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WEST CITIES POLICE COMMUNICATIONS JOINT POWERS AUTHORITY

BASIC FINANCIAL STATEMENTS AND INDEPENDENT AUDITPRS' REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2023

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WEST CITIES POLICE COMMUNICATIONS JOINT POWERS AUTHORITY

Basic Financial Statements And Independent Auditors' Report

For the Fiscal Year Ended June 30, 2023

WEST CITIES POLICE
COMMUNICATIONS JOINT POWERS AUTHORITY

Basic Financial Statements And Independent Auditors' Report

For the Fiscal Year Ended June 30, 2023

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
West Cities Police Communications Joint Powers Authority
Cypress, California

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the governmental activities and the general fund information of the West Cities Police Communications Joint Powers Authority (the "Authority") as of and for the year ended June 30, 2023, 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 financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general fund information of the Authority as of June 30, 2023, and the changes in financial position 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 opinions.

Emphasis of Matter

Change in Accounting Principle

As described in Note 4 to the financial statements, in 2023, the Authority adopted new accounting guidance, GASB Statement No. 96, *Subscription Based Information Technology Arrangements*. Our opinion is not modified with respect to this matter.

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 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.

To the Board of Directors
West Cities Police Communications Joint Powers Authority
Cypress, California

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 opinions. 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 generally accepted auditing standards 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 generally accepted auditing standards 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 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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion, budgetary comparison schedules for the general fund, and analysis and the required pension and other postemployment benefits schedules, as listed on the table of contents, presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

To the Board of Directors
West Cities Police Communications Joint Powers Authority
Cypress, California

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2023, on our consideration of the City's internal control over the Authority's 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 City's internal control over the Authority's financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over the Authority's financial reporting and compliance.

Lance, Soll & Lunghard, LLP

Brea, California
November 15, 2023

The discussion and analysis of the West Cities Police Communications Joint Powers Authority (Authority) financial performance provides an overall review of the Authority's financial activities for the fiscal year ended June 30, 2023. The intent of this discussion and analysis is to look at the Authority's financial performance as a whole. Readers should also review the basic financial statements, as well as the prior year's report for the year ended June 30, 2022, to enhance their understanding of the Authority's financial performance.

The financial section of this report has been prepared to show the results of the financial administration, financial condition, and operations of the Authority. The combined financial statements in this report have been audited by the firm of Lance, Soll and Lunghard, LLP, whose opinion is included.

BASIS OF ACCOUNTING AND FUND GROUPINGS

The government-wide financial statements are presented on an *"economic resources"* measurement focus and, accordingly, all of the Authority's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, including capital assets and long-term liabilities, are reflected in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. The government-wide financial statements also are structured to reflect the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

The governmental fund financial statements are presented on a spending or "*current financial resources*" measurement focus. Accordingly, only current assets and current liabilities are included on the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balance present increases (revenues) and decreases (expenditures) in fund balances. Additionally, the governmental fund statements are also presented using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to pay for expenditures of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to long-term liabilities are recorded only when payment is due. The Authority maintains funds in accordance with generally accepted accounting principles set forth by the Governmental Accounting Standards Board and other rule-making entities.

FINANCIAL DISCUSSION

In the governmental fund financial statements, the Authority reported an excess of revenues over expenditures of $567,865. At the end of the current fiscal year, the nonspendable fund balance of the Authority was $20,614, the committed fund balance was $1,342,128 (compared to $1,194,853 at the beginning of the year), the assigned fund balance was $2,600,000 (compared to $2,000,000 at the beginning of the year) while total fund balance was $4,023,826 (compared to $3,455,961 at the beginning of the year). The total fund balance that is not committed or nonspendable (comprised of assigned and unassigned fund balance amounts) represents 66.1 percent (compared with 64.8 percent from the previous year) of the fund's total current expenditures. The committed fund balance is comprised exclusively of amounts set-aside and accumulated for the future purchase of capital equipment which includes software enhancements and replacements.

The assigned fund balance ($2,600,000) has been accumulated to offset a portion of identified liabilities related to employee benefits. These liabilities include unfunded pensions, accrued leave payable and health benefits provided to retirees.

For the fiscal year ended June 30, 2023, the Authority's balance of cash and cash equivalents were $4,051,762, an increase of $453,953 from the prior fiscal year. Total receivables and prepaid expenses at the end of the fiscal year were $74,517, which is a increase from the prior year total of $1,245.

WEST CITIES POLICE COMMUNICATIONS
JOINT POWERS AUTHORITY

Summary of Changes in Fund Balances
For the fiscal year ended June 30, 2023 and 2022

	2023	2022	Change
Revenues			
Member contributions	$ 3,104,429	$ 2,885,055	$ 219,374
Intergovernmental	1,481	3,061	(1,580)
Investment income	103,339	15,596	87,743
Other income	153,026	146,205	6,821
Total Revenues	3,362,275	3,049,917	312,358
Expenditures			
Current:			
Dispatch services	2,770,684	2,644,773	125,911
Capital outlay	23,726	-	23,726
Total Expenditures	2,794,410	2,644,773	125,911
Increase in fund balance	$ 567,865	$ 405,144	$ 186,447

Total revenues for the fiscal year ended June 30, 2023 increased by $312,358 from the prior year. Individual changes to the Authority's major revenues during the past year are highlighted as follows:

- Annual member contributions are directly tied to budgeted expenditures, and represent the large majority of Authority revenues. Member contributions were higher due to the impacts of negotiated salary and benefit increases which went into effect in FY 2022-23.

- Investment income decreased due to slightly lower market interest rates earned on the Authority's cash investments.

Notable changes in expenditures during the year ended June 30, 2023 follow:

- Personnel costs for the 18 budgeted full-time positions of the Authority comprise the majority of expenditures for dispatch services. While there were several full-time vacancies throughout the past year, including a full year without the Dispatch Manager position, overall personnel costs increased from the prior year due to additional overtime charges.

Authority General Fund Budgetary Highlights

The Authority did not approve any changes to the adopted budget for the fiscal year ended June 30, 2023. Both original appropriations and the final amended budget totaled $3,381,412 and actual expenditures fell under this amount.

