FOR THE FISCAL
YEAR ENDED
JUNE 30, 2021

WESA
Water Employee Services Authority

ANNUAL FINANCIAL REPORT

WATER EMPLOYEE SERVICES AUTHORITY

A COMPONENT UNIT OF THE
ELSINORE VALLEY MUNICIPAL
WATER DISTRICT

FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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WATER EMPLOYEE SERVICES AUTHORITY
A COMPONENT UNIT OF THE ELSINORE VALLEY MUNICIPAL WATER DISTRICT

For The Fiscal Year Ended JUNE 30, 2021
(With Comparative Amounts For The Fiscal Year Ended June 30, 2020)

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INDEPENDENT AUDITOR'S REPORT

For The Fiscal Year Ended JUNE 30, 2021

WESA
Water Employee Services Authority

ROGERS, ANDERSON, MALODY & SCOTT, LLP
CERTIFIED PUBLIC ACCOUNTANTS, SINCE 1948

735 E. Carnegie Dr. Suite 100
San Bernardino, CA 92408
909 889 0871 T
909 889 5361 F
ramscpa.net

Independent Auditor's Report

To the Board of Directors
Water Employee Services Authority
Lake Elsinore, California

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Water Employee Services Authority (the Authority), a component unit of the Elsinore Valley Municipal Water District as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Authority as of June 30, 2021, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the State Controller's *Minimum Audit Requirements for California Special Districts*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

The Authority's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

STABILITY. ACCURACY. TRUST.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the Authority's 2020 financial statements, and we expressed unmodified opinions on the respective financial statements in our report dated November 19, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matter

Prior-Year Comparative Information

The financial statements include summarized prior-year comparative information. Such information does not include all of the information required or sufficient detail to constitute a presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Authority's financial statements for the year ended June 30, 2020, from which such summarized information was derived.

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion is not affected by this missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2021 on our consideration of the Authority'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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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 Authority's internal control over financial reporting and compliance.

Rogers, Anderson, Malody & Scott, LLP.

San Bernardino, California
December 31, 2021

BASIC FINANCIAL STATEMENTS

For The Fiscal Year Ended JUNE 30, 2021

WESA
Water Employee Services Authority

STATEMENT OF NET POSITION
As of June 30, 2021
(With Comparative Amounts as of June 30, 2020)

	JUNE 2021	JUNE 2020
ASSETS:		
Current Assets		
Cash and Cash Equivalents (Note 2)	$ 854,783	$ 224,323
Accounts Receivable	9,612	-
Accrued Compensated Absences Receivable, current portion (Note 1e)	939,299	923,079
Due from Member Agencies (Note 8):		
Meeks and Daley Water Company	57,287	40,897
Elsinore Valley Municipal Water District	-	357,143
Prepaid Expenses (Note 3)	107,396	138,944
Total Current Assets	1,968,377	1,684,386
Noncurrent Assets		
Due from Elsinore Valley Municipal Water District:		
Pension Receivable (Note 8)	23,643,665	22,720,472
Accrued Compensated Absences Receivable (Note 1e)	3,794,934	3,498,131
Total Noncurrent Assets	27,438,599	26,218,603
Total Assets	29,406,976	27,902,989
DEFERRED OUTFLOWS OF RESOURCES: (Notes 5 & 6)		
Deferred Outflows of Resources - Pension Related	5,742,776	4,973,903
LIABILITIES:		
Current Liabilities		
Accounts Payable	213,102	43,998
Accrued Expenses	172,464	432,601
Accrued Compensated Absences, current portion (Note 1e)	939,299	923,079
Due to Elsinore Valley Municipal Water District Member Agencies (Note 8)	358,804	-
Total Current Liabilities	1,683,669	1,399,678

Allow for rounding differences
The accompanying notes are an integral part of these financial statements

STATEMENT OF NET POSITION
AS OF JUNE 30, 2021
(With Comparative Amounts as of June 30, 2020)

	JUNE 2021	JUNE 2020
Noncurrent Liabilities		
Accrued Compensated Absences (Note 1e)	$ 3,794,934	$ 3,498,131
Net Pension Liability (Note 6)	29,386,442	27,124,893
Total Noncurrent Liabilities	33,181,376	30,623,024
Total Liabilities	34,865,045	32,022,702
DEFERRED INFLOWS OF RESOURCES: (Notes 5 & 6)		
Deferred Inflows of Resources - Pension Related	-	569,482
NET POSITION:		
Unrestricted	284,708	284,708
Total Net Position	$ 284,708	$ 284,708

Allow for rounding differences
The accompanying notes are an integral part of these financial statements

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2021
(With Comparative Amounts for the Fiscal Year Ended June 30, 2020)

