Term Expires
Richard Clapp	President	2020
John Gerardi	Clerk	2022
Karen Cornett	Member	2022
Madonna Gerrell	Member	2020
Timothy S. Ward	Member	2022

DISTRICT ADMINISTRATORS

Sandra Lyon, Ed.D.,
Superintendent

Brian J. Murray, Ed.D.,
Assistant Superintendent, Business Services

Mike Swize, Ed.D.,
Assistant Superintendent, Educational Services

Tony Signoret, Ed.D.,
Assistant Superintendent, Human Services

PALM SPRINGS UNIFIED SCHOOL DISTRICT	Second Period Report	Annual Report
	Certificate No. (4806024C)	Certificate No. (5BBA38AB)
Regular ADA:		
TK/Grades K-3	6,103.19	6,113.64
Grades 4-6	4,543.67	4,536.11
Grades 7-8	3,195.14	3,176.92
Grades 9-12	6,594.42	6,534.24
Total Regular ADA	20,436.42	20,360.91
Special Education - Nonpublic, Nonsectarian Schools:		
Grades 4-6	1.83	3.57
Grades 7-8	1.10	1.40
Grades 9-12	1.40	1.76
Total Special Education, Nonpublic, Nonsectarian Schools	4.33	6.73
Total ADA	20,440.75	20,367.64

CIELO VISTA CHARTER SCHOOL	Second Period Report	Annual Report
	Certificate No. (2E957DA2)	Certificate No. (26CBCDF3)
Regular ADA:		
TK/Grades K-3	330.35	329.60
Grades 4-6	333.47	333.04
Grades 7-8	216.17	215.95
Total ADA	879.99	878.59

All charter school ADA is generated through classroom-based instruction.

PALM SPRINGS UNIFIED SCHOOL DISTRICT
Schedule of Instructional Time
For the Fiscal Year Ended June 30, 2019

PALM SPRINGS UNIFIED SCHOOL DISTRICT				
Grade Level	Required Minutes	2018-19 Actual Minutes	Number of Traditional Calendar Days	Status
Kindergarten	36,000	55,230	181	Complied
Grade 1	50,400	55,230	181	Complied
Grade 2	50,400	55,230	181	Complied
Grade 3	50,400	55,230	181	Complied
Grade 4	54,000	56,570	181	Complied
Grade 5	54,000	56,570	181	Complied
Grade 6	54,000	61,624	181	Complied
Grade 7	54,000	61,624	181	Complied
Grade 8	54,000	61,624	181	Complied
Grade 9	64,800	65,182	181	Complied
Grade 10	64,800	65,182	181	Complied
Grade 11	64,800	65,182	181	Complied
Grade 12	64,800	65,182	181	Complied

CIELO VISTA CHARTER SCHOOL				
Grade Level	Required Minutes	2018-19 Actual Minutes	Number of Traditional Calendar Days	Status
Kindergarten	36,000	55,730	181	Complied
Grade 1	50,400	57,695	181	Complied
Grade 2	50,400	57,695	181	Complied
Grade 3	50,400	57,695	181	Complied
Grade 4	54,000	59,005	181	Complied
Grade 5	54,000	59,005	181	Complied
Grade 6	54,000	62,625	181	Complied
Grade 7	54,000	62,625	181	Complied
Grade 8	54,000	62,625	181	Complied

PALM SPRINGS UNIFIED SCHOOL DISTRICT

Schedule of Financial Trends and Analysis
For the Fiscal Year Ended June 30, 2019

General Fund	(Budget) 2020 [2]	2019 [3]	2018	2017
Revenues and other financing sources	$ 308,400,558	$ 324,288,243	$ 289,117,212	$ 276,647,070
Expenditures	308,351,840	315,467,945	282,794,684	275,501,463
Other uses and transfers out	1,711,582	1,653,753	1,316,957	1,131,578
Total outgo	310,063,422	317,121,698	284,111,641	276,633,041
Change in fund balance (deficit)	(1,662,864)	7,166,545	5,005,571	14,029
Ending fund balance	$ 31,546,034	$ 33,208,898	$ 26,042,353	$ 21,036,782
Available reserves [1]	$ 19,027,191	$ 15,520,810	$ 21,819,183	$ 17,312,015
Available reserves as a percentage of total outgo	6.1%	4.9%	7.7%	6.3%
Total long-term debt	$ 760,953,295	$ 781,554,220	$ 790,677,835	$ 772,349,730
Average daily attendance at P-2	20,216	20,441	20,780	20,899

The General Fund balance has increased by $12.2 million over the past two years. The fiscal year 2019-20 adopted budget projects a decrease of $1.7 million. For a district of this size, the state recommends available reserves of at least 3% of total general fund expenditures, transfers out, and other uses (total outgo). Long-term debt has increased $9.2 million over the past two years due primarily to the net pension liability and bond issuances.