REQUEST FOR INFORMATION

This financial report is designed to provide residents of the agencies served by the Authority, taxpayers, creditors and investors with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the West Cities Police Communications Joint Powers Authority, 911 Seal Beach Blvd, Seal Beach, California 90740.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

WEST CITIES POLICE COMMUNICATIONS JOINT POWERS AUTHORITY
Statement of Net Position
June 30, 2023

	Primary Government
	Governmental Activities
ASSETS:	
Current assets:	
Cash and investments	$ 4,051,762
Receivables:	
Accounts	20,043
Accrued interest	33,860
Prepaid expenses	20,614
Total current assets	4,126,279
Noncurrent assets:	
Capital assets	
Depreciable assets, net	804,583
TOTAL ASSETS	**4,930,862**
DEFERRED OUTFLOWS OF RESOURCES:	
Deferred amounts from pension plans	1,011,310
Deferred amounts from OPEB	73,531
TOTAL DEFERRED OUTFLOWS OF RESOURCES	**1,084,841**
LIABILITIES:	
Current liabilities:	
Accounts payable and accrued liabilities	63,322
Unearned revenue	39,131
Accrued leave payable	78,254
Subscription liabilities	14,902
Total current liabilities	195,609
Noncurrent liabilities:	
Accrued leave payable	234,761
Retirees' health payable	581,503
Net pension liability	1,915,659
Total noncurrent liabilities	2,731,923
TOTAL LIABILITIES	**2,927,532**
DEFERRED INFLOWS OF RESOURCES:	
Deferred amounts from pension plans	82,656
Deferred amounts from OPEB	410,779
TOTAL DEFERRED INFLOWS OF RESOURCES	**493,435**
NET POSITION:	
Investment in capital assets	789,681
Unrestricted	1,805,055
Total Net Position	**$ 2,594,736**

See Notes to Financial Statements.

WEST CITIES POLICE COMMUNICATIONS JOINT POWERS AUTHORITY
Statement of Activities
For the Fiscal Year Ended June 30, 2023

	Expenses	Program Revenues Capital Contributions and Operating Grants	Net (Expenses) Revenues and Changes in Net Position Governmental Activities
Primary government:			
Governmental activities:			
Dispatch services	$ 3,068,092	$ 1,481	$ (3,066,611)
Total Governmental Activities	**$ 3,068,092**	**$ 1,481**	**(3,066,611)**
General revenues:			
Member contributions			3,104,429
Investment earnings			103,339
Miscellaneous income			153,026
Total general revenues			**3,360,794**
Change in net position			294,183
Net position at beginning of year			2,300,553
Net position at end of year			**$ 2,594,736**

WEST CITIES POLICE COMMUNICATIONS JOINT POWERS AUTHORITY
Balance Sheet
Governmental Fund
June 30, 2023

		General Fund
ASSETS:		
Cash and investments held by the City of Cypress	$	4,051,762
Receivables:		
Accounts		20,043
Accrued interest		33,860
Prepaid costs		20,614
TOTAL ASSETS	**$**	**4,126,279**
LIABILITIES AND FUND BALANCE		
LIABILITIES:		
Accounts payable and accrued liabilities	$	63,322
Unearned revenues		39,131
TOTAL LIABILITIES		**102,453**
FUND BALANCE:		
Nonspendable		
Prepaid costs		20,614
Committed:		
Future capital replacement		1,342,128
Assigned:		
Employee benefits		2,600,000
Unassigned		61,084
TOTAL FUND BALANCE		**4,023,826**
TOTAL LIABILITIES AND FUND BALANCE	**$**	**4,126,279**

Fund balances of governmental funds		$	4,023,826
Amounts reported for governmental activities in the Statement of Net Position are different because:			
Capital assets used in governmental funds are not current financial resources and therefore are not reported in the Governmenal Fund Balance Sheet:			
Depreciable assets, net	783,517		
Subscription assets	21,066		804,583
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds. Long-term liabilities consist of the following:			
Accrued leave payable	(313,015)		
Subscriptions	(14,902)		(327,917)
Pension and Other Post-Employment Benefit related debt applicable to the Agency's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Deferred outflows of resources and deferred inflows of resources related to pensions are only reported in the Statement of Net Position as the changes in these amounts effects only the government-wide statements for governmental activities:			
Deferred outflows of resources - pension			1,011,310
Deferred inflows of resources - pension			(82,656)
Net pension liability			(1,915,659)
Deferred outflows of resources - OPEB			73,531
Deferred inflows of resources - OPEB			(410,779)
Retirees' health payable (OPEB)			(581,503)
Net position of Governmental Activities		**$**	**2,594,736**

See Notes to Financial Statements.

WEST CITIES POLICE COMMUNICATIONS JOINT POWERS AUTHORITY
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Fund
For the Fiscal Year Ended June 30, 2023

	General Fund
REVENUES:	
Member contributions	$ 3,104,429
Intergovernmental	1,481
Investment income	103,339
Other income	153,026
TOTAL REVENUES	**3,362,275**
EXPENDITURES:	
Current:	
Dispatch services	2,727,565
Capital outlay	51,575
Principal retirement	15,270
TOTAL EXPENDITURES	**2,794,410**
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	567,865
FUND BALANCE - BEGINNING OF YEAR	**3,455,961**
FUND BALANCE - END OF YEAR	**$ 4,023,826**

See Notes to Financial Statements.

WEST CITIES POLICE COMMUNICATIONS JOINT POWERS AUTHORITY
Reconciliation of the Statement of Revenues, Expenditures
And Changes in Fund Balance of the Governmental Fund
To the Statement of Activities
For the Fiscal Year Ended June 30, 2023

Net change in fund balances - total governmental funds		$ 567,865
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the Government-Wide Statement of Activities, the costs of those assets are allocated over the estimated useful lives as depreciation expense.		
Capital outlay	51,575	
Depreciation and amortization	(92,402)	(40,827)
Accrued leave reported on the Statement of Activities does not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. The net change is reported on the Statement of Activities.		(40,153)
Retirees' Health Benefit expenditures reported on the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. This is the net change in Retirees' Health Benefit for the current period.		(29,094)
Pension expense reported in the governmental funds includes the annual required contributions. In the Statement of Activities, pension expense includes the change in the net pension liability, and related change in pension amounts for deferred outflows of resources and deferred inflows of resources.		(151,029)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds. Long-term liabilities consist of the following:		
New subscriptions	(27,849)	
Principal payments	15,270	(12,579)
Change in Net Position of Governmental Activities		**$ 294,183**

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Reporting Entity

The West Cities Police Communications Joint Powers Authority (the Authority) was formed on December 23, 1996 pursuant to the provisions of Section 6500 of Article 1, Chapter 5, Division 7, Title 1 of the Government Code of the State of California relating to the joint exercise of powers common to public agencies. The purpose of the Authority is to provide police dispatching services for the member agencies including the City of Cypress, the City of Los Alamitos, and the City of Seal Beach. The Authority also has a contract in place to serve the Orange County Park Rangers who operate the regional recreational facilities and manage the historical and natural resources in Orange County. The Authority is governed by a three-member Board of Directors with each member City having one City Council member sit on the Board.