	JUNE 2021	JUNE 2020
OPERATING REVENUES:		
Charges for Services:		
Elsinore Valley Municipal Water District	$ 26,537,661	$ 27,008,339
Meeks and Daley Water Company	57,287	63,094
Other Income	19,716	8,440
Total Operating Revenues	26,614,664	27,079,873
OPERATING EXPENSES:		
Salaries	13,956,584	13,234,207
Fringe Benefits	11,784,578	12,728,881
Personnel Related Expenses	102,296	124,301
General Liability & Property Insurance	435,158	507,314
Supplies and Other Expenses	111,020	97,854
Consulting and Professional Fees	107,111	93,456
Repairs and Maintenance	2,402	-
Rent/Lease Expenses	6,384	6,384
Travel Expenses	70,775	191,494
Legal Expenses	35,041	31,580
Miscellaneous Expenses	3,315	64,402
Total Operating Expenses	26,614,664	27,079,873
OPERATING INCOME / (LOSS)	-	-
NET POSITION, BEGINNING OF YEAR	284,708	284,708
NET POSITION, END OF YEAR	$ 284,708	$ 284,708

Allow for rounding differences
The accompanying notes are an integral part of these financial statements

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021
(With Comparative Amounts for the Fiscal Year Ended June 30, 2020)

	JUNE 2021	JUNE 2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from member agencies	$ 26,051,568	$ 23,818,938
Cash payments to employees for services	(24,871,472)	(23,617,500)
Cash payments to suppliers for goods and services	(549,636)	(1,009,613)
Net Cash Provided/(Used) by Operating Activities	630,460	(808,175)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	224,323	1,032,498
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 854,783	$ 224,323

RECONCILIATION OF OPERATING INCOME/(LOSS) TO NET CASH PROVIDED/(USED) BY OPERATING ACTIVITIES:

	JUNE 2021	JUNE 2020
Operating Income/(Loss)	$ -	$ -
Changes in assets and liabilities:		
(Increase)/decrease in due from member agencies:		
Elsinore Valley Municipal Water District	(207,246)	(3,290,658)
Meeks and Daley Water Company	(16,390)	(21,598)
(Increase)/decrease in accounts receivable	(9,612)	51,321
(Increase)/decrease in accrued compensated absences receivable	(313,022)	-
(Increase)/decrease in prepaid expenses	31,548	(8,031)
Increase/(decrease) in accounts payable	169,104	(2,554)
Increase/(decrease) in accrued expenses	(260,138)	17,810
Increase/(decrease) in net pension liability	2,261,549	2,288,418
Increase/(decrease) in accrued compensated absences payable	313,023	160,782
(Increase)/decrease in deferred outflows of resources	(768,873)	241,811
Increase/(decrease) in deferred inflows of resources	(569,482)	(245,477)
NET CASH PROVIDED/(USED) BY OPERATING ACTIVITIES	$ 630,460	$ (808,175)

Allow for rounding differences

The accompanying notes are an integral part of these financial statements

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NOTES TO THE FINANCIAL STATEMENTS

For The Fiscal Year Ended JUNE 30, 2021

WESA
Water Employee Services Authority

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Water Employee Services Authority (WESA), a Joint Powers Authority (JPA), was formed in August 2003 through an agreement with Elsinore Valley Municipal Water District (EVMWD) and Meeks & Daley Water Company (Meeks and Daley). The JPA agreement provides WESA the powers and functions of a municipal water district; and is an independent entity separate and apart from its members, with separate agreements and employees.

The criteria used in determining the scope of the reporting entity are based on the provisions of Governmental Accounting Standards Board (GASB) Statement 14 as amended by GASB 61. EVMWD is the primary government unit. Although legally separate, WESA is so intertwined with EVMWD that it is, in substance, part of EVMWD's operations. Accordingly, the balances and transactions of the component units are reported within the accounts of EVMWD. Component units are those entities which are financially accountable to the primary government. Blended component units, although separate legal entities, are in substance part of the government's operations. WESA is a blended component unit of EVMWD. WESA's Board of Directors is composed of EVMWD's Board of Directors and WESA provides services almost entirely to EVMWD.

In September 2003, EVMWD and Meeks & Daley approved an Operating Agreement with WESA for the purpose of providing professional water and wastewater employee services.

a. Basis of Accounting – WESA operates and reports as an enterprise fund utilizing the accrual method of accounting. Revenues are recognized when earned and expenses are recognized when incurred. An enterprise fund is accounted for on the flow of economic resources measurement focus. This means that all assets and liabilities associated with the activity (whether current or noncurrent) are included on the statement of net position.

   WESA distinguishes operating and non-operating revenues and expenses. Operating revenues are those revenues that are generated by providing professional water and wastewater employee services, while operating expenses pertain directly to the furnishing of the services. Non-operating revenues and expenses are those revenues and expenses generated that are not directly associated with the normal business of providing professional water and wastewater employee services.

b. Use of Estimates – The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and necessarily include amounts based on estimates and assumptions by Management. Actual results could differ from those amounts.

c. Cash and Cash Equivalents – For the purpose of the statement of cash flows, all cash and investments have been classified as cash and cash equivalents.

d. Due from (to) Member Agencies – WESA and EVMWD are considered related parties. Thus, transactions between the two are recorded as Due from (to) member agencies. Due from EVMWD means EVMWD owes WESA while Due to EVMWD means WESA owes EVMWD. As a blended entity, the Due from (to) accounts have a zero effect on the consolidated financial statements.

