

**FOR THE FISCAL
YEAR ENDED
JUNE 30, 2024**



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 2024**

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A COMPONENT UNIT OF THE ELSINORE VALLEY MUNICIPAL WATER DISTRICT

For The Fiscal Year Ended 2024
(With Comparative Amounts For The Fiscal Year Ended June 30, 2023)

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INDEPENDENT AUDITOR'S REPORT

For The Fiscal Year Ended 2024

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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, 2024, 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 referred to above present fairly, in all material respects, the respective financial position of the Authority, as of June 30, 2024, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America and State Controller's *Minimum Audit Requirements for California Special Districts*.

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 (*Government Auditing Standards*) 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 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.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Authority and do not purport to, and do not present fairly, the financial position of the Elsinore Valley Municipal Water District, as of June 30, 2024, and the changes in its financial position and cash flows, for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited the Authority's 2023 financial statements, and we expressed an unmodified opinion on the respective financial statements in our report dated November 7, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2023, 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, 2023, from which such summarized information was derived.

Responsibilities of Management for the Financial Statements

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 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.

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 and *Government Auditing Standards* 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 and *Government Auditing Standards*, 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 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2024, on our consideration of 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 the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Authority's internal control over financial reporting and compliance.

Rogers, Anderson, Malodiy & Scott, LLP.

San Bernardino, CA
October 28, 2024

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BASIC FINANCIAL STATEMENTS

For The Fiscal Year Ended 2024

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STATEMENT OF NET POSITION
As of June 30, 2024
(With Comparative Amounts as of June 30, 2023)

	<u>JUNE 2024</u>	<u>JUNE 2023</u>
ASSETS:		
Current Assets		
Cash and Cash Equivalents (Note 2)	\$ 902,978	\$ 487,606
Accounts Receivable	11,648	4,337
Accrued Compensated Absences Receivable, current portion (Note 1e)	1,139,020	1,169,252
Due from Member Agencies (Note 8):		
Elsinore Valley Municipal Water District	-	702,457
Meeks and Daley Water Company	58,665	83,554
Prepaid Expenses (Note 3)	153,207	-
Total Current Assets	<u>2,265,518</u>	<u>2,447,206</u>
Noncurrent Assets		
Due from Elsinore Valley Municipal Water District:		
Pension Receivable (Note 8)	24,289,720	21,889,561
Accrued Compensated Absences Receivable (Note 1e)	4,321,679	3,511,046
Total Noncurrent Assets	<u>28,611,399</u>	<u>25,400,607</u>
Total Assets	<u>30,876,917</u>	<u>27,847,813</u>
DEFERRED OUTFLOWS OF RESOURCES: (Notes 5 & 6)		
Deferred Outflows of Resources - Pension Related	<u>13,143,751</u>	<u>13,624,177</u>

Allow for rounding differences

The accompanying notes are an integral part of these financial statements

STATEMENT OF NET POSITION
AS OF JUNE 30, 2024
(With Comparative Amounts as of June 30, 2023)

	JUNE 2024	JUNE 2023
LIABILITIES:		
Current Liabilities		
Accounts Payable	\$ 152,904	\$ 34,491
Accrued Expenses	512,942	958,756
Accrued Compensated Absences, current portion (Note 1e)	1,139,020	1,169,252
Due to Elsinore Valley Municipal Water District Member Agencies (Note 8)	175,945	-
Total Current Liabilities	<u>1,980,811</u>	<u>2,162,499</u>
Noncurrent Liabilities		
Accrued Compensated Absences (Note 1e)	4,321,679	3,511,046
Net Pension Liability (Note 6)	37,372,233	35,414,225
Total Noncurrent Liabilities	<u>41,693,912</u>	<u>38,925,271</u>
Total Liabilities	<u>43,674,723</u>	<u>41,087,770</u>
DEFERRED INFLOWS OF RESOURCES: (Notes 5 & 6)		
Deferred Inflows of Resources - Pension Related	<u>61,239</u>	<u>99,514</u>
NET POSITION:		
Unrestricted	<u>284,708</u>	<u>284,708</u>
Total Net Position	<u>\$ 284,708</u>	<u>\$ 284,708</u>

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, 2024
(With Comparative Amounts for the Fiscal Year Ended June 30, 2023)