B. Measurement Focus, Basis of Accounting and Basis of Presentation

The accounts of the Authority are organized on the basis of funds, each of which is considered a separate accounting entity with its own self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues and expenditures or expenses. These funds are established for the purpose of carrying out specific activities or certain objectives in accordance with specific regulations, restrictions or limitations. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Government-Wide Financial Statements

The Authority's Government-Wide Financial Statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of Governmental Activities for the Authority.

The basic financial statements are presented on an *"economic resources"* measurement focus and the *"accrual basis of accounting"*. Measurement focus is a term used to describe which transactions are recorded within the various financial statements. Under the *"economic resources"* measurement focus, all of the Authority's assets, deferred outflows of resources, liabilities and deferred inflows of resources, including capital assets and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Under the *"accrual basis of accounting",* revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. The Authority's program revenues include State reimbursements.

Governmental Fund Financial Statements

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balance. An accompanying schedule is presented to reconcile and explain the differences in fund balance as presented in these statements to the net position presented in the Government-Wide Financial Statements.

All governmental funds are accounted for on a spending or *"current financial resources"* measurement focus and the modified accrual basis of accounting. Accordingly, only current assets, deferred outflows of resources, current liabilities and deferred inflows of resources are included on the balance sheet. The Statement of Revenues, Expenditures and Changes in Fund Balance presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the Authority, are member contributions and earnings on investments. Expenditures are recorded in the accounting period in which the related liability is incurred.

The reconciliations of the Fund Financial Statements to the Government-Wide Financial Statements are provided to explain the differences created by the integrated approach of Governmental Accounting Standards Board (GASB) Statement No. 34.

C. New Accounting Pronouncements

GASB Current- Year Standards

The following new Governmental Accounting Standards Board (GASB) pronouncements were effective for fiscal year 2022-2023 audit:

- GASB Statement No. 91, Conduit Debt Obligations

- GASB Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangement.

- GASB Statement No. 96, Subscription-Based Information Technology Arrangements.

The following Governmental Accounting Standards Board (GASB) pronouncements are effective in the following fiscal year audit and should be reviewed for proper implementation by management:

Fiscal year 2024:

- GASB Statement No. 99, Omnibus 2022.

- GASB Statement No. 100, Accounting Changes and Error Corrections.

Fiscal year 2025:

- GASB Statement No. 101, Compensated Absences.

D. Cash, Cash Equivalents and Investments

The Authority's cash and investments are pooled with the City of Cypress (the City) to maximize the yield.

The City pools its available cash for investment purposes. The City considers pooled cash and investment amounts, with original maturities of three months or less, to be cash equivalents.

Investments are stated at fair value, which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Investments that are not traded on a market, such as investments in external pools, are valued based on the stated fair value represented by the external pool.

The City participates in an investment pool managed by the State of California titled Local Agency Investment Fund (LAIF), which has invested a portion of the pooled funds in Structured Notes and Asset-Backed Securities. LAIF's investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, these Structured Notes and Asset-Backed Securities are subject to market risk due to changes in interest rates.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Capital Assets

Capital assets, which include machinery and equipment (radios, computers, etc.) and buildings and improvements, are reported in the Government-Wide Financial Statements. Capital assets are defined by the Authority as all buildings, computers and equipment with an initial individual cost of more than $1,000 and improvements with costs of more than $10,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated or annexed capital assets are recorded at acquisition cost at the date of donation or annexation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation and amortization is recorded in the Government-Wide Financial Statements on a straight-line basis over the estimated useful life of the assets as follows:

Building and improvements	15 to 40 years
Computers and equipment	5 to 15 years

F. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and the governmental fund balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources,* represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The Authority has the following items that qualify for reporting in this category and that are reported in the statement of net position:

- Deferred outflow related to pensions that is equal to employer contributions made after the measurement date of the net pension liability.
- Deferred outflow related to pensions are amortized over a closed period equal to the average of the expected remaining services lives of all employees that are provided with pensions through the Plan, except for deferred outflows relating to the net difference between projected and actual earnings on pension plan investments, which is amortized straight line over 5 years.
- Deferred outflow related to other post-employment benefits that is equal to employer contributions made after the measurement date of the total other post-employment benefits liability.

In addition to liabilities, the statement of net position and the governmental fund balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources,* represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. The Authority has the following items that qualify for reporting in this category and that are reported in the statement of net position:

- Deferred inflows from pensions are amortized over a closed period equal to the average of the expected remaining services lives of all employees that are provided with pensions through the Plan, except for deferred inflows relating to the net difference between projected and actual earnings on pension plan investments, which is amortized straight line over 5 years.
- Gains and losses related to changes in Total OPEB liability are recognized in OPEB expense systematically over time. Amounts are first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The recognition period differs depending on the source of the gain or loss. The average of expected remaining active and inactive service lives was 11.3 as of fiscal year ended June 30, 2023 measurement dates. This factor was used to recognize the difference between expected and actual experience and changes in assumptions.

G. Net Position Flow Assumption

Sometimes the Authority may fund outlays for a particular purpose from both restricted (e.g., grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the Authority's general practice to consider restricted - net position to have been depleted before unrestricted - net position is applied.

H. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund.

Since unexpended and encumbered appropriations of the governmental funds automatically lapse at the end of the fiscal year, they are not included in reported expenditures and the authorization for expenditure must be re-established through inclusion in the subsequent year's appropriation.

I. Net Position

In the Government-Wide Financial Statements, net position may be classified in the following categories:

Investment in Capital Assets - This amount consists of capital assets net of accumulated depreciation.

Restricted Net Position - This amount is restricted by external creditors, grantors, contributors, laws or regulations of other governments.

Unrestricted Net Position - This amount is all net position that does not meet the definition of "investment in capital assets" or "restricted net position" as defined above.

J. Fund Balances

In the Governmental Fund Financial Statements, fund balances are classified in the following categories:

Nonspendable - Items that cannot be spent because they are not in spendable form, such as prepaid items and inventories, or items that are legally or contractually required to be maintained intact, such as principal of an endowment or revolving loan funds.

Restricted - Restricted fund balances encompass the portion of net fund resources subject to externally enforceable legal restrictions. This includes externally imposed restrictions by creditors, such as through debt covenants, grantors, contributors, laws or regulations of other governments, as well as restrictions imposed by law through constitutional provisions or enabling legislation.