   Under the terms of WESA's agreement with member agencies, WESA charges the member agencies for administrative costs provided such as labor, fringe benefits, and other personnel related operating costs. The Operating Agreement issued in September 2003 and the First Amended Operating Agreement of November 2007 provide that the billings of WESA are to be based on the costs incurred for the administrative services provided. As a result, revenues earned under the Operating Agreement are equal to the amount of the administrative service costs that have been incurred by WESA. Revenues have been accrued to equal the amount of labor, fringe benefits, and other personnel related operating expenses incurred. Amounts shown as due from member agencies are the result of such intercompany billings.

e. Compensated Absences – WESA records accrued receivables related to compensated absences to be received from its member agencies. The current portion is part of the due from member agencies and the long-term portion is a non-current asset. The Authority also records accrued compensated absences due to its employees. The accumulated liabilities for unpaid vacation for $1,092,440, sick pay for $2,208,499, employee savings clause for $1,382,367, and combined floating holiday and compensated time-off for $50,927 are accrued when incurred. Total accrued compensated absences are $4,734,223 at June 30, 2021, of which $939,299 is current and $3,794,934 is noncurrent.

f. Comparative Data & Reclassifications – Comparative data for the prior year have been presented in certain sections of the accompanying financial statements to provide an understanding of changes in WESA's financial position and operations.

g. Net Position – WESA classifies net position in the financial statements as follows:

Unrestricted Net Position typically includes unrestricted liquid assets.

Net position flow assumption - Sometimes WESA will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the financial statements, a flow assumption must be made about the order in which the resources are applied. It is WESA's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

h. Implementation of New Pronouncement - The Governmental Accounting Standards Board has issued the following Statements, which may affect the District's financial reporting in the future.

GASB Statement No. 84, "*Fiduciary Activities*". 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 are the fiduciary activities. The requirements of this Statement will take effect for financial statements with the fiscal year that ends December 31, 2020.

GASB 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. The requirements of this Statement will take effect for financial statements with the fiscal year that ends December 31, 2020.

Implementation Guide No. 2019-2, "*Fiduciary Activities*". The objective of this Guide is to provide guidance that clarifies, or elaborates on the requirements of Statement No. 84, Fiduciary Activities. The requirements of this Implementation Guide will take effect for financial statements with the fiscal year that ends December 31, 2020.

i. Future Accounting Pronouncements

GASB 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 will take effect for financial statements with the fiscal year that ends June 30, 2022.

Implementation Guide No. 2019-3,"*Leases*." The objective of this Implementation Guide is to provide guidance that clarifies, explains, or elaborates on the requirements of Statement No. 87, Leases. The requirements of this Implementation Guide will take effect for financial statements with the fiscal year that ends June 30, 2022.

GASB Statement No.89, "*Accounting for Interest Cost Incurred before the end of a Construction Period*". The objectives of this Statement are to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period, and to simplify accounting for certain interest costs. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. The requirements of this Statement will take effect for financial statements with the fiscal year that ends December 31, 2022.

GASB Statement No.91, "*Conduit Debt Obligations*." The objective of this statement is to better meet the information needs of the financial statement users by enhancing the comparability and consistency of the conduit debt obligation reporting and reporting of related transactions and other events by state and local government issuers. This Statement also is intended to improve the relevance, reliability, and understandability of information about conduit debt obligations, as well as related transactions and events. The requirements of this Statement will take effect for financial statements with the fiscal year that ends December 31, 2022.

GASB Statement No.92, "*Omnibus 2020*." The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The requirements of this Statement will take effect for financial statements with the fiscal year that ends June 30, 2022.

GASB Statement No.93, "*Replacement of Interbank Offered Rates*." The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All other requirements of this Statement are effective for reporting periods beginning after June 30, 2022.

GASB Statement No.94, "*Public-Private and Public-Public Partnerships and Availability Payment Arrangements*." The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). The requirements of this Statement are effective for fiscal years beginning after June 30, 2023, and all reporting periods thereafter.

GASB Statement No.96, "*Subscription-Based Information Technology Arrangements*." The purpose of this Statement is to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). The requirements of this Statement are effective for fiscal years beginning after June 30, 2023, and all reporting periods thereafter.

GASB Statement No.97, "*Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*." The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The requirements of this Statement are effective for fiscal years beginning after June 30, 2022.

j. Reclassifications – There were no reclassifications made this fiscal year.

2. CASH & CASH EQUIVALENTS:

Cash and cash equivalents is $854,783 for June 30, 2021. All amounts are held in a financial institution. Cash and cash equivalents are strictly funded by EVMWD and Meeks & Daley Water Company for the repayment of the operating expenses incurred for the professional water and wastewater services.

The California Government Code and WESA's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local government 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 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 WESA deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits.

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. GASB Statement No. 40 requires disclosure if deposits into a financial institution are not covered by FDIC depository insurance and are uncollateralized.