	JUNE 2024	JUNE 2023
OPERATING REVENUES:		
Charges for Services:		
Elsinore Valley Municipal Water District	\$ 35,265,208	\$ 30,119,229
Meeks and Daley Water Company	57,612	45,294
Other Income	33,595	19,289
	<u>35,356,415</u>	<u>30,183,812</u>
Total Operating Revenues		
	<u>35,356,415</u>	<u>30,183,812</u>
OPERATING EXPENSES:		
Salaries	17,481,543	15,255,988
Fringe Benefits	16,310,967	13,791,415
Personnel Related Expenses	213,001	153,510
General Liability & Property Insurance	448,828	369,672
Supplies and Other Expenses	143,448	138,359
Consulting and Professional Fees	422,092	91,054
Repairs and Maintenance	2,719	5,434
Rent/Lease Expenses	8,216	6,952
Travel Expenses	309,833	298,123
Legal Expenses	20,478	70,544
Miscellaneous Expenses	(4,710)	2,761
	<u>35,356,415</u>	<u>30,183,812</u>
Total Operating Expenses		
	<u>35,356,415</u>	<u>30,183,812</u>
OPERATING INCOME / (LOSS)	-	-
NET POSITION, BEGINNING OF YEAR	<u>284,708</u>	<u>284,708</u>
NET POSITION, END OF YEAR	<u>\$ 284,708</u>	<u>\$ 284,708</u>

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, 2024
(With Comparative Amounts for the Fiscal Year Ended June 30, 2023)

	JUNE 2024	JUNE 2023
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from member agencies	\$ 33,176,313	\$ 27,996,572
Cash payments to employees for services	(31,518,404)	(27,823,904)
Cash payments to suppliers for goods and services	(1,242,537)	(775,192)
Net Cash Provided/(Used) by Operating Activities	415,372	(602,524)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	487,606	1,090,130
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 902,978</u>	<u>\$ 487,606</u>
 RECONCILIATION OF OPERATING INCOME/(LOSS) TO NET CASH PROVIDED/(USED) BY OPERATING ACTIVITIES:		
Operating Income/(Loss)	\$ -	\$ -
Changes in assets and liabilities:		
(Increase)/decrease in due from/to member agencies:		
Elsinore Valley Municipal Water District	(1,417,279)	(2,110,037)
Meeks and Daley Water Company	24,889	(45,294)
(Increase)/decrease in accounts receivable	(7,311)	(491)
(Increase)/decrease in accrued compensated absences receivable	(780,401)	73,062
(Increase)/decrease in prepaid expenses	(257,686)	84,684
Increase/(decrease) in accounts payable	118,413	2,071
Increase/(decrease) in accrued expenses	(445,814)	359,458
Increase/(decrease) in net pension liability	1,958,009	18,496,691
Increase/(decrease) in accrued compensated absences payable	780,401	(73,062)
(Increase)/decrease in deferred outflows of resources	480,426	(8,167,436)
Increase/(decrease) in deferred inflows of resources	(38,275)	(9,222,170)
 NET CASH PROVIDED/(USED) BY OPERATING ACTIVITIES	<u>\$ 415,372</u>	<u>\$ (602,524)</u>

Allow for rounding differences

The accompanying notes are an integral part of these financial statements



NOTES TO THE FINANCIAL STATEMENTS

For The Fiscal Year Ended 2024

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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 \$1,331,663, sick pay for \$2,768,526, employee savings clause for \$1,264,096 (See Note 4), and combined floating holiday and compensated time-off for \$96,414 are accrued when incurred. Total accrued compensated absences are \$5,460,699 at June 30, 2024, of which \$1,139,020 is current and \$4,321,679 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 affected WESA's current financial reporting.

GASB Statement No. 100, "Accounting Changes and Error Corrections." The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 30, 2024, and all reporting periods thereafter.

Implementation Guide No. 2023-1, "Implementation Guidance Update - 2023." The objective of this implementation Guide is to provide guidance that clarifies, explains, or elaborates on GASB Statements. The requirements of this Implementation Guide takes effect starting with the fiscal year that ends June 30, 2024, and all reporting periods thereafter.

- i. Future Accounting Pronouncements - The Governmental Accounting Standards Board has issued the following Statements, which may affect WESA's financial reporting in the future.

GASB Statement No. 101, "Compensated Absences." The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement will take effect starting with the fiscal year that ends December 15, 2024, and all reporting periods thereafter.

GASB Statement No. 102, "Certain Risk Disclosure." The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. The requirements of this Statement are effective starting with the fiscal year that ends June 30, 2025, and reporting periods thereafter.

GASB Statement No. 103, "Financial Reporting Model Improvements." The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter.

- j. Reclassifications – There were no reclassifications to prior year comparative amounts made this fiscal year.