The District has incurred operating deficits in none of the past three years, but does anticipate incurring an operating deficit during the 2019-20 fiscal year.

Average daily attendance (ADA) has decreased by 458 over the past two years. A decrease of 225 ADA is anticipated during fiscal year 2019-20.

[1] Available reserves consist of all unassigned fund balances in the General Fund and the Special Reserve Fund for Other than Capital Outlay.

[2] As of September, 2019.

[3] The actual amounts reported in this schedule are for the General Fund only, and do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances because the amounts on that schedule include the financial activity of the Special Reserve Fund for Other Than Capital Outlay Projects, in accordance with the fund type definitions promulgated by GASB Statement No. 54.

PALM SPRINGS UNIFIED SCHOOL DISTRICT
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements
For the Fiscal Year Ended June 30, 2019

	Self-Insurance Fund
June 30, 2019, annual financial and budget report (SACS) fund balances	$ 17,719,848
Adjustments and reclassifications:	
Increasing (decreasing) the fund balance:	
Accounts payable overstated	1,039,094
Net adjustments and reclassifications	1,039,094
June 30, 2019, audited financial statement fund balances	$ 18,758,942

PALM SPRINGS UNIFIED SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2019

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Cluster Expenditures	Federal Expenditures
Federal Programs:				
U.S. Department of Agriculture:				
Passed through California Dept. of Education (CDE):				
School Breakfast Program - Basic	10.553	13525	$ 8,631	
School Breakfast Program - Especially Needy	10.553	13526	2,660,686	
National School Lunch Program	10.555	13523	9,139,241	
USDA Donated Foods	10.555	N/A	226,413	
Summer Food Program	10.559	13004	186,242	
Summer Food Service Sponsor Administration	10.559	13006	19,443	
Total Child Nutrition Cluster				$ 12,240,656
Child and Adult Care Food Program	10.558	13393		1,067,719
Total U.S. Department of Agriculture				13,308,375
U.S. Department of Education:				
Passed through California Dept. of Education (CDE):				
Every Student Succeeds Act (ESSA):				
Title I, Part A Cluster:				
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	11,139,720	
ESSA School Improvement Funding for LEAs	84.010	15438	209,447	
Total Title I, Part A Cluster				11,349,167
Title II, Supporting Effective Instruction	84.367	14341		1,396,159
Title III, Immigrant Education Program	84.365	15146		1,053,619
Title IV, Part A, Student Support and Academic Enrichment Grant	84.424	15396		556,809
Title IV, Part C, Public Charter School Grants	84.282	15385		5,960
Title IX, Part A, McKinney-Vento Homeless Assistance Grant	84.196	14332		69,115
Carl D. Perkins Career and Technical Education	84.048	14894		238,833
Passed through Riverside County Special Education Local Plan Area:				
Special Education Cluster:				
Basic Local Assistance Entitlement, Part B	84.027	13379	3,351,524	
Local Assistance, Part B, Sec 611, Private School ISPs	84.027	10115	11,271	
IDEA Local Assistance, Part B, Sec 611	84.027	10115	15,245	
Preschool Grants, Part B, Section 619	84.173	13430	60,422	
Preschool Local Entitlement, Part B, Sec 611	84.027A	13682	158,752	
Preschool Capacity Building, Part B. Sec 619	84.173A	13839	7,871	
Mental Health Allocation Plan, Part B, Sec 611	84.027	14468	446,728	
Preschool Staff Development, Part B, Sec 619	84.173A	13431	812	
Total Special Education (IDEA) Cluster				4,052,625
Total U.S. Department of Education				18,722,287
U.S. Department of Health & Human Services:				
Passed through California Dept. of Education:				
Medicaid Cluster:				
Medi-Cal Billing Option	93.778	10013	646,998	
Medi-Cal Administrative Activities (MAA)	93.778	10060	1,708,004	
Total Medicaid Cluster				2,355,002
Passed through Riverside County Office of Education:				
Head Start Basic	93.600	10016	2,385,572	
Early Head Start-Child Care Partnership	93.600	15291	327,085	
Total Head Start Cluster				2,712,657
Total U.S. Department of Health & Human Services				5,067,659
U.S. Department of Defense				
Junior Reserve Officer Training Corps, Air Force	12.000	N/A		280,136
Total Expenditures of Federal Awards				$ 37,378,457

Of the federal awards presented in this schedule, the District provided no awards to subrecipients.