As of June 30, 2021, the carrying amount of WESA's deposits was $864,264 and the corresponding bank balance was $1,228,525. The difference of $364,261 was primarily due to outstanding checks, wires, and deposits in transit. Of the bank balance, $250,000 was insured by the FDIC depository insurance, the remaining amount is fully collateralized as described above.

3. PREPAID EXPENSES:

The prepaid expense balance is $107,396 for June 30, 2021 and represents advances for prepaid travel expenses and general liability insurance related to WESA employees.

4. EMPLOYEE SAVINGS CLAUSE PLAN:

WESA has two "savings clause" plans; one that is administered for the benefit of the Employee Association (EA) for employees hired prior to January 1, 2012 and the other for the benefit of the Management Team Association (MTA) for employees hired prior to January 1, 2013. EA employees hired after January 1, 2012 and MTA employees hired after January 1, 2013 are no longer eligible to the employee savings clause benefits. Both plans credit employees with 160 hours of savings allowance upon completion of 60 months of active service. Beginning with the 63rd month of active service, employees are credited with an additional 40 hours and receive 40 hours of additional savings clause accrual for each 12 months of active service thereafter, to a maximum total of 800 hours. Effective January 1, 2018, employees were granted the option to cash out their savings clause early, without the ability or right to continue to earn any additional savings clause and/or to receive any savings clause at retirement or termination. The balance accrued is reported with the compensated absences balance. The amount under this plan was $1,382,367 and $1,384,968 as of June 30, 2021 and June 30, 2020, respectively.

5. DEFERRED OUTFLOWS AND DEFERRED INFLOWS OF RESOURCES:

Deferred outflows of resources is defined as the current *consumption* of net position that is applicable to a *future* reporting period while deferred inflows of resources is defined as the current *acquisition* of net position that is applicable to a *future* reporting period.

As of June 30, 2021, WESA reported a balance of $5,742,776 in deferred outflows of resources; $3,783,072 is the amount of the current year's employer pension contribution. $1,959,704 represents the net difference between projected and actual experience and between projected and actual earnings on pension plan investments.

As of June 30, 2021, WESA reported a balance of $0 in deferred inflows of resources.

6. WESA EMPLOYEES RETIREMENT SYSTEM (DEFINED BENEFIT PENSION PLAN):

Overview

Governmental Accounting Standards Board (GASB) Statement No.68, *Accounting and Financial Reporting for Pensions*, an amendment of GASB Statement No. 27 (GASB 68), requires public employers to comply with new accounting and financial reporting standards. GASB 68 outlines a different approach to the recognition and calculation of pension obligations. Under GASB 68, employers that participate in a defined benefit pension plan administered as a trust or equivalent arrangement are required to record their portion of the net pension liability, pension expense, and deferred outflows/deferred inflows of resources related to pensions in their financial statements as part of their financial position.

Net pension liability is the plan's total pension liability based on the entry age normal actuarial cost method less the plan's fiduciary net position. This may be a net pension asset when the Plan's fiduciary net position exceeds its total pension liability.

Pension expense is the change in net pension liability from the previous reporting period to the current reporting period less adjustments. This may be a negative expense (pension income), which should be reported as a credit in pension expense.

Deferred outflows of resources and deferred inflows of resources related to pensions are certain changes in total pension liability and fiduciary net position that are to be recognized in future pension expenses.

Summary of Significant Accounting Policies

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used.

Valuation Date (VD)	June 30, 2019
Measurement Date (MD)	June 30, 2020
Measurement Period (MP)	July 1, 2019 to June 30, 2020

General Information about the Pension Plan:

Plan Description

The Plan is an agent, multiple-employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS). A full description of the pension plan regarding number of employees covered, benefit provisions, assumptions (for funding, but not account purposes), and membership information are listed in the June 30, 2019, Annual Actuarial Valuation Report (funding valuation). Details of the benefits provided can be obtained in Appendix B of the actuarial valuation report. This report and CalPERS' audited financial statements are publicly available reports that can be obtained at CalPERS' website.

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 credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 or 52 depending on the plan, with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 5 years of service. The death benefit is one of the following; the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plan operates under the provisions of the California Public Employees' Retirement Law (PERL), the California Public Employees' Pension Reform Act of 2013 (PEPRA), and the regulations, procedures and policies adopted by the CalPERS Board of Administration. The Plan's authority to establish and amend the benefit terms are set by the PERL and PEPRA and may be amended by the California state legislature and in some cases, require approval by the CalPERS Board.

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

	Miscellaneous		
Hire Date	Inactive before January 1, 2008	Active & Classic On or Before January 1, 2013	New Members On or After January 1, 2013
Benefit Formula	2.0% @ 55	2.7% @ 55	2.0% @ 62
Benefit Vesting Schedule	5 years service	5 years service	5 years service
Benefit Payments	monthly for life	monthly for life	monthly for life
Retirement Age	50 -63	50 - 55	52 - 67
Monthly Benefits, as a % of Eligible Compensation	1.1% to 2.4%	2.0 % to 2.7%	1.0% to 2.0%
Required Employee Contribution Rates	7.00%	8.00%	7.25%
Required Employer Contribution Rates	12.94%	12.94%	12.94%
Employer Payment of Unfunded Liability	15.98%	15.98%	15.98%

Employees Covered

At June 30, 2021, the following employees were covered by the benefit terms:

	Miscellaneous
Active employees	165
Transferred members	152
Terminated members	114
Retired members and beneficiaries	156
Total	587

Contribution Description

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1st following notice of a change in the rate. The total plan contributions are determined through 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 employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Employer contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the person plan terms as plan member contribution requirements are classified as plan member contributions.

