

South Bay Regional Public Communications Authority

Hawthorne, California

Annual Financial Report

For the Years Ended June 30, 2021 and 2020





Board of Directors as of June 30, 2021

<u>Name</u>	<u>City Represented</u>	<u>Title</u>
Rodney Tanaka	City of Gardena	Member
Hildy Stern	City of Manhattan	Member
Alex Monteiro	City of Hawthorne	Member

*South Bay Regional Public Communications Authority
4440 West Broadway
Hawthorne, California 90250*

**South Bay Regional Public Communications Authority
Annual Financial Report
For the Years Ended June 30, 2021 and 2020**

Table of Contents

	<u>Page</u>
Table of Contents	i
 <u>FINANCIAL SECTION</u>	
Independent Auditors' Report on the Financial Statements	1
Management's Discussion and Analysis	
Required Supplementary Information (Unaudited)	3
Basic Financial Statements:	
Statements of Net Position	9
Statements of Revenues, Expenses and Changes in Net Position.....	10
Statements of Cash Flows	11
Notes to the Basic Financial Statements	15
Required Supplementary Information (Unaudited):	
Schedule of the Authority's Proportionate Share of the Net Pension Liability and Related Ratios.....	38
Schedule of Contributions – Pensions.....	40
Schedule of Changes in Net Other Postemployment Benefits Liability and Related Ratios	42
Schedule of Contributions – Other Postemployment Benefits.....	43
 <u>OTHER REPORT</u>	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Governmental Auditing Standards</i>	45

This page intentionally left blank.



INDEPENDENT AUDITORS' REPORT

To the Board of Directors
of the South Bay Regional Public Communications Authority
Hawthorne, California

Report on the Financial Statements

We have audited the accompanying financial statements of the South Bay Regional Public Communications Authority (the "Authority"), as of and for the year ended June 30, 2021 and 2020 of the business-type activities, and the related notes to the basic financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Authority, as of June 30, 2021 and 2020, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

200 E. Sandpointe Ave., Suite 600, Santa Ana, California 92707

Tel: 949-777-8800 • Fax: 949-777-8850

www.pungroup.cpa

To the Board of Directors
of the South Bay Regional Public Communications Authority
Hawthorne, California
Page 2

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on the Schedule of the Authority's Proportionate Share of the Net Pension Liability and Related Ratios, the Schedule of Contributions – Pensions, the Schedule of Changes in Net Other Postemployment Benefits Liability and Related Ratios, and the Schedule of Contributions – Other Postemployment Benefits on pages 3 to 6 and 38 to 43, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Government Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2021, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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 the Authority's internal control over financial reporting and compliance.

The PwC Group, LLP

Santa Ana, California
December 9, 2021

South Bay Regional Public Communications Authority
Management's Discussion and Analysis (Unaudited)
For the Years Ended June 30, 2021 and 2020

The following Management's Discussion and Analysis (MD&A) of activities and financial performance of the South Bay Regional Public Communications Authority (Authority) provides an introduction to the financial statements of the Authority for the years ended June 30, 2021 and 2020. We encourage readers to consider the information presented here in conjunction with the basic financial statements and related notes, which follow this section.

Financial Highlights

- In 2021, the Authority's net position decreased 34.87%, or \$1,628,380, due primarily to a reduction of \$1.3 million in billed assessments to member cities in light of the economic downturn related to the global COVID-19 pandemic.
- In 2020, the Authority's net position decreased 4.8%, or \$233,082, due primarily to an increase in the net pension liability of over three quarters of a million dollars.
- In 2021, the Authority's operating revenues decreased 19.69% or \$2,630,845, due to a combination of the reduction in billed assessments to member cities, a change in the method of assessment to the Cost Allocation Policy, and a reduction of the operating budget and consolidation of police dispatching services between the cities of Manhattan Beach and Hermosa Beach.
- In 2020, the Authority's operating revenues increased 4% or \$519,235, due primarily to a combined increase in assessments of over \$250,000 from client cities and increase in demand from member and client cities for vehicle outfitting services by the Technical Services department.
- In 2021, the Authority's operating expenses decreased 10.06% or \$1,304,853 due primarily to the elimination of unfilled vacancies after the consolidation of police dispatching for the cities of Manhattan Beach and Hermosa Beach and planned reduction in the operating budget due to the COVID-19 emergency.
- In 2020, the Authority's operating expenses plus depreciation expense decreased 15.4% or \$2,490,721 due primarily to non-recurring purchases in FY19 for various communication equipment projects.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's financial statements. The financial statements are comprised of two components: 1) financial statements and, 2) notes to financial statements.