PALM SPRINGS UNIFIED SCHOOL DISTRICT
Schedule of Charter Schools
For the Fiscal Year Ended June 30, 2019

Charter School	Inclusion in Financial Statements
Cielo Vista Charter School (No. 1173)	Included

NOTE 1 – PURPOSE OF SCHEDULES

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

Schedule of Instructional Time
The District has participated in the Incentives for Longer Instructional Day and Longer Instructional Year. The District has met its LCFF target funding. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with Article 8 (commencing with Section 46200) of Chapter 2 Part 26 of the Education Code.

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.

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 Expenditures of Federal Awards
The schedule of expenditures of Federal awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements. The District did not elect to use the ten percent de minimis indirect cost rate.

The following schedule provides a reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts represent Federal funds that have been recorded as revenues that have not been expended by June 30, 2019.

	CFDA Number	Amount
Total Federal Revenues from the Statement of Revenues, Expenditures, and Changes in Fund Balances		$ 37,322,881
Differences between Federal Revenues and Expenditures:		
Medi-Cal Administrative Activities	93.778	55,576
Total Schedule of Expenditures of Federal Awards		$ 37,378,457

Schedule of Charter Schools
This schedule lists all charter schools chartered by the District, and displays information for each charter school and whether or not the charter school is included in the District audit.

Other Independent Auditors' Reports

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

Board of Education
Palm Springs Unified School District
Palm Springs, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Palm Springs Unified School District as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Palm Springs Unified School District's basic financial statements, and have issued our report thereon dated December 2, 2019.

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

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

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.

Jeff Nigro, CPA, CFE | Elizabeth Nigro, CPA | Peter Glenn, CPA | Paul J. Kaymark, CPA | Michael Klein, CPA, CMA, EA

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

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

Nigro & Nigro, PC

Murrieta, California
December 2, 2019

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Education
Palm Springs Unified School District
Palm Springs, California

Report on Compliance for Each Major Federal Program
We have audited Palm Springs Unified School District's compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of Palm Springs Unified School District's major federal programs for the year ended June 30, 2019. Palm Springs Unified School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

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.

Auditors' Responsibility
Our responsibility is to express an opinion on compliance for each of Palm Springs Unified School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 Palm Springs Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program
In our opinion, Palm Springs Unified School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Jeff Nigro, CPA, CFE | Elizabeth Nigro, CPA | Peter Glenn, CPA | Paul J. Kaymark, CPA | Michael Klein, CPA, CMA, EA

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Report on Internal Control Over Compliance

Management of Palm Springs Unified School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Palm Springs Unified School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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.

Nigro & Nigro, PC

Murrieta, California
December 2, 2019

NIGRO & NIGRO PC
A PROFESSIONAL ACCOUNTANCY CORPORATION

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Education
Palm Springs Unified School District
Palm Springs, California

Report on State Compliance
We have audited Palm Springs Unified School District's compliance with the types of compliance requirements described in the *2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* that could have a direct and material effect on each of the Palm Springs Unified School District's state government programs as noted on the following page for the fiscal year ended June 30, 2019.

Management's Responsibility
Management is responsible for compliance with state laws, regulations, and the terms and conditions of its State programs.

Auditors' Responsibility
Our responsibility is to express an opinion on compliance for each of Palm Springs Unified School District's state programs based on our audit of the types of compliance requirements referred to on the following page. 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 *2018-19 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 types of compliance requirements referred to on the following page that could have a direct and material effect on a state program occurred. An audit includes examining, on a test basis, evidence about Palm Springs Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each state program. However, our audit does not provide a legal determination of Palm Springs Unified School District's compliance.