Employer Contributions to the Plan for the fiscal year ended June 30, 2021, were $3,783,072.

<u>Net Pension Liability</u>

The Authority's net pension liability for the Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of the Plan is measured as of June 30, 2020, using an annual actuarial valuation as of June 30, 2019 rolled forward to June 30, 2020 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is as follows.

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

The June 30, 2019 valuation was rolled forward to determine the June 30, 2020 total pension liability, based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB 68
Asset Valuation Method	Market Value of Assets
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table (1)	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	The lesser of contract COLA or 2.50% until Purchasing Power Protection Allowance floor on purchasing power applies, 2.50% thereafter

(1) The mortality table used was developed based on CalPERS-specific data. The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement and Post-retirement mortality rates include 15 years of projected mortality improvement using 90% of Scale MP-2016 published by the Society of Actuaries. For more details on this table, please refer to the CalPERS Experience Study and Review of Actuarial Assumptions report from December 2017 that can be found on the CalPERS website.

Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return, (expected returns, net of pension plan expense and inflation) are developed for each major asset class.

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 (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set to equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

The Expected real rates of return by asset are as follows:

Asset Class (1)	Assumed Asset Allocation	Real Return Years 1-10 (2)	Real Return Years 11+ (3)
Global Equity	50.0%	4.80%	5.98%
Fixed Income	28.0	1.0	2.62
Inflation Assets	-	0.77	1.81
Private Equity	8.0	6.3	7.23
Real Assets	13.0	3.75	4.93
Liquidity	1.0	-	-0.92

(1) In the System's Annual Comprehensive Financial Report, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.

(2) An expected inflation of 2.0% used for this period.

(3) An expected inflation of 2.92% used for this period.

Change in Assumption

The plan adopted a new amortization policy effective with the 2019 actuarial valuation. The new amortization policy shortens the period over which actuarial gains and losses are amortized from 30 years to 20 years with the payments computed as a level dollar amount. In addition, the new policy does not utilize a five-year ramp up and ramp-down on UAL bases attributable to assumption changes and non-investment gains/losses. The new policy also does not utilize a five-year ramp-down on investment gains/losses. These changes apply only to new UAL bases established on or after June 30, 2019.

Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term rate of return on plan investments was applied to all periods of projected payments to determine the total pension liability.

Asset Allocation

Pension Plan Fiduciary Net Position:

Information about the pension plan's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position are presented in CalPERS' audited financial statements, which are publicly available reports that can be obtained at CalPERS' website under Forms and Publications, at www.calpers.ca.gov. The plan's fiduciary net position and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis used by the pension plan, which is the economic resources measurement focus and the accrual basis of accounting. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan. Investments are reported at fair value.

The plan fiduciary net position disclosed in the GASB 68 accounting valuation report may differ from the plan assets reported in the funding actuarial valuation report due to several reasons. First, for the accounting valuations, CalPERS must keep items such as deficiency reserves, fiduciary self-insurance and OPEB expense included as assets. These amounts are excluded for rate setting purposes in the funding actuarial valuation. In addition, differences may result from early Annual Comprehensive Financial Report closing and final reconciled reserves.

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/ (Asset) (c) = (a) - (b)
Balance at: 6/30/2019 Measurement Date	$105,446,251	$78,321,358	$27,124,893
Adjusted Balance at: June 30, 2019	105,446,251	78,321,358	27,124,893
Changes Recognized for the Measurement Period:			
Service Cost	2,708,137	-	2,708,137
Interest on the Total Pension liability	7,518,873	-	7,518,873
Differences between Expected and Actual Experience	610,773	-	610,773
Contributions- employer	-	3,669,646	(3,669,646)
Contributions- employee	-	1,079,391	(1,079,391)
Net Investment Income	-	3,937,611	(3,937,611)
Benefit Payments, including Refunds of Employee Contributions	(4,504,057)	(4,504,057)	-
Administrative Expense	-	(110,414)	110,414
Net Changes during 2019-2020	$6,333,726	$4,072,177	$2,261,549
Balance at: 6/30/2020 Measurement Date	$111,779,977	$82,393,535	$29,386,442

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Plan as of the measurement date, calculated using the discount rate of 7.15%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.15%) or 1 percentage-point higher (8.15%) than the current rate:

	Discount Rate -1% (6.15%)	**Current Discount Rate (7.15%)**	**Discount Rate + 1% (8.15%)**
Plan's Net PensionLiability	$45,317,351	$29,386,442	$16,324,469

Subsequent Events

There were no subsequent events that would materially affect the results presented in this disclosure.