Committed - Committed fund balances encompass the portion of net fund resources, the use of which is constrained by limitations that the government imposes upon itself at its highest level of decision making, normally the governing body through board resolutions, etc., and that remain binding unless removed in the same manner. The Board of Directors is considered the highest authority for the Authority.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assigned - Assigned fund balances encompass the portion of net fund resources reflecting the government's intended use of resources. Assignment of resources can be done by the highest level of decision making or by a committee or official designated for that purpose. The Board of Directors has authorized the Treasurer for that purpose.

Unassigned - This category is for any balances that have no restrictions placed upon them.

K. Spending Policy

Governmental Fund Financial Statements

When expenditures are incurred for purposes for which all restricted, committed, assigned, and unassigned fund balances are available, the Authority's policy is to apply in the following order:

> Restricted
> Committed
> Assigned
> Unassigned

L. Pensions

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

M. Other Post-employment Benefits (OPEB)

For purposes of measuring the Total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and the OPEB expense have been determined by an independent actuary. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms.

Generally accepted accounting principles require 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	June 30, 2023
Measurement Date	June 30, 2023
Measurement Period	July 1, 2022 to June 30, 2023

N. Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities. In addition, estimates affect the reported amount of expenses. Actual results could differ from these estimates and assumptions.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Subscription Based Information Technology Agreements

The Authority is a subscriber for noncancellable subscriptions of information technology services. The Authority recognizes a subscription liability and an intangible right-to-use subscription assets (subscription asset) in the government-wide financial statements. The Authority recognized subscription liabilities with an initial, individual value of $1,000 or more.

At the commencement of a subscription, the Authority initially measures the subscription liability at the present value of payments expected to be made during the subscription term. Subsequently, the subscription liability is reduced by the principal portion of subscription payments made. The subscription asset is initially measured as the initial amount of the subscription liability, adjusted for subscription payments made at or before the subscription commencement date, plus certain initial direct costs, if applicable. Subsequently, the subscription asset is amortized on a straight-line basis over its useful life. Key estimates and judgments related to subscription include how the Authority determines (1) the discount rate it uses to discount the expected subscription payments to present value, (2) lease term, and (3) subscription payments.

The Authority uses the interest rate charged by the vendor as the discount rate. When the interest rate charged by the vendor is not provided, the Authority generally uses its estimated incremental borrowing rate as the discount rate for subscriptions.

The subscriptions term includes the noncancellable period of the subscription. Subscription payments included in the measurement of the subscription liability are composed of fixed payments that the Authority is reasonably certain to exercise.

The Authority monitors changes in circumstances that would require a measurement of its subscriptions and will remeasure the subscription asset and liability if certain changes occur that are expected to significantly affect the amount of the subscription liability.

NOTE 2: CASH AND INVESTMENTS

The Authority's cash and investments are pooled with the City of Cypress (the City). The Authority does not own specifically identifiable securities in the City's pool. Investment income earned on pooled cash and investments is allocated quarterly to the various funds based on the average cash balance in each fund. At June 30, 2023, the cash and investments balance of the Authority was as follows:

	Government-Wide Statement of Net Position Governmental Activities
Cash and investments held by the City of Cypress	$ 4,051,762

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

Authorized Investments

Under provision of the City's annually adopted investment policy, and in accordance with Section 53601 of the California Government Code, the City may deposit and invest in the following:

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
United States Treasury Bills and Notes	5 years	None	N/A
Federal Agency Issues	5 years	None	N/A
Certificates of Deposit (or Time Deposits) placed with commercial banks and/or savings and loan companies	1 year	25%	N/A
Bankers' Acceptances	180 days	25%	10%
Negotiable Certificates of Deposit	5 years	25%	10%
Commercial Paper	270 days	25%	10%
Local Agency Investment Fund	None	$75 million*	N/A
Investment Trust of California (CalTRUST)	None	$50 million*	N/A
Passbook Savings Account demand deposits	5 years	None	N/A
Medium-term Notes	5 years	25%	N/A
Money Market Mutual Funds	N/A	20%	10%

* Limit is per entity.

N/A - Not Applicable

Accounts are held in the name of the City of Cypress and the Cypress Recreation and Park District.

Deposits and Risks

The California Government Code requires California banks and savings and loans associations to secure a City's deposit by pledging government securities with a value of 110% of a City's deposits, or by pledging first trust deed mortgage notes having a total value of 150% of the City's total deposits.

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

Interest Rate Risk - As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy provides that final maturities of securities cannot exceed five years. At June 30, 2023, approximately 100% of the City's entire pooled cash and cash equivalents had a maturity of less than one year.

Investment Type	Remaining Maturity (in Months) 12 Months or Less
Equity in City of Cypress investment pool	$ 4,051,762

Credit Risk - State law limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations (NRSROs). It is the City's practice to limit its investments in these investment types to the top rating issued by NRSROs, including raters Standard & Poor's and Moody's Investors Service. The California Local Agency Investment Fund (LAIF) is not rated but has a separate investment policy governed by Government Code Sections 16480-16481.2 that provides credit standards for its investments.

Investment Type	Minimum Legal Rating	Total as of June 30, 2023	Not Rated
Equity in City of Cypress investment pool	N/A	$ 4,051,762	$ 4,051,762

External Investment Pool

The City is a voluntary participant in LAIF, which is an external investment pool regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California through which local governments may pool investments. The City may invest up to $75,000,000 in the fund. Investments in LAIF are considered highly liquid, as deposits can be converted to cash within 24 hours without loss of interest.

The City values its investments in LAIF at the fair value provided by LAIF. At June 30, 2023 the factor used was 0.984828499. The City's investment with LAIF includes a portion of pool funds invested in structured notes and asset-backed securities. At June 30, 2023, the City invested in LAIF, which had invested 2.78% of the pool's funds in structured notes and asset-backed securities.

Fair Value Measurements

The Authority categorizes its fair value measurement within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the relative inputs used to measure the fair value of the investments. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The Authority’s investment in the City of Cypress investment pool is not subject to the fair value hierarchy.