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

Description	Procedures Performed
Local Education Agencies Other Than Charter Schools:	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	Yes
Continuation Education	Yes
Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes

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Description	Procedures Performed
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Not Applicable
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Not Applicable
Middle or Early College High Schools	Not Applicable
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	Not Applicable
Comprehensive School Safety Plan	Yes
District of Choice	Not Applicable
School Districts, County Offices of Education, and Charter Schools:	
California Clean Energy Jobs Act	Yes
After/Before School Education and Safety Program	Yes
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study - Course Based	Not Applicable
Charter Schools:	
Attendance	Yes
Mode of Instruction	Yes
Nonclassroom-Based Instruction/Independent Study	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction	Not Applicable
Annual Instructional Minutes – Classroom Based	Yes
Charter School Facility Grant Program	Not Applicable

Unmodified Opinion on Compliance with State Programs

In our opinion, Palm Springs Unified School District complied, in all material respects, with the types of compliance requirements referred to above for the year ended June 30, 2019.

Other Matter

The results of our auditing procedures disclosed an instance of noncompliance with the compliance requirements referred to previously, which is required to be reported in accordance with the *2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting,* and which is described in the accompanying schedule of findings and questioned costs as Finding 2019-001. Our opinion on each state program is not modified with respect to this matter.

District's Response to Finding

Palm Springs Unified School District's response to the compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Palm Springs Unified School District's response was not subjected to the auditing procedures in the audit of compliance and, accordingly, we express no opinion on the response.

Nigro & Nigro, PC

Murrieta, California
December 2, 2019

Findings and Questioned Costs

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SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(s) identified not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(s) 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 Circular A-133, Section .510(a)	No

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
10.553, 10.555, & 10.559	Child Nutrition Cluster
84.027 and 84.173	Special Education (IDEA) Cluster
93.600	Head Start Cluster
93.778	Medicaid Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	$ 1,121,354
Auditee qualified as low-risk auditee?	No

State Awards

Type of auditor's report issued on compliance for state programs:	Unmodified

SECTION II - FINANCIAL STATEMENT FINDINGS

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards.* Pursuant to Assembly Bill (AB) 3627, all audit findings must be identified as one or more of the following categories:

Five Digit Code	AB 3627 Finding Types
10000	Attendance
20000	Inventory of Equipment
30000	Internal Control
40000	State Compliance
42000	Charter School Facilities Programs
43000	Apprenticeship: Related and Supplemental Instruction
50000	Federal Compliance
60000	Miscellaneous
61000	Classroom Teacher Salaries
62000	Local Control Accountability Plan
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

There were no financial statement findings in 2018-19.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

This section identifies the audit findings required to be reported by the Uniform Guidance, Section 200.516 (e.g., significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs).

There were no federal award findings or questioned costs in 2018-19.

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

This section identifies the audit findings pertaining to noncompliance with state program rules and regulations.

Finding 2019-001: Unduplicated Pupil Counts (40000)

Criteria: California Education Code section 42238.01 states, in part:

> "Pupils of limited English proficiency" means pupils who do not have the clearly developed English language skills of comprehension, speaking, reading, and writing necessary to receive instruction only in English at a level substantially equivalent to pupils of the same age or grade whose primary language is English. "English learner" shall have the same meaning as provided for in subdivision (a) of Section 306 and as "pupils of limited English proficiency."

California Education Code section 42238.02(b)(1) states:

> For purposes of this section "unduplicated pupil" means a pupil enrolled in a school district or a charter school who is either classified as an English learner, eligible for a free or reduced-price meal, or is a foster youth. A pupil shall be counted only once for purposes of this section if any of the following apply:
>
> (A) The pupil is classified as an English learner and is eligible for a free or reduced-price meal.
> (B) The pupil is classified as an English learner and is a foster youth.
> (C) The pupil is eligible for a free or reduced-price meal and is classified as a foster youth.
> (D) The pupil is classified as an English learner, is eligible for a free or reduced-price meal, and is a foster youth.

California Education Code section 42238.02(b)(2) states:

> Under procedures and timeframes established by the Superintendent, commencing with the 2013-14 fiscal year, a school district or charter school shall annually submit its enrolled free and reduced-price meal eligibility, foster youth, and English learner pupil-level records for enrolled pupils to the Superintendent using the California Longitudinal Pupil Achievement Data System.

California Education Code section 42238.02(b)(4) states:

> The Superintendent shall make the calculations pursuant to this section using the data submitted by local educational agencies, including charter schools, through the California Longitudinal Pupil Achievement Data System. Under timeframes and procedures established by the Superintendent, school districts and charter schools may review and revise their submitted data on English learner, foster youth, and free or reduced-price meal eligible pupil counts to ensure the accuracy of data reflected in the California Longitudinal Pupil Achievement Data System.