Amortization of Deferred Outflows and Deferred Inflows of Resources:

Under GASB 68, gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time.

The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense.

The amortization period differs depending on the source of the gain or loss:

Net difference between projected and actual earnings on pension plan investments	5 year straight-line amortization
All other amounts	Straight-line amortization over the expected average remaining service lifetime (EARSL) of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period

Expected Average Remaining Service Lifetime ("EARSL"):

The EARSL for the Plan for measurement period ending the June 30, 2020 measurement is 3.6 years, which was obtained by dividing the total service years of 1,811 (the sum of remaining service lifetimes of the active employees) by 506 (the total number of participants: active, transferred, terminated and retired). Inactive employees and retirees have remaining service lifetimes equal to -0-. Total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

Pension Expense/(Income) for Measurement Period ended June 30, 2020

As of the start of the measurement period (July 1, 2019), the net pension liability was $27,124,893.

For the measurement period ending June 30, 2020 (the measurement date), the Authority incurred a pension expense of $4,638,090 for the Plan. A complete breakdown of the pension expense is as follows:

Description	**Amount**
Service Cost	$ 2,708,137
Interest on the Total Pension Liability	7,518,873
Recognized Changes of Assumptions	(211,766)
Recognized Differences between Expected and Actual Experience	574,959
Employee Contributions	(1,079,391)
Projected Earnings on Pension Plan Investments	(5,598,831)
Recognized Differences between Projected and Actual Earnings on Plan Investments	615,695
Administrative Expense	110,414
Total Pension Expense/(Income)	**$ 4,638,090**

Deferred Outflows and Deferred Inflows of Resources Related to Pensions:

The following table represents deferred outflows and deferred inflows of resources related to pensions as of the June 30, 2020 measurement date. Note that no adjustments have been made for contributions subsequent to the measurement date. Appropriate treatment of any contributions made after the measurement date is the responsibility of the employer.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 3,783,072	$ -
Differences between Expected and Actual Experience	1,182,763	-
Net Difference between Projected and Actual Earnings on Pension Plan Investment	776,941	-
Total	$ 5,742,776	$ -

Contributions subsequent to the measurement date of $3,783,072 reported with deferred outflows of resources will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in future expense as follows:

Fiscal Year Ended June 30:	**Deferred Outflows/ (Inflows) of Resources**
2022	$430,952
2023	667,591
2024	528,917
2025	332,244
2026	-
Thereafter	-

7. RISK MANAGEMENT:

WESA is a member of the Association of California Water Agencies Joint Powers Insurance Authority (ACWA).

a. Description of ACWA: ACWA is a risk-pooling self-insurance authority, created under the provisions of California Government Code Sections 6500 et. Seq. The purpose of ACWA is to arrange and administer programs of insurance for the pooling of self-insured losses and to purchase excess insurance coverage.

b. Self-Insurance Programs of ACWA: At June 30, 2021 WESA's participation in the self-insurance programs of ACWA are as follows:

Workers' Compensation: Insured for statutory limits, and Employer's Liability is insured up to $4,000,000 per accident and $4,000,000 per disease. ACWA is self-insured up to $2,000,000 and excess insurance coverage has been purchased. The WESA's retrospective allocation point is $15,000 per occurrence.

General, Automobile, Employment Practices & Public Officials' Liability: Broad coverage against third-party claims for the District, its directors, employees and volunteers. Covered up to the following limits: the JPIA pools for the first $5,000,000 and purchases excess coverage with limits up to $55,000,000 with aggregated policy limits. WESA's retrospective allocation point is $50,000 per occurrence.

Cyber Liability: Including Cyber Security up to $5,000,000 per occurrence/Aggregate Limit. Cyber Liability Deductible varies from $10,000 to $50,000 depending on WESA's Annual revenue.

c. Employee Dishonesty/Crime Supplement: Insured up to $100,000 per occurrence with a $1,000 deductible for employee dishonesty which covers all employees, the Board of Directors, and the Treasurer. Insured up to $100,000 per occurrence with a $1,000 deductible for forgery or alteration. Insured up to $100,000 per occurrence with a $1,000 deductible for computer fraud. JPIA is self-insured up to $100,000 per loss.

Separate financial statements of ACWA can be obtained at 5620 Birdcage St. Suite 200, Citrus Heights, CA 95610.

For the past five fiscal years, WESA had no settlements exceeding insurance coverage for these categories of risk. At June 30, 2021, in the opinion of legal counsel, WESA had no material claims which would require loss provision in the financial statements and therefore no claims liability has been recorded.

8. RELATED PARTY TRANSACTIONS:

The net receivable from EVMWD of $23,284,861 represents the sum of the pension receivable of $23,643,665 and the current payable of $358,804 from personnel and related operating expenses as of June 30, 2021.