NOTE 3: CAPITAL ASSETS

The following is a summary of capital assets for governmental activities for the year ended June 30, 2023:

	Balance at June 30, 2022	Adjustments	Additions	Deletions	Balance at June 30, 2023
Capital Assets, Being Depreciated/Amortized					
Buildings and Improvements	$ 177,587	$ -	$ -	$ -	$ 177,587
Equipment	2,430,803	-	18,338	-	2,449,141
Furniture	52,764	-	5,388	-	58,152
Subscription assets	-	2,323	27,849	-	30,172
Total, Being Depreciated/Amortized	2,661,154	2,323	51,575	-	2,715,052
Less Accumulated Depreciation and amortization					
Buildings and Improvements	(177,080)	-	(506)	-	(177,586)
Equipment	(1,614,317)	-	(79,187)	-	(1,693,504)
Furniture	(26,670)	-	(3,603)	-	(30,273)
Subscription assets	-	-	(9,106)	-	(9,106)
Total Accumulated Depreciation and Amortization	(1,818,067)	-	(92,402)	-	(1,910,469)
Total Depreciation/Amortization, Net	843,087	2,323	(40,827)	-	804,583
Governmental Activities Capital Assets, Net	$ 843,087	$ 2,323	$ (40,827)	$ -	$ 804,583

Depreciation and amortization expense for capital assets in the amount of $92,402 is charged to dispatch services for the year ended June 30, 2023.

NOTE 4: SUBSCRIPTION-BASED TECHNOLOGY AGREEMENTS

For the year ended June 30, 2023, the financial statements include the adoption of GASB Statement No. 96, Subscription-Based Information Technology Arrangements. The primary objective of this statement is to enhance the relevance and consistency of information about governments' subscription activities. This statement establishes a single model for subscription accounting based on the principle that subscriptions are financings of the right to use an underlying asset. Under this Statement, an organization is required to recognize a subscription liability and an intangible right-to-use subscription asset. For additional information, refer to the disclosures below.

On July 1, 2022, the Authority entered into a 36 month subscription for the use of Planit. An initial subscription liability was recorded in the amount of $2,323. As of June 30, 2023, the value of the subscription liability is $2,313. West Cities Police Communications Joint Powers Authority is required to make annual fixed payments of $1,164. The subscription has an interest rate of 0.4170%. The value of the right to use asset as of June 30, 2023 of $2,323 with accumulated amortization of $2,144 is included with Software on the Subscription Class activities table found below. West Cities Police Communications Joint Powers Authority has 2 extension options, each for 12 months.

On July 1, 2022, the Powers Authority entered into a 36 month subscription for the use of Software One. An initial subscription liability was recorded in the amount of $41,057. As of June 30, 2023, the value of the subscription liability is $13,743. West Cities Police Communications Joint Powers Authority is required to make annual fixed payments of $14,106. The subscription has an interest rate of 3.1070%. The value of the right to use asset as of June 30 2023 of $27,849 with accumulated amortization of $6,962 is included with Software on the Subscription Class activities table found below.

NOTE 4: SUBSCRIPTION-BASED TECHNOLOGY AGREEMENTS (CONTINUED)

	Balance as of July 1, 2022	Additions	Reductions	Balance as of June 30, 2023	Due within One Year
Software subscriptions	$ 2,323	$ 27,849	$ 15,270	$ 14,902	$ 14,902

NOTE 5: ACCRUED LEAVE PAYABLE

The accrued leave payable represents the estimated liability for all vacation, compensatory time, and 50% of the sick leave, as noted below, for all employees of the Authority. Accrued leave payable at June 30, 2023 consisted of $78,254 in short-term and $234,761 in long-term liabilities.

Permanent employees may accumulate sick leave with no limitation as to the number of hours of accumulation. However, vacation leave is limited to a maximum accrual of 320 hours. Employees who are terminated for any reason are paid for 100% of their accumulated vacation pay. Employees, terminated for any reason, with 5 years of service and having 60 days or more of accumulated sick leave (equal to 480 hours), will be paid for 50% of their accumulated sick leave. Employees, terminated for any reason, with 5 years of service and having between 240 hours and 480 hours, will be paid for 50% of their accumulated leave for their hours only in excess of 240 hours. All other terminated employees will not be paid for their accumulated sick leave.

NOTE 6: PENSION PLAN – PUBLIC EMPLOYEES' RETIREMENT SYSTEM (CALPERS)

A. General Information about the Pension Plan

Plan Description

All qualified permanent and probationary employees are eligible to participate in the Authority's 2% at 55 (Tier I) and 2% at 62 (PEPRA) Miscellaneous Employee Pension Plan, a cost-sharing multiple employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plan are established by State statute and Authority resolution. CalPERS issues publicly available reports that include a full description of the pension Plan regarding benefit provisions, assumptions and membership information that can be found on the 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 to 62 with statutorily reduced benefits. All members are eligible for non-industrial disability benefits after five (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's provisions and benefits in effect at the June 30, 2023, reporting date, are summarized as follows:

NOTE 6: PENSION PLAN – PUBLIC EMPLOYEES' RETIREMENT SYSTEM (CALPERS) (CONTINUED)

	Miscellaneous	
	Prior to	On or After
Hire date	January 1, 2013	January 1, 2013
Benefit formula	2% @ 55	2% @ 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 63	52 - 67
Monthly benefits, as a % of eligible compensation	1.426% to 2.418%	1.0% to 2.5%
Required employee contribution rates	6.92%	7.25%
Required employer contribution rates	11.61% + $167,140	7.76% + $906

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30 by CalPERS. 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 Authority is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

B. Pension Liabilities, Pension Expenses and Deferred Outlflows/Inflows of Resources Related to Pensions

As of June 30, 2023, the Authority reported net pension liabilities for its proportionate share of the net pension liability for the Plan as follows:

	Proportionate Share of Net Pension Liability
Miscellaneous	$ 1,915,659

The Authority's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2022, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021, rolled forward to June 30, 2022 using standard update procedures. The Authority's proportionate share of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension Plan relative to the projected contributions of all participating employers, actuarially determined.

The Authority's proportionate share of the net pension liability for the Plan as of June 30, 2021 and 2022 was as follows:

	Miscellaneous
Proportion - June 30, 2021	0.040360%
Proportion - June 30, 2022	0.042660%
Change - Increase (Decrease)	0.002300%

NOTE 6: PENSION PLAN – PUBLIC EMPLOYEES' RETIREMENT SYSTEM (CALPERS) (CONTINUED)

For the year ended June 30, 2023, the Authority recognized pension expense of $468,010. At June 30, 2023, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 316,981	$ -
Differences between actual and expected experience	38,470	25,766
Change in assumptions	196,299	-
Change in proportions	106,671	-
Difference in actual contribution to proportionate share	1,991	56,890
Net differences between projected and actual earnings on plan investments	350,898	-
Total	$ 1,011,310	$ 82,656

The $316,891 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 year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ending June 30,	Amount
2024	$ 179,841
2025	143,142
2026	74,069
2027	214,621
	$ 611,673

Actuarial Assumptions

The total pension liabilities in the June 30, 2021, actuarial valuations were determined using the following actuarial assumptions:

	Miscellaneous
Valuation Date	June 30, 2021
Measurement Date	June 30, 2022
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.30%
Projected Salary Increase	(1)
Mortality	(2)
Post-retirement benefit increase	(3)

(1) Depending on age, service and type of employment;
(2) The probabilities of mortality are derived using CalPERS' membership data for all funds.
(3) The lesser of contract COLA or 2.30% until purchasing power protection allowance floor on purchasing power applies, 2.30% thereafter

NOTE 6: PENSION PLAN – PUBLIC EMPLOYEES' RETIREMENT SYSTEM (CALPERS) (CONTINUED)

The mortality table used was developed based on CalPERS-specific data. The probabilities of mortality are based on the 2021 CalPERS Experience Study for the period from 2001 to 2019. Pre-retirement and Post-retirement mortality rates include 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 CalPERS Experience Study and Review of Actuarial Assumptions report from November 2021 that can be found on the CalPERS website.