2. CASH & CASH EQUIVALENTS:

Cash and cash equivalents are \$902,978 as of June 30, 2024. 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, 2024, the carrying amount of WESA's deposits were \$909,683 with a corresponding bank balance of \$1,322,144. The difference of \$412,461 is 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 of \$153,207 for June 30, 2024 and \$0 for June 30, 2023, 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 \$1,264,096 and \$1,225,262 as of June 30, 2024 and June 30, 2023, 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, 2024, WESA reported a balance of \$13,143,751 in deferred outflows of resources; \$5,024,486 is the amount of the current year's employer pension contribution. \$8,119,265 (See Note 6) represents the net difference between projected and actual experience and between projected change in assumptions and actual earnings on pension plan investments.

As of June 30, 2024, WESA reported a balance of \$61,239 in deferred inflows of resources as it relates to employee pensions.

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

Overview

Generally Accepted Accounting Principles (GAAP), requires public employers to comply with new accounting and financial reporting standards that requires participants in a multi-employer cost sharing plan to: record a proportionate share of the net pension liability on their Statement of Net Position; record a proportionate share of pension expenses on their Statement of Revenue, Expenses and Changes in Net Position. Employers that participate in a defined benefit pension plan administered as a trust or equivalent arrangement are required to record their 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, 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.

GAAP also 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, 2022
Measurement Date (MD)	June 30, 2023
Measurement Period (MP)	July 1, 2022 to June 30, 2023

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, 2021, 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, 2024, are summarized as follows:

	Miscellaneous		
	Inactive before January 1, 2008	Active & Classic On or Before January 1, 2013	New Members On or After January 1, 2013
Hire Date			
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%	7.90%	7.75%
Required Employer Contribution Rates	13.35%	13.35%	13.35%
Employer Payment of Unfunded Liability	18.70%	18.70%	18.70%

Employees Covered

At June 30, 2024, the following employees were covered by the benefit terms:

	Miscellaneous
Active employees	168
Transferred members	104
Terminated members	96
Retired members and beneficiaries	191
Total	559

Contribution Description

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 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 pension plan terms as plan member contribution requirements are classified as plan member contribution.

Employer Contributions to the Plan for the fiscal year ended June 30, 2024, were \$5,024,486.

Net Pension Liability

WESA'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, 2023, using an annual actuarial valuation as of June 30, 2022 rolled forward to June 30, 2023 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, 2022 valuation was rolled forward to determine the June 30, 2023 total pension liability, based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Actuarial Cost Method
Actuarial Valuation Method	Fair Value of Assets
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.30%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table (1)	Derived using CalPERS' Membership data for all Funds
	The lesser of contract COLA or 2.30% until Purchasing Power Protection Allowance floor on purchasing power applies, 2.30% thereafter
Post Retirement Benefit Increase	

⁽¹⁾ The mortality table used was developed based on CalPERS-specific data. The probabilities of mortality are based on the 2021 CalPERS Experience Study and Review of Actuarial Assumptions. Mortality rates incorporate full generational mortality improvement using 80% of Scale MP-2020 published by the Society of Actuaries. For more details on this table, please refer to the 2021 experience study report from November 2021 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 investment 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. Using historical returns of all of the funds' asset classes, expected compound (geometric) returns were calculated over the next 20 years using a building-block approach. The expected rate of return was then adjusted to account for assumed administrative expenses of 10 Basis points.

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

Asset Class ⁽¹⁾	Assumed Asset Allocation	Real Return (1,2)
Global Equity - Cap-weighted	30.00%	4.54%
Global Equity - Non-Cap-weighted	12.00	3.84
Private Equity	13.00	7.28
Treasury	5.00	0.27
Mortgage-backed Securities	5.00	0.50
Investment Grade Corporates	10.00	1.56
High Yield	5.00	2.27
Emerging Market Debt	5.00	2.48
Private Debt	5.00	3.57
Real Assets	15.00	3.21
Leverage	(5.00)	(0.59)

⁽¹⁾ An expected inflation of 2.30% used for this period.

⁽²⁾ Figures are based on the 2021 Asset Liability Management study.

Change in Assumptions

There were no assumption changes in 2023. Effective with the June 30, 2021 valuation date (June 30, 2022 measurement date), the accounting discount rate was reduced from 7.15% to 6.9%. In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. In addition, demographic assumptions and the price inflation assumption were changed in accordance with the 2021 CalPERS Experience Study and Review of Actuarial Assumptions. The accounting discount rate was 7.15% for measurement dates June 30, 2017 through June 30, 2021, 7.65% for measurement dates June 30, 2015 through June 30, 2016 and 7.5% for measurement date June 30, 2014.

Discount Rate

The discount rate used to measure the total pension liability was 6.9 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.