9. COVID-19:

In December 2019, a novel strain of coronavirus spread around the world resulting in business and social disruption. The coronavirus was declared a Public Health Emergency of International Concern by the World Health Organization on January 30, 2020. As such, the United States, the State, and the Riverside and Orange Counties, declared a “state of emergency” or equivalent. Additionally, the State issued a “stay at home” order that severely restricted the movement of residents and generally mandates residents to remain in their home and, in effect, prohibits non-essential workers from working outside their home. This caused the disruption of daily life in all jurisdictions, including the closure of, among others, bars, dine-in restaurants, retail stores, schools, gyms, movie theatres, certain government buildings and religious institutions, and general prohibitions on gatherings.

The operations and business results of the Authority could potentially continue to be adversely affected by this global pandemic as a result of emerging variants and a continued rise in infection rates. The extent to which the coronavirus may continue to impact business activity or investment results will depend on future developments, which are still highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus or it’s variants and the actions required to contain them. The Authority has not included any contingencies in the financial statements specific to this issue.

The Authority recognized that utility systems are critical infrastructure necessitating that some staff must work on site each day. Health and safety efforts include assigning approximately 50% of office staff to work from home. Additionally, a pandemic response plan and an updated transition plan were implemented, providing guidelines for the initial response, and safely transitioning back to regular operations.

The Authority is following the guidelines for reopening set forth by Riverside County, which adhere to the guidance for reopening issued by the State Public Health Officer and California Department of Public Health. As vaccination rates in the State and Riverside County increase, both the State and Riverside County are moving toward less restrictions on business and social activities.

REQUIRED SUPPLEMENTARY INFORMATION

For The Fiscal Year Ended JUNE 30, 2021

WESA
Water Employee Services Authority

Schedule of Changes in Net Pension Liability and Related Ratios for the Measurement Periods Ended June 30
Last 10 Years [4]

Measurement Period	2020	2019	2018	2017	2016	2015	2014
TOTAL PENSION LIABILITY:							
Service Cost	$ 2,708,137	$ 2,504,040	$ 2,466,139	$ 2,636,694	$ 2,449,304	$ 2,408,523	$ 2,458,216
Interest on Total Pension Liability	7,518,873	7,087,735	6,593,931	6,285,034	5,933,814	5,551,505	5,183,730
Changes of Assumptions	-	-	(682,360)	5,623,164	-	(1,469,076)	-
Difference Between Expected and Actual Experience	610,773	1,730,513	(287,200)	(579,128)	(219,718)	(286,905)	-
Benefit Payments, Including Refunds of Employee Contributions	(4,504,057)	(4,045,325)	(3,761,071)	(3,332,206)	(3,036,730)	(2,489,673)	(2,327,994)
Net Change in Total Pension Liability	**6,333,726**	**7,276,963**	**4,329,439**	**10,633,558**	**5,126,670**	**3,714,374**	**5,313,952**
Total Pension Liability - Beginning	105,446,251	98,169,288	93,839,849	83,206,291	78,079,621	74,365,247	69,051,295
Total Pension Liability - Ending (a)	**$ 111,779,977**	**$ 105,446,251**	**$ 98,169,288**	**$ 93,839,849**	**$ 83,206,291**	**$ 78,079,621**	**$ 74,365,247**
PLAN FIDUCIARY NET POSITION:							
Contributions - Employer	3,669,646	3,299,273	2,907,458	2,742,846	2,656,957	2,500,495	2,232,962
Contributions - Employee	1,079,391	1,016,843	1,041,634	979,078	972,455	967,375	1,026,237
Net Investment Income	3,937,611	4,769,917	5,714,814	6,761,115	340,453	1,296,452	8,461,126
Benefit Payments, Including Refunds of Employee Contributions	(4,504,057)	(4,045,325)	(3,761,071)	(3,332,206)	(3,036,730)	(2,489,673)	(2,327,994)
Net Plan to Plan Resource Movement	-	-	(169)	(2,059)	-	-	-
Administrative Expense	(110,414)	(52,332)	(105,552)	(89,585)	(36,433)	(67,288)	-
Other Miscellaneous Income (1)	-	169	(200,444)	-	-	-	-
Net Change in Fiduciary Net Position	**4,072,177**	**4,988,545**	**5,596,670**	**7,059,189**	**896,702**	**2,207,361**	**9,392,331**
Plan Fiduciary Net Position - Beginning (2)	78,321,358	73,332,813	67,736,143	60,676,954	59,780,252	57,572,891	48,180,560
Plan Fiduciary Net Position - Ending (b)	**$ 82,393,535**	**$ 78,321,358**	**$ 73,332,813**	**$ 67,736,143**	**$ 60,676,954**	**$ 59,780,252**	**$ 57,572,891**
Plan Net Position Liability - Ending (a) - (b)	**$ 29,386,442**	**$ 27,124,893**	**$ 24,836,475**	**$ 26,103,706**	**$ 22,529,337**	**$ 18,299,369**	**$ 16,792,356**

Schedule of Changes in Net Pension Liability and Related Ratios for the Measurement Periods Ended June 30 (continuation)

Last 10 Years [4]

	2020	2019	2018	2017	2016	2015	2014
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	**73.71%**	**74.28%**	**74.70%**	**72.18%**	**72.92%**	**76.56%**	**77.42%**
Covered Payroll (3)	$13,966,669	$12,560,391	$12,085,954	$12,560,469	$12,648,098	$12,307,222	$11,676,322
Plan Net Pension Liability as a Percentage of Covered Payroll	**210.40%**	**215.96%**	**205.50%**	**207.82%**	**178.12%**	**148.69%**	**143.82%**

(1) During Fiscal year 2017-18, as a result of Governmental Accounting Standards Board Statement (GASB) No. 75, Accounting and Financial Reporting for Postemployment Benefit Plans Other than Pensions (GASB 75), CalPERS reported proportionate share of activity related to postemployment benefits for partificipation in the State of California's agent OPEB plan. Accordingly, CalPERS recorded a one-time expense as a result of the adoption of GASB 75.