This report also contains other supplementary information in addition to the financial statements themselves. The financial statements are designed to provide readers with a broad overview of the Authority's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the Authority's assets, deferred outflow of resources, liabilities, and deferred inflow of resources with the difference between the four reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The *statement of revenues, expenses and changes in net position* presents information showing how net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

**South Bay Regional Public Communications Authority
Management's Discussion and Analysis (Unaudited) (Continued)
For the Years Ended June 30, 2021 and 2020**

The *statement of cash flows* presents information showing the sources and uses of cash related to operating activities, noncapital financing activities, capital and related financing activities and investing activities. In addition, the statement provides information about significant non-cash investing, capital and financing activities.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

Financial Analysis of the Authority

One of the most important questions asked about the Authority's finances is, "*Is the Authority better off or worse off as a result of this year's activities?*" The Balance Sheet and the Statement of Revenues, Expenses and Changes in Net Position report information about the Authority in a way that helps answer this question.

These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

These two statements report the Authority's *net position* and changes in them. One can think of the Authority's net position – the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources – as a way to measure the Authority's financial health, or *financial position*. Over time, *increases or decreases* in the Authority's net position are one indicator of whether its *financial health* is improving or deteriorating. However, one will need to consider other non-financial factors such as changes in economic conditions.

Condensed Statements of Net Position

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Assets:			
Current assets	\$ 5,514,814	\$ 5,934,406	\$ 5,866,572
Capital assets, net	8,688,104	9,165,625	9,776,435
Total assets	<u>14,202,918</u>	<u>15,100,031</u>	<u>15,643,007</u>
Deferred outflows of resources	<u>3,129,376</u>	<u>2,403,064</u>	<u>2,303,885</u>
Liabilities:			
Current liabilities	1,305,328	1,011,249	2,292,840
Noncurrent liabilities	12,000,032	10,544,712	9,778,868
Total liabilities	<u>13,305,360</u>	<u>11,555,961</u>	<u>12,071,708</u>
Deferred inflows of resources	<u>984,928</u>	<u>1,276,748</u>	<u>971,715</u>
Net position:			
Investment in capital assets	8,688,104	9,165,625	9,776,435
Unrestricted (Deficit)	(5,646,098)	(4,495,238)	(4,872,966)
Total net position	<u>\$ 3,042,006</u>	<u>\$ 4,670,387</u>	<u>\$ 4,903,469</u>

**South Bay Regional Public Communications Authority
Management's Discussion and Analysis (Unaudited) (Continued)
For the Years Ended June 30, 2021 and 2020**

As noted earlier, net positions may serve over time as a useful indicator of a government's financial position. In the case of the Authority, assets and deferred outflows of resources of the Authority exceeded liabilities and deferred inflows of resources by \$3,042,006 and \$4,670,387 as of June 30, 2021 and 2020.

By far the largest portion of the Authority's net position reflects its investment in capital assets (net of accumulated depreciation) less any related debt used to acquire those assets that is still outstanding. The Authority uses these capital assets to provide services to its members and client agencies; consequently, these assets are *not* available for future spending.

At the end of fiscal year 2021 and 2020, the Authority shows a negative balance in its unrestricted net position of (\$5,645,098) and (\$4,495,238) respectively, which is due primarily to the net pension liability on the statement of net position of \$8,125,094 and \$7,335,396, and the net other post-employment benefits liability of \$3,471,647 and \$2,750,083, respectively. The Executive Committee in collaboration with the Board of Directors, have taken action to reserve aspects of the unrestricted net position for specified purposes such as operating reserves and future other post-employment benefits funding. During fiscal year 2021, the Board of Directors approved the establishment of a Section 115 Trust to prefund other post-employment benefits. The Board of Directors also approved an initial transfer to the trust of \$250,000 from reserves previously held in the Authority's Enterprise Fund for this purpose.