Condition: During our review of the District's Unduplicated Local Control Funding Formula (LCFF) Pupil Counts, we noted that the District was unable to provide documentation to support EL eligibility for one of twelve students that we reviewed who were included in the District's unduplicated pupil count as EL-eligible only. We tested an additional 39 students for a total sample size of 51 and found no additional errors.

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS (continued)

Finding 2019-001: Unduplicated Pupil Counts (40000) (continued)

Context: The auditor noted that the District could not provide supporting documentation for 1 of 51 students designated as EL only. This appears to be an isolated error and not a material weakness in internal controls. Further audit procedures found no other deficiencies on the District's EL records.

Cause: The District did not maintain adequate documentation to support the counts of English Learners in California Longitudinal Pupil Achievement Data System (CALPADS) for one pupil.

Effect: We used the CDE Audit Penalty calculator and determined that the financial impact of the error is $1,943.

School Site	CALPADS Reported	Adjusted based on eligibility English Learner	Adjusted Total
Cathedral City High School	339	(1)	338
Aggregate remaining school sites	19,150	-	19,150
District-wide	19,489	(1)	19,488

The enrollment count of 21,782 was not impacted as a result of the procedures performed.

Recommendation: We recommend that the District implement controls to ensure that contemporaneous supporting documentation is maintained to support all students reported for the unduplicated pupil counts and implement policies and procedures to ensure that the CALPADS is updated with changes in students' EL designations.

Views of Responsible Officials: The District acknowledges the error and will more carefully review CALPADS data to ensure only students with sufficient documentation are reported as EL eligible.

There were no findings or questioned costs in 2017-18.

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

In planning and performing our audit of the basic financial statements of Palm Springs Unified School District for the year ending June 30, 2019, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control structure.

However, during our audit we noted matters that are an opportunity for strengthening internal controls and operating efficiency. The following items represent conditions noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated December 2, 2019, on the financial statements of Palm Springs Unified School District.

ATTENDANCE ACCOUNTING

Observation: At some school sites, we noted that teachers were not certifying their reported attendance on a weekly basis, but instead were certifying the attendance either bi-weekly or at the end of the month. In one school, teachers weren't signing the attendance reports at all. When teachers are taking online attendance, the rosters are required to be printed out and signed by the teacher on a weekly basis to indicate their review and agreement of the attendance reported. We found no misstated ADA as a result of this deficiency.

> ***Recommendation:*** We recommend that the rosters be signed and dated timely, on a weekly basis as recommended by CDE to create a valid contemporaneous record. Alternatively, the District may seek approval for digital signatures, but a digital system must first be approved by the CDE.

ASSOCIATED STUDENT BODY (ASB)

Observation: During our review of cash receipt documentation, we noted that many school sites made deposits that lacked a clear audit trail from the point of collection. Without supporting documentation, we could not verify whether all cash collected had been deposited intact and into the correct ASB account. For example, tally logs or prenumbered tickets should be used to account for fundraising activities and then reconciled to the amount of cash collected for that event. Sound internal controls for handling cash discourage theft of ASB funds and protect those who handle the cash. It is important to tie all proceeds to the specific fundraiser from which they were generated and to ensure that all proceeds from an event are turned in and properly accounted for.

> ***Recommendation:*** We recommend that before any events are held, control procedures should be established that will allow for the reconciliation between money collected and fundraiser sales. We recommend that the student stores utilize registers and reconcile daily cash collected and deposited with sales receipts to provide a clear audit trail.

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ASSOCIATED STUDENT BODY (ASB) (continued)

Observation: Some of the schools use ASB accounts to collect money and pay for AP and PSAT tests. These accounts appear to function as clearing funds for the District and not as clubs operated by students. Additionally, at one high school we noted a number of clubs that do not appear to be run by the students, to be composed entirely of currently enrolled students, or to be formed for the general student welfare and morale in accordance with Education Code 48930 for the purpose and privilege of student body activities. ASB accounts are not and should not be used as pass-through or clearing accounts for District funds. Accepting District funds into the ASB account is also considered commingling of funds.

> ***Recommendation:*** We recommend that the sites forward all District funds to the District for receipt or open a separate clearing account for funds to be transferred to the District on a monthly basis. Additionally, Education Code 48930 referenced above specifies that any group of students may organize a student body association within the public schools with the approval and subject to the control and regulation of the governing body of the school district. All student groups should be run by the students, for purposes approved by the students.

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

Nigro & Nigro, PC

Murrieta, California
December 2, 2019