Expected Average Remaining Service Lifetime (EARSL)

The EARSL for the Public Agency Cost-Sharing Multiple Employer Defined Benefit Plan (PERF C) for measurement date ending June 30, 2022, is 3.7 years, which was obtained by dividing the total service years of 574,665 (the sum of remaining service lifetimes of the active employees) by 153,587 (the total number of participants: active, inactive, and retired) in the PERF C. 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.

Discount Rate

The discount rate used to measure the total pension liability was 6.90% for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the plan, CalPERS stress tested Plan that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing of the Plan, the tests revealed the assets would not run out. Therefore, the current 7.15% discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long term expected discount rate of 7.15% is applied to all Plan in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained from the CalPERS website under the GASB 68 section.

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

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. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. 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 (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one 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 and, combined with risk estimates, 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.

The expected real rates of return by asset class are as followed:

NOTE 6: PENSION PLAN – PUBLIC EMPLOYEES' RETIREMENT SYSTEM (CALPERS) (CONTINUED)

Asset Class	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

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

The following presents the Authority's proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Miscellaneous
1% Decrease	5.90%
Net Pension Liability	$ 3,163,041
Current Discount Rate	6.90%
Net Pension Liability	$ 1,915,659
1% Increase	7.90%
Net Pension Liability	$ 889,373

Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

NOTE 7: RETIREES' HEALTH BENEFITS

Plan Description - The Authority provides medical benefits to eligible retirees through the CalPERS healthcare program entitled Public Employees' Medical and Hospital Care Act (PEMHCA) as a part of the Authority's agent multiple-employer defined benefit plan. The Authority pays the PEMHCA minimum amount ($149 per month for 2022 and $151 for 2023) for all eligible retirees who choose to continue with their coverage through PEMHCA. All eligible employees become participants in PEMHCA on their date of hire.

In addition to the PEMHCA minimum amount, certain members of the retiree group with at least 10 years of continuous service receive supplemental retiree health benefits directly from the Authority. The benefits are based on negotiated memorandums of understanding with the employee association. The Authority provides a monthly contribution up to $200 based on years of continuous service and employee classification, which can be used by the retiree to either continue their health care benefits as may be available under the Authority's current health care contract through PEMHCA or to use the monthly contribution amount to purchase alternative health care benefits. The Authority's supplemental contribution plan is a single-employer plan and terminates for retirees on the date the retiree reaches age 65 or becomes Medicare eligible, whichever comes first.

As of June 30, 2023, the date of the most recent actuarial valuation, the Authority's plan has 17 active employees.

Employees Covered - Plan membership, at June 30, 2023, consisted of the following:

Inactive plan members or beneficiaries	1
Active plan members	17

Funding Policy - The contribution for PEMHCA is established and amended by CalPERS. The Authority pays the monthly contribution for all employees and retirees. The contribution requirements for the Supplemental Post-Employment Health care plan are established and amended by the Authority. The required contribution is based on projected pay-as-you-go financing requirements.

Total OPEB Liability

The Authority's Total OPEB Liability was measured as of June 30, 2023, and the Total OPEB Liability was determined by an actuarial valuation as of June 30, 2023. Standard actuarial update procedures were used to project/discount from valuation to measurement dates.

NOTE 7: RETIREES' HEALTH BENEFITS (CONTINUED)

Actuarial assumptions. The Total OPEB liability was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Cost Method	Entry Age, Level Percent of Pay
Amortization Valuation	20-year amortization (as a level percent of pay)
Asset Valuation Method	Market value
Inflation	2.50%
Payroll Growth	2.75% per annum
Healthcare cost-trend rates	6.00%
Retirement Age	The Authority offers the same plans to its retirees as to its active employees, with the general exception that upon reaching age 65 and becoming eligible for Medicare, the retiree must join one of the Medicare Supplement coverages offered under PEMHCA.
Preretirement Mortality	Pre-retirement mortality rates for Public Agency Miscellaneous from CalPERS Experienced Study (2000-2019).
Postretirement Mortality	Post-retirement mortality rates for Public Agency Miscellaneous from CalPERS Experienced Study (2000-2019).

Discount Rate

GASB 75 requires a discount rate that reflects the following:

a) The long-term expected rate of return on OPEB plan investments – to the extent that the OPEB plan's fiduciary net position (if any) is projected to be sufficient to make projected benefit payments and assets are expected to be invested using a strategy to achieve that return;

b) A yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher – to the extent that the conditions in (a) are not met.

Changes in the Total OPEB Liability

The changes in the Total OPEB liability for the Plan are as follows:

	Increase (Decrease) Total OPEB Liability
Balance at June 30, 2022	$ 611,017
Changes recognized for the measurement period:	
Service Cost	31,696
Interest	22,741
Difference between expected and actual experience	(76,063)
Changes of assumptions	(7,266)
Benefit payments	(622)
Net Changes	(29,514)
Balance at June 30, 2023	$ 581,503

NOTE 7: RETIREES' HEALTH BENEFITS (CONTINUED)

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

The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.86 percent) or 1-percentage-point higher (4.86 percent) than the current discount rate:

	Discount Rate 1% Decrease (2.86%)	Current Discount Rate (3.86%)	Discount Rate 1% Increase (4.86%)
Total OPEB Liability	$ 663,545	$ 581,503	$ 512,739

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

The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (5.00 percent) or 1-percentage-point higher (7.00 percent) than the current healthcare cost trend rates:

	1% Decrease (5.00%)	Trend Rate (6.00%)	1% Increase (7.00%)
Total OPEB Liability	$ 498,481	$ 581,503	$ 686,115

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

For the fiscal year ended June 30, 2023, the Authority recognized OPEB expense of $29,716. As of fiscal year ended June 30, 2023, the Authority reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	**Deferred Inflows of Resources**
Difference between expected and actual experiences	$ -	$ 91,061
Changes of assumptions	73,531	319,718
Total	**$ 73,531**	**$ 410,779**

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

Measurement Period ended June 30:	**Deferred Outflow/(Inflows) of Resources**
2024	$ (24,721)
2025	(24,721)
2026	(21,938)
2027	(42,746)
2028	(43,474)
Thereafter	(179,648)
Total	$ (337,248)

NOTE 8: COMMITMENTS AND CONTINGENCIES

The Authority may be a defendant in certain other legal actions arising in the normal course of operations. In the opinion of management and legal counsel, any liability resulting from these actions will not result in a material adverse effect on the Authority's financial position.