Condensed Statements of Revenues, Expenses, and Changes in Net Position

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Revenues:			
Operating revenues	\$ 10,731,249	\$ 13,362,094	\$ 12,842,859
Non-operating revenues	8,509	102,602	1,590,362
Total revenues	<u>10,739,758</u>	<u>13,464,696</u>	<u>14,433,221</u>
Expenses:			
Operating expenses	11,662,717	12,967,570	15,463,621
Depreciation expense	705,422	730,208	724,878
Total expenses	<u>12,368,139</u>	<u>13,697,778</u>	<u>16,188,499</u>
Change in net position	<u>(1,628,381)</u>	<u>(233,082)</u>	<u>(1,755,278)</u>
Net Position:			
Beginning of year	<u>4,670,387</u>	<u>4,903,469</u>	<u>6,658,747</u>
End of year	<u>\$ 3,042,006</u>	<u>\$ 4,670,387</u>	<u>\$ 4,903,469</u>

The Statement of Revenues, Expenses, and Changes in Net Position show how the Authority's net position changed during the fiscal year. In the case of the Authority, net position decreased by \$1,628,381 and \$233,082, respectively, as of June 30, 2021 and 2020.

In 2021, a closer examination of the sources of changes in net position reveals that the Authority's total revenues decreased by \$2,724,938 due primarily to a reduction in assessment billings to member cities approved by the Board of Directors in light of the economic downturn related to the global COVID-19 pandemic, a change to the method of assessment to the Cost Allocation Policy, and the consolidation of police dispatching services between the cities of Manhattan Beach and Hermosa Beach.

In 2020, a closer examination of the sources of changes in net position reveals that the Authority's total revenues decreased by \$968,525 due primarily to the occurrence of non-recurring grant revenue in FY19. Likewise, total expenses decreased by \$2,490,721 due largely to the completion of a multiple-year project associated with grant funding.

**South Bay Regional Public Communications Authority
Management's Discussion and Analysis (Unaudited) (Continued)
For the Years Ended June 30, 2021 and 2020**

Capital Asset Administration

Capital assets balances consisted of the following:

	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Non-depreciable assets	\$ 495,554	\$ 495,554
Depreciable assets	15,801,202	15,778,899
Accumulated depreciation	<u>(7,608,652)</u>	<u>(7,108,828)</u>
Total capital assets, net	<u>\$ 8,688,104</u>	<u>\$ 9,165,625</u>

The capital asset activities of the Authority are summarized above and in Note 3 to the basic financial statements.

Conditions Affecting Current Financial Position

The operations of the Authority are funded by assessments from its members. Changes in the economy are unlikely to directly impact the Authority. Management is not aware of past, present or future conditions that would have a significant impact on the Authority's financial position and/or net position.

Requests for Information

This financial report is designed to provide the Authority's funding sources, customers, stakeholders and other interested parties with an overview of the Authority's financial operations and financial condition. Questions regarding the information included in this report, or requests for additional financial information should be addressed to South Bay Regional Public Communications Authority, 4440 West Broadway, Hawthorne, CA 90250.

BASIC FINANCIAL STATEMENTS

This page intentionally left blank.

South Bay Regional Public Communications Authority
Statements of Net Position
June 30, 2021 and 2020

	Business-Type Activities	
ASSETS	2021	2020
Current assets:		
Cash and investments	\$ 4,984,223	\$ 5,620,962
Accounts receivable	428,092	216,474
Accrued interest receivable	3,995	13,358
Prepaid items	13,375	6,682
Materials and supplies inventory	85,129	76,930
Total current assets	5,514,814	5,934,406
Noncurrent assets:		
Capital assets, not being depreciated	495,554	495,554
Capital assets, being depreciated, net	8,192,550	8,670,071
Total noncurrent assets	8,688,104	9,165,625
Total assets	14,202,918	15,100,031
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources related to pensions	2,199,673	2,213,393
Deferred outflows of resources related to other postemployment benefits	929,703	189,671
Total deferred outflows of resources	3,129,376	2,403,064
LIABILITIES		
Current liabilities:		
Accounts payable and accrued expenses	338,940	148,138
Accrued salaries and benefits	407,048	336,598
Member deposits and unearned revenue	424,909	373,435
Compensated absences, due within one year	134,431	153,078
Total current liabilities	1,305,328	1,011,249
Noncurrent liabilities:		
Compensated absences, due within more than one year	403,291	459,233
Net pension liability	8,125,094	7,335,396
Net other postemployment benefits liability	3,471,647	2,750,083
Total noncurrent liabilities	12,000,032	10,544,712
Total liabilities	13,305,360	11,555,961
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources related to pensions	458,834	684,349
Deferred inflows of resources related to other postemployment benefits	526,094	592,399
Total deferred inflows of resources	984,928	1,276,748
NET POSITION		
Investment in capital assets	8,688,104	9,165,625
Unrestricted (Deficit)	(5,646,098)	(4,495,238)
Total net position	\$ 3,042,006	\$ 4,670,387