Additionally, CalPERS employees participate in various State of California agent pension plans and during Fiscal Year 2017-18, CalPERS recorded a corection to previously reported financial statements to propertly reflect is proportionate share of activity related to pensions in accordance with GASB Statement No. 68, Accounting and Financial Reporting for Pensions (GASB 68).

(2) Includes any beginning of year adjustment

(3) Includes one year's payroll growth using 2.75 percent payroll growth assumption for fiscal years ended June 30, 2018-20; 3.00 percent payroll growth for fiscal years ended June 30, 2014-17.

(4) Measurement period 2013-2014 (fiscal year 2015) was the 1st year of implementation, therefore, only seven years are shown.

Notes to Schedule of Changes in Net Pension Liability and Related Ratios:

Benefit changes: The figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2019 valuation date.This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes) that occurred after the June 30, 2019 valuation date are not included in the figures above, unless the liability impact is deemed to be material by the plan actuary.

Changes of Assumptions: For 2020, the Plan adopted a new amortization policy effective with the 2019 actuarial valuation. The new amortization policy shortens the period over which actuarial gains and losses are amortized from 30 years to 20 years with the payments computed as a level dollar amount. In addition, the new policy does not utilize a five-year ramp-up and ramp-down on UAL bases attributable to assumption changes and non-investment gains/losses. The new policy also does not utilize a five-year ramp-down on investment gain/losses. These changes apply only to new UAL bases established on or after June 30, 2019. There were no changes in assumptions in 2019. In 2018, demographic assumptions and inflation rate were changed in accordance with the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate in 2019. In 2017, the accounting discount rate was reduced from 7.65 percent to 7.15 percent. In 2016, there were no changes in the discount rate. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense). In 2014, amounts reported were based on the 7.5 percent discount rate.

Schedule of Plan Contributions for the Fiscal Years Ended June 30 [(1)]
Last 10 Years [(4)]

Employer Fiscal Year End	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**
Actuarially Determined Contribution [(2)]	$ 3,783,072	$ 3,669,646	$ 3,299,273	$ 2,907,458	$ 2,742,846	$ 2,656,957	$ 2,500,495	$ 2,232,962
Contributions in Relation to the Actuarially Determined Contributions [(2)]	(3,783,072)	(3,669,646)	(3,299,273)	(2,907,458)	(2,742,846)	(2,656,957)	(2,500,495)	(2,232,962)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered Payroll [(3)]	$14,665,059	$13,966,669	$12,560,391	$12,085,954	$12,560,469	$12,648,098	$12,307,222	$11,676,322
Contributions as a Percentage of Covered Payroll [(3)]	25.80%	26.27%	26.27%	24.06%	21.84%	21.01%	20.32%	19.12%

[(1)] As prescribed in GASB 68, paragraph 46, the information in the Schedule of Plan Contributions should also be presented as of the employer's most recent fiscal year-end. The employer is responsible for determining this information as prescribed by the standard as this data is not available to CalPERS.

[(2)] Employers are assumed to make contributions equal to the actuarially determined contributions. However, some employers may choose to make additional contributions towards their unfunded liability. Employer contributions for such plans exceed the actuarially determined contributions.

[(3)] Includes one year's payroll growth using 2.75 percent payroll assumption for fiscal year ended June 30, 2018-20; 3.0 percent payroll assumption for fiscal years ended June 30, 2014-17.

[(4)] Measurement period 2013-2014 (fiscal year 2015) was the 1st year of implementation, therefore, only eight years are shown.

Notes to Schedule of Plan Contributions:

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2020-21 were derived from the June 30, 2019 funding valuation report.

Actuarial Cost Method	Entry Age Normal
Amortization Method/Period	For details, see June 30, 2019 Funding Valuation Report.
Asset Valuation Method	Market Value of Assets. For details, see June 30, 2019 Funding Valuation Report
Inflation	2.5%
Salary Increases	Varies by Entry Age and Service
Payroll Growth	3.00%
Investment Rate of Return	7.15% Net of Pension Plan Investment and Administrative Expenses; includes inflation.
Retirement Age	The probabilities of Retirement are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015.
Mortality	The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement and Post-retirement mortality rates include 15 years of projected mortality improvement using 90% of Scale MP-2016 published by the Society of Actuaries.

Other Information:

For changes to previous' year's information, refer to past GASB 68 reports.