Pension Plan Fiduciary Net Position:

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. For example, for the accounting reports, CalPERS must keep items such as deficiency reserves and fiduciary self-insurance included as assets. These amounts are excluded for rate setting purposes in your funding actuarial valuation.

Changes in the Net Pension Liability

The following table shows the changes in net pension liability recognized over the measurement period.

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/ (Asset) (c) = (a) - (b)
Balance at: 6/30/2022 Measurement Date	\$129,175,499	\$93,761,275	\$35,414,224
Changes Recognized for the Measurement Period:			
Service Cost	3,135,871	-	3,135,871
Interest on Total Pension liability	8,946,678	-	8,946,678
Changes in Assumptions	-	-	-
Differences between Expected and Actual Experience	1,864,765	-	1,864,765
Contributions- employer	-	4,894,596	(4,894,596)
Contributions- employee	-	1,328,776	(1,328,776)
Net Investment Income	-	5,834,881	(5,834,881)
Benefit Payments, including Refunds of Employee Contributions	(5,892,395)	(5,892,395)	-
Administrative Expense	-	(68,948)	68,948
Net Changes during 2022-2023	\$8,054,919	\$6,096,910	\$1,958,009
Balance at: 6/30/2023 Measurement Date	\$137,230,418	\$99,858,185	\$37,372,233

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 6.9%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (5.9%) or 1 percentage-point higher (7.9%) than the current rate:

	Discount Rate -1% (5.9%)	Current Discount Rate (6.9%)	Discount Rate + 1% (7.9%)
Plan's Net Pension Liability	\$57,176,993	\$37,372,233	\$21,192,182

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, 2023 measurement is 3.6 years, which was obtained by dividing the total service years of 1,981 (the sum of remaining service lifetimes of the active employees) by 547 (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, 2023

As of the start of the measurement period (July 1, 2022), the net pension liability was \$35,414,224.

For the measurement period ending June 30, 2023 (the measurement date), WESA incurred a pension expense of \$7,403,802 for the Plan. A complete breakdown of the pension expense is as follows:

Description	Amount
Service Cost	\$ 3,135,871
Interest on Total Pension Liability	8,946,678
Recognized Changes of Assumptions	1,353,451
Recognized Differences between Expected and Actual Experience	790,660
Employee Contributions	(1,328,776)
Projected Earnings on Pension Plan Investments	(6,476,451)
Recognized Differences between Projected and Actual Earnings on Plan Investments	913,421
Administrative Expense	68,948
Total Pension Expense/(Income)	\$ 7,403,802

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 June 30, 2023. Note that no adjustments to the net pension liability 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 District."

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of Assumptions	\$ 2,165,520	\$ -
Differences between Expected and Actual Experience	1,451,348	(61,239)
Net Difference between Projected and Actual Earnings on Pension Plan Investment	4,502,397	-
Total	\$ 8,119,265	\$ (61,239)

\$5,024,486 reported as deferred outflows of resources related to contributions subsequent to the measurement date 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 (net amount of \$8,058,026) related to pensions will be recognized in future pension expense as follows:

Fiscal Year Ended June 30:	Deferred Outflows/ (Inflows) of Resources
2025	\$2,756,283
2026	1,793,395
2027	3,380,034
2028	128,314
2029	-
Thereafter	-

Payable to the Pension Plan

At June 30, 2023, WESA reported a payable of \$13,250 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2024.

7. RISK MANAGEMENT:

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

- 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.
- Self-Insurance Programs of ACWA: At June 30, 2024 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 \$250 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 \$3,000,000 per member and \$5,000,000 Aggregate Limit. Cyber Liability Deductible is \$100,000 per incident.

- 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 ACWA JPIA Financials or requests sent to 2100 Professional Drive, Roseville, CA 92661.

For the past seven fiscal years, WESA had no settlements exceeding insurance coverage for these categories of risk. At June 30, 2024, 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 total receivable from EVMWD of \$24,113,775 represents the sum of the pension receivable of \$24,289,720 and the current payable of \$175,945 from personnel and related operating expenses as of June 30, 2024.