South Bay Regional Public Communications Authority
Statements of Revenues, Expenses, and Changes in Net Position
For the Years Ended June 30, 2021 and 2020

	Business-Type Activities	
	2021	2020
Operating revenues:		
Assessments revenues	\$ 9,579,431	\$ 12,389,859
Charges for services	1,050,239	799,834
Reimbursement revenue	100,602	103,446
Other revenue	977	68,955
Total operating revenues	10,731,249	13,362,094
Operating expenses:		
Administration	2,495,579	2,993,069
Operations	7,375,895	7,870,618
Technical services	1,743,879	2,103,883
Other projects	47,364	-
Depreciation expense	493,816	518,602
Depreciation expense -- grant funded	211,606	211,606
Total operating expenses	12,368,139	13,697,778
Operating loss	(1,636,890)	(335,684)
Nonoperating revenues:		
Investment income	8,509	102,602
Total nonoperating revenues	8,509	102,602
Changes in net position	(1,628,381)	(233,082)
Net position:		
Beginning of year	4,670,387	4,903,469
End of year	\$ 3,042,006	\$ 4,670,387

South Bay Regional Public Communications Authority

Statements of Cash Flows

For the Years Ended June 30, 2021 and 2020

	Business-Type Activities	
	2021	2020
Cash flows from operating activities:		
Cash receipts for dispatching services	\$ 10,571,105	\$ 13,730,966
Cash paid to vendors and suppliers for materials and services	(2,462,138)	(4,616,086)
Cash paid for salaries and wages	(8,535,678)	(8,978,832)
Net cash provided by (used in) operating activities	(426,711)	136,048
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(227,902)	(119,398)
Capital grant received	-	1,494,144
Net cash provided by capital and related financing activities	(227,902)	1,374,746
Cash flows from investing activities:		
Interest received	17,872	109,773
Net cash provided by investing activities	17,872	109,773
Net increase (decrease) in cash and cash equivalents	(636,741)	1,620,567
Cash and cash equivalents:		
Beginning of year	5,620,962	4,000,395
End of year	\$ 4,984,223	\$ 5,620,962
Reconciliation of operating loss to net cash provided by (used in) operating activities:		
Operating loss	\$ (1,636,890)	\$ (335,684)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:		
Depreciation expense	705,422	730,208
Operating assets, deferred outflows of resources, liabilities and deferred inflows of resources		
(Increase) decrease in accounts receivable	(211,618)	(4,563)
(Increase) decrease prepaid items	(6,693)	28,349
(Increase) decrease materials and supplies inventory	(8,199)	27,632
(Increase) decrease pensions related deferred outflows of resources	13,720	(32,399)
(Increase) decrease OPEB related deferred outflows of resources	(740,032)	(66,780)
Increase (decrease) accounts payable and accrued expenses	190,802	(1,674,479)
Increase (decrease) accrued salaries and benefits	70,450	776
Increase (decrease) member deposits and unearned revenue	51,474	373,435
Increase (decrease) compensated absences	(74,589)	74,707
Increase (decrease) net pension liability	789,698	764,964
Increase (decrease) net other postemployment benefits liability	721,564	(55,151)
Increase (decrease) pensions related deferred inflows of resources	(225,515)	66,766
Increase (decrease) OPEB related deferred inflows of resources	(66,305)	238,267
Total adjustments	1,210,179	471,732
Net cash provided by (used in) operating activities	\$ (426,711)	\$ 136,048

This page intentionally left blank.

NOTES TO THE BASIC FINANCIAL STATEMENTS

This page intentionally left blank.