As of June 30, 2023, in the opinion of Authority management, there were no outstanding matters that would have a significant effect on the financial position of the funds of the Authority.

NOTE 9: RISK MANAGEMENT

Description of Self-insurance Pool Pursuant to Joint Powers Agreement

The West Cities Police Communications Center is a member of the California Joint Powers Insurance Authority (CJPIA). CJPIA is composed of 124 California public entities and is organized under a joint powers agreement pursuant to California Government Code §6500 et seq. The purpose of CJPIA is to arrange and administer programs for the pooling of self-insured losses, to purchase excess insurance or reinsurance, and to arrange for group purchased insurance for property and other lines of coverage. The California JPIA began covering claims of its members in 1978. Each member government has an elected official as its representative on the Board of Directors. The Board operates through a nine-member Executive Committee.

Self-insurance Programs of the CJPIA

Each member pays an annual contribution at the beginning of the coverage period. A retrospective adjustment is then conducted annually thereafter, for coverage years 2012-13 and prior. Coverage years 2013-14 and forward are not subject to routine annual retrospective adjustment. The total funding requirement for primary self-insurance programs is based on an actuarial analysis. Costs are allocated to individual agencies based on payroll and claims history, relative to other members of the risk-sharing pool.

Primary Liability Program

Claims are pooled separately between public safety (police and fire) and general government exposures. (1) The payroll of each member is evaluated relative to the payroll of other members. A variable credibility factor is determined for each member, which establishes the weight applied to payroll and the weight applied to losses within the formula. (2) The first layer of losses includes incurred costs up to $75,000 for each occurrence and is evaluated as a percentage of the pool’s total incurred costs within the first layer. (3) The second layer of losses includes incurred costs from $75,000 to $200,000 for each occurrence and is evaluated as a percentage of the pool’s total incurred costs within the second layer. (4) Incurred costs from $200,000 to statutory limits are distributed based on the outcome of cost allocation within the first and second loss layers.

For 2022-23 CJPIA’s pooled retention is $1 million per occurrence, with reinsurance to statutory limits under California Workers’ Compensation Law. Employer’s Liability losses are pooled among members to $1 million. Coverage from $1 million to $5 million is purchased through reinsurance policies, and Employer’s Liability losses from $5 million to $10 million are pooled among members.

Purchased Insurance

Property Insurance

The West Cities Police Communications Center participates in the all-risk property protection program of CJPIA. This insurance protection is underwritten by several insurance companies. West Cities Police Communications Center property is currently insured according to a schedule of covered property submitted by the West Cities Police Communications Center to CJPIA. West Cities Police Communications Center property currently has all-risk property insurance protection in the amount of $853,875. There is a $10,000 deductible per occurrence except for non-emergency vehicle insurance which has a $2,500 deductible.

NOTE 9: RISK MANAGEMENT (CONTINUED)

Adequacy of Protection

During the past three fiscal years, none of the above programs of protection experienced settlements or judgments that exceeded pooled or insured coverage. There were also no significant reductions in pooled or insured liability coverage in 2022-23.

NOTE 10: SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 15, 2023, the date the financial statements were available for issuance. No other events were identified that would require recognition or disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

WEST CITIES POLICE COMMUNICATIONS JOINT POWERS AUTHORITY
Schedule of Proportionate Share of the Net Pension Liability
Cost Sharing Multiple Employer Defined Benefit Plan
As of June 30, for the Last Ten Fiscal Years (1)

	2023	2022	2021	2020
Miscellaneous Plan				
Plan's Proportion of the Net Pension Liability	0.04266%	0.04036%	0.03974%	0.03795%
Plan's Proportionate Share of the Net Pension Liability	$ 1,915,659	$ 694,093	$ 1,588,049	$ 1,445,616
Plan's Covered Payroll	$ 1,410,690	$ 1,483,000	$ 1,594,000	$ 1,639,000
Plan's Proportionate Share of the Net Pension Liability as Percentage of Covered Payroll	135.80%	46.80%	99.63%	88.20%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	84.58%	73.28%	73.57%	73.03%

Notes to Schedule:

Benefit Changes:

There were no changes to benefit terms that applied to all members of the Public Agency Pool. However, individual employers in the Plan may have provided a benefit improvement to their employees such as Golden Handshakes, service purchases, and other prior service costs. Employers that have done so may need to report this information as a separate liability in their financial statement as CalPERS considers such amounts to be separately financed employer-specific liabilities.

Changes of Assumptions:

Effective with the June 30, 2021 valuation date (2022 measurement date), the accounting discount rate was reduced from 7.15% to 6.90%. 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.

(1) Historical information is required only for measurement for which GASB 68 is applicable. Fiscal Year 2015 was the first year of implementation, therefore only nine years are shown.

2019	2018	2017	2016	2015
0.03509%	0.03461%	0.03389%	0.01362%	0.01477%
$ 1,317,192	$ 1,364,200	$ 1,178,390	$ 935,168	$ 919,200
$ 1,647,230	$ 1,475,771	$ 1,398,850	$ 1,321,136	$ 1,286,840
79.96%	92.44%	84.24%	70.79%	71.43%
75.26%	73.31%	74.06%	78.40%	78.09%

WEST CITIES POLICE COMMUNICATIONS JOINT POWERS AUTHORITY
Schedule of Contributions
Cost Sharing Multiple Employer Defined Benefit Plan
As of June 30, for the Last Ten Fiscal Years (1)

	2023	2022	2021	2020
Miscellaneous Plan				
Actuarially Determined Contribution	$ 316,981	$ 297,318	$ 290,063	$ 273,487
Contribution in Relation to the Actuarially Determined Contribution	(316,981)	(297,318)	(290,063)	(273,487)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
Covered Payroll	$ 1,403,238	$ 1,410,690	$ 1,483,000	$ 1,594,000
Contributions as a Percentage of Covered Payroll	22.59%	21.08%	19.56%	17.16%

(1) Historical information is required only for measurement for which GASB 68 is applicable. Fiscal Year 2015 was the first year of implementation, therefore only nine years are shown.