REQUIRED SUPPLEMENTARY INFORMATION

For The Fiscal Year Ended 2024

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

Measurement Period	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
TOTAL PENSION LIABILITY:										
Service Cost	\$ 3,135,871	\$ 3,080,952	\$ 2,708,216	\$ 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	8,946,678	8,410,832	7,966,474	7,518,873	7,087,735	6,593,931	6,285,034	5,933,814	5,551,505	5,183,730
Changes of Assumptions	-	4,872,422	-	-	-	(682,360)	5,623,164	-	(1,469,076)	-
Difference Between Expected and Actual Experience	1,864,765	(137,789)	732,020	610,773	1,730,513	(287,200)	(579,128)	(219,718)	(286,905)	-
Benefit Payments, Including Refunds of Employee Contributions	(5,892,395)	(5,343,837)	(4,893,768)	(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	8,054,919	10,882,580	6,512,942	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	129,175,499	118,292,919	111,779,977	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)	\$137,230,418	\$129,175,499	\$118,292,919	\$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	4,894,596	4,332,215	4,016,728	3,669,646	3,299,273	2,907,458	2,742,846	2,656,957	2,500,495	2,232,962
Contributions - Employee	1,328,776	1,170,466	1,134,140	1,079,391	1,016,843	1,041,634	979,078	972,455	967,375	1,026,237
Net Investment Income	5,834,881	(7,709,804)	18,807,057	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	(5,892,395)	(5,343,837)	(4,893,768)	(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	(68,948)	(63,151)	(82,306)	(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	6,096,910	(7,614,111)	18,981,851	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)	93,761,275	101,375,386	82,393,535	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)	\$ 99,858,185	\$ 93,761,275	\$101,375,386	\$ 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)	\$ 37,372,233	\$ 35,414,225	\$ 16,917,533	\$ 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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.77%	72.58%	85.70%	73.71%	74.28%	74.70%	72.18%	72.92%	76.56%	77.42%
						\$	\$	\$	\$	\$
Covered Payroll (3)	\$15,432,437	\$14,819,392	\$14,179,139	\$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	242.17%	238.97%	119.31%	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 participation 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 properly 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 2.80 percent payroll growth assumption for fiscal years ended June 30, 2022 and 2023; 2.75 percent payroll growth for fiscal years ended June 30, 2018 through 2021; 3.00 percent payroll growth assumption for fiscal years ended June 30, 2014 through 2017.

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

Changes of Benefit Terms: The figures above generally include any liability impact that may have resulted from voluntary benefit changes that occurred on or before the Measurement Date. However, offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes) that occurred after the 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: Effective with the June 30, 2021 valuation date (2022 measurement date), the accounting discount rate was reduced from 7.15 percent to 6.90 percent. In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated, combined with risk estimates, and are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return. In addition, demographic assumptions and the inflation rate assumption were changed in accordance with the 2021 CalPERS Experience Study and Review of Actuarial Assumptions. The accounting discount rate was 7.15 percent for measurement dates 2017 through 2021, 7.65 percent for measurement dates 2015 through 2016, and 7.50 percent for measurement date 2014.

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

Employer Fiscal Year End	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially Determined Contribution ⁽¹⁾	\$ 5,024,486	\$ 4,894,596	\$ 4,332,215	\$ 4,016,728	\$ 3,669,646	\$ 3,299,273	\$ 2,907,458	\$ 2,742,846	\$ 2,656,957	\$ 2,500,495
Contributions in Relation to the Actuarially Determined Contributions ⁽²⁾	(5,024,486)	(4,894,596)	(4,332,215)	(4,016,728)	(3,669,646)	(3,299,273)	(2,907,458)	(2,742,846)	(2,656,957)	(2,500,495)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll ⁽³⁾	\$ 18,494,357	\$ 15,432,437	\$ 14,819,392	\$ 14,179,139	\$ 13,966,669	\$ 12,560,391	\$ 12,085,954	\$ 12,560,469	\$ 12,648,098	\$ 12,307,222
Contributions as a Percentage of Covered Payroll ⁽³⁾	27.17%	31.72%	29.23%	28.33%	26.27%	26.27%	24.06%	21.84%	21.01%	20.32%

⁽¹⁾ As prescribed in GASB 68, paragraph 46, the information presented in the Schedule Plan Contributions should also be presented as 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 2.80% payroll growth assumption for fiscal years ended in 2022 and 2023; 2.75% payroll growth assumption for fiscal years ended in 2018 through 2021; 3.00% payroll growth assumption for fiscal years ended in 2014 through 2017.

Notes to Schedule of Plan Contributions:

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2022-23 were derived from the June 30, 2020 funding valuation report.

Actuarial Cost Method	Entry Age Actuarial Cost Method
Amortization Method/Period	For details, see June 30, 2020 Funding Valuation Report.
Asset Valuation Method	Fair Value of Assets. For details, see June 30, 2020 Funding Valuation Report.
Inflation	2.5%
Salary Increases	Varies by entry age and service
Payroll Growth	2.75%
Investment Rate of Return	7.0% 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. 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.