South Bay Regional Public Communications Authority
Notes to the Basic Financial Statements
For the Years Ended June 30, 2021 and 2020

Note 1 – Reporting Entity and Summary of Significant Accounting Policies

Organization and Operations of the Reporting Entity

The South Bay Regional Public Communications Authority (the “Authority”) was organized on October 14, 1975, under the provisions of the Joint Exercise of Powers Act of the Government Code of the State of California. The purpose of the Authority is to provide a forum for discussion, study, development, implementation, operations, and maintenance of a consolidated regional public safety services communications system. At the present time, the Authority serves the Cities of Gardena, Hawthorne, and Manhattan Beach in the aforementioned capacity. Additionally, the Authority serves the Cities of Culver City, Hermosa Beach and El Segundo in a non-member capacity.

Basis of Presentation

Financial statement presentation follows the recommendations promulgated by the Governmental Accounting Standards Board (“GASB”) commonly referred to as accounting principles generally accepted in the United States of America (“U.S. GAAP”). GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting standards.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The financial statements (i.e., the statement of net position, the statement of revenues, expenses and changes in net position, and statement of cash flows) report information on all of the activities of the primary government. The Authority accounts for its operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services on a continuing basis be financed or recovered primarily through member assessments and charges for services; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

The Financial Statements are reported using the “*economic resources*” measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as all eligibility requirements have been met. Interest associated with the current fiscal period is considered to be susceptible to accrual and so has been recognized as revenue of the current fiscal period.

Use of Estimates

The preparation of the basic financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts and disclosures. Accordingly, actual results most likely will differ from those estimates.

Cash and Cash Equivalents

For the purpose of the statements of cash flows, the Authority considers cash and cash equivalents as cash on hand, demands deposits and short-term investments with original maturity of three months or less from the date of acquisition.

South Bay Regional Public Communications Authority
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

Investments

Changes in fair value that occur during a fiscal year are recognized as investment income reported for that fiscal year. Investment income includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments.

Accounts Receivable

Management deems all accounts receivable as collectible at year-end. Accordingly, an allowance for doubtful accounts has not been reported. Historical experience indicates that uncollectible accounts receivable is immaterial.

Prepaid Items

Certain payments to vendors reflect costs or deposits applicable to future accounting periods and are recorded as prepaid items in the basic financial statements.

Materials and Supplies Inventory

Materials and supplies inventory consist primarily of equipment for police vehicles such as sirens, modems, light fixtures and wire harness. Inventory is valued at cost using a weighted average cost method. Inventory items are charged to expense at the time that individual items are inventoried at year-end.

Capital Assets

Capital assets acquired and/or constructed are capitalized at historical cost. The Authority's policy has set the capitalization threshold for reporting capital assets at \$5,000. Donated assets are recorded at estimated acquisition value at the date of donation. Upon retirement or other disposition of capital assets, the cost and related accumulated depreciation are removed from the respective balances and any gains or losses are recognized. Depreciation is recorded on a straight-line basis over the estimated useful life of the assets. The estimated useful life of buildings, automobiles, property, and equipment ranges from five to forty years.

Deferred Outflows of Resources and Deferred Inflows of Resources

The Statement of Net Position reports separate sections for deferred outflows of resources and deferred inflows of resources, when applicable.

Deferred Outflows of Resources represent outflows of resources (consumption of net position) that apply to future periods; therefore, will not be recognized as an expense until that time.

Deferred Inflows of Resources represent inflows of resources (acquisition of net position) that apply to future periods; therefore, will not be recognized as a revenue until that time.

South Bay Regional Public Communications Authority
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

Compensated Absences

The Authority accounts for compensated absences (unpaid vacation, compensatory time and holiday leave) in accordance with U.S. GAAP. The Authority is required to accrue a liability, with a corresponding charge to current operations, for employees' right to receive compensation in future years when certain conditions are met. The Authority accrues unpaid vacation, compensatory time and holiday leave.

Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions and pension expense, information about the fiduciary net pension of the Authority's pension plans and additions to/deductions from the Plan's 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 benefit terms. Investments are reported at fair value.

The following timeframes are used for pension reporting:

For the year ended June 30, 2021

Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
Measurement Period	July 1, 2019 to June 30, 2020

For the year ended June 30, 2020

Valuation Date	June 30, 2018
Measurement Date	June 30, 2019
Measurement Period	July 1, 2018 to June 30, 2019

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. The difference between projected and actual earnings is amortized straight-line over 5 years. All other amounts are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive and retirees) as of the beginning of the measurement period.