Note to Schedule:

Valuation Date:	June 30, 2021
Methods and assumptions used to determine contribution rates:	
Actuarial cost method	Entry Age Normal Cost Method
Amortization method/period	Direct Rate Smoothing
Asset valuation method	Market value
Discount rate	6.90%
Inflation	2.30%
Salary increases	Varies by entry age and services
Mortality rate table	Derived using CalPERS' membership data for all funds
Post-retirement benefit increase	The lesser of contract COLA or 2.30% until purchasing power protection allowance floor on purchasing power applies, 2.30% thereafter

2019	2018	2017	2016	2015
$ 252,442	$ 230,706	$ 202,797	$ 129,952	$ 185,785
(252,442)	(230,706)	(202,797)	(129,952)	(185,785)
$ -	$ -	$ -	$ -	$ -
$ 1,639,000	$ 1,647,230	$ 1,475,771	$ 1,398,850	$ 1,321,136
15.40%	14.01%	13.74%	9.29%	14.06%

WEST CITIES POLICE COMMUNICATIONS JOINT POWERS AUTHORITY
Schedule of Changes in the Total OPEB Liability and Related Ratios
As of June 30, For the Last Ten Fiscal Years (1)

	2023	2022	2021
Total OPEB Liability			
Service cost	$ 31,696	$ 44,864	$ 73,666
Interest on the total OPEB liability	22,741	15,522	20,004
Actual and expected experience difference	(76,063)	-	(20,449)
Changes in assumptions	(7,266)	(145,566)	(250,395)
Benefit payments	(622)	-	-
Net change in total OPEB liability	**(29,514)**	**(85,180)**	**(177,174)**
Total OPEB liability - beginning	**611,017**	**696,197**	**873,371**
Total OPEB liability - ending (a)	**581,503**	**611,017**	**696,197**
Plan Fiduciary Net Position			
Contribution - employer	622	-	-
Benefit payments	(622)	-	-
Net change in plan fiduciary net position	**-**	**-**	**-**
Plan fiduciary net position - beginning	**-**	**-**	**-**
Plan fiduciary net position - ending (b)	**-**	**-**	**-**
Total OPEB Liability/(Assets) - ending (a) - (b)	**$ 581,503**	**$ 611,017**	**$ 696,197**
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%	0.00%
Covered-employee payroll	$ 1,832,657	$ 1,767,116	$ 1,645,026
Total OPEB liability as a percentage of covered-employee payroll	31.73%	34.58%	42.32%

(1) Historical information is required only for the measurement periods for which GASB 75 is applicable. Fiscal Year 2018 was the first year of implementation. Future years' information will be displayed up to 10 years as information becomes available.

Notes to Schedule: The Authority does not make contributions to a qualifying trust to pay for future benefits; as such, no fiduciary net position is reported.

Changes in assumptions: The discount rate increase to 3.86% as of June 30, 2023.

2020	2019	2018
$ 71,520	$ 50,225	$ 51,790
18,801	23,363	20,030
(13,883)	(1,733)	-
135,913	39,477	(26,496)
-	-	(483)
212,351	**111,332**	**44,841**
661,020	**549,688**	**504,847**
873,371	**661,020**	**549,688**
-	-	(483)
-	-	483
-	**-**	**-**
-	**-**	**-**
-	**-**	**-**
$ 873,371	**$ 661,020**	**$ 549,688**
0.00%	0.00%	0.00%
$ 1,665,073	$ 1,645,733	$ 1,661,400
52.45%	40.17%	33.09%

WEST CITIES POLICE COMMUNICATION JOINT POWERS AUTHORITY
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2023

	Budget Amounts		Actual	Variance with Final Budget Positive
	Original	**Final**	**Amounts**	**(Negative)**
REVENUES:				
Member contributions	$ 3,104,429	$ 3,104,429	$ 3,104,429	$ -
Intergovernmental	83,713	83,713	1,481	(82,232)
Investment income	10,000	10,000	103,339	93,339
Other income	153,270	153,270	153,026	(244)
TOTAL REVENUES:	**3,351,412**	**3,351,412**	**3,362,275**	**10,863**
EXPENDITURES:				
Current:				
Dispatch services	3,106,699	3,106,699	2,727,565	379,134
Capital outlay	274,713	274,713	51,575	223,138
	-	-	15,270	(15,270)
TOTAL EXPENDITURES:	**3,381,412**	**3,381,412**	**2,794,410**	**587,002**
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(30,000)	(30,000)	567,865	597,865
FUND BALANCE - BEGINNING OF YEAR	3,455,961	3,455,961	3,455,961	-
FUND BALANCE - END OF YEAR	**$ 3,425,961**	**$ 3,425,961**	**$ 4,023,826**	**$ 597,865**

See Notes to Required Supplementary Information.

NOTE 1: BUDGETS AND BUDGETARY ACCOUNTING

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds. The Authority follows these procedures in establishing the budgetary data reflected in the financial statements: After January 1, the Treasurer and Dispatch Administrator prepare estimates for required appropriations for the fiscal year commencing on the following July 1. The proposed budget includes estimated expenditures and forecasted revenues for the fiscal year. The data is presented to the Administrative Oversight Staff for review. Prior to June 1, the Dispatch Administrator submits to the Authority Board, a proposed operating budget for the fiscal year commencing on the following July 1. The operating budget includes a summary of the proposed expenditures and financial resources of the Authority, as well as historical data for the prior fiscal period. Prior-year operating appropriations lapse unless they are re-appropriated through the Authority Board for approval. Encumbered appropriations from the previous year are not included in the adopted budget for the current year. Prior to July 1, the budget is legally enacted through approval of the Board.

The Dispatch Administrator is authorized to transfer budgeted amounts within the department and capital outlay may be transferred between accounts. Additional appropriations of fund balances may be made only if authorized by the Authority Board. Formal budgetary integration is employed as a management control device during the fiscal year for governmental fund types. The Authority maintains legally adopted budgets for all governmental funds. The budgets are adopted on a basis consistent with generally accepted accounting principles. Budgeted amounts presented are as originally adopted or as amended (if applicable) by the Authority Board.

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

To the Board of Directors
West Cities Police Communications Joint Powers Authority
Cypress, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the general fund information of the West Cities Police Communications Joint Powers Authority (the "Authority"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated November 15, 2023.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

To the Board of Directors
West Cities Police Communications Joint Powers Authority
Cypress, California

Purpose of This Report

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

Lance, Soll & Lunghard, LLP

Brea, California
November 15, 2023