Other Postemployment Benefits ("OPEB")

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

South Bay Regional Public Communications Authority
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

Other Postemployment Benefits (“OPEB”) (Continued)

The following timeframes are used for OPEB reporting:

For the year ended June 30, 2021

Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
Measurement Period	July 1, 2019 to June 30, 2020

For the year ended June 30, 2020

Valuation Date	June 30, 2019
Measurement Date	June 30, 2019
Measurement Period	July 1, 2018 to June 30, 2019

Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time. The first amortized amounts are 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. The amortization period differs depending on the source of the gain or loss. The difference between projected and actual earnings is amortized using the straight-line method over 5 years. All other amounts are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period.

Net Position

The financial statements utilize a net position presentation. Net position is categorized as follows:

Investment in capital assets – This component of net position consists of capital assets, net of accumulated depreciation.

Restricted – This component of net position consists of external constraints placed on net position imposed by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. There is no restricted net position reported by the Authority at June 30, 2021 and 2020.

Unrestricted – This component of net position is the amount of the assets, deferred outflows or resources, liabilities, and deferred inflows of resources that are not included in the determination of investments in capital assets or the restricted component of net position.

South Bay Regional Public Communications Authority
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

Note 2 – Cash and Investments

Cash and Cash Equivalent at June 30, 2021 and 2020 consisted of the following:

Description	June 30, 2021	June 30, 2020
Cash on hand	\$ 500	\$ 500
Demand deposits with financial institutions	694,218	1,073,829
Investments	4,289,505	4,546,633
Total cash and investments	<u>\$ 4,984,223</u>	<u>\$ 5,620,962</u>

Demand Deposits

At June 30, 2021 and 2020, the carrying amount of the Authority's demand deposits was \$694,218 and \$1,073,829, respectively, and the financial institution balance was \$755,482 and \$1,117,660, respectively. The differences of \$61,264 and \$43,831 at June 30, 2021 and 2020, respectively, represent outstanding checks, deposits-in-transit and/or other reconciling items.

The California Government Code requires California banks and savings and loan associations to secure an entity's deposits by pledging government securities with a value of 110% of an entity's deposits. California law also allows financial institutions to secure entity deposits by pledging first trust deed mortgage notes having a value of 150% of an entity's total deposits. The entity's Treasurer may waive the collateral requirement for deposits which are fully insured up to \$250,000 by the FDIC.

The collateral for deposits in federal and state-chartered banks is held in safekeeping by an authorized agent of depository recognized by the State of California Department of Banking. The collateral for deposits with savings and loan associations is generally held in safekeeping by the Federal Home Loan Bank in San Francisco, California as an agent of depository. These securities are physically held in an undivided pool for all California public agency depositors. Under Government Code Section 53655, the placement of securities by a bank or savings and loan association with an agent of depositor has the effect of perfecting the security interest in the name of the local governmental agency. Accordingly, all collateral held by California agents of depository are considered to be held for, and in the name of, the local government.

Authorized Investments and Investment Policy

The Authority has adopted an investment policy directing the Fiscal Officer to deposit funds in financial institutions. Investments are to be made in the following areas:

State Investment Pool	100% of portfolio, maximum
County Investment Pool	50% of portfolio, maximum
U.S. Federal Agencies	33-1/3% maximum for each agency; 60% maximum overall
U.S. Treasuries	No Limit
Certificates of Deposits	20% Maximum
Negotiable certificates of deposit	20% Maximum

South Bay Regional Public Communications Authority
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

Note 2 – Cash and Investments (Continued)

Custodial Credit Risk

The 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 deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Authority’s investment policy requires that collateral be held by an independent third party with whom the Authority has a current custodial agreement.

The custodial credit risk for *investments* is the risk that in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The Authority’s investment policy requires that all security transactions are conducted on a delivery-versus-payment (DVP) method and that all securities are held by a qualified, third-party custodian, as evidenced by safekeeping receipts. The trust department of the Authority’s bank may act as third-party custodian, provided that the custodian agreement is separate from the banking agreement. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government’s indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

As of June 30, 2021, and 2020 none of the Authority’s deposits and investments was exposed to custodial credit risk.

Investments

The Authority’s investments as of June 30, 2021 and 2020 were as follows:

Investments	Credit Rating	Maturity - 12 Months or Less	
		June 30, 2021	June 30, 2020
California Local Agency Investment Fund (LAIF)	Not Rated	\$ 4,289,505	\$ 4,546,633

Investment in California – Local Agency Investment Fund (LAIF)

The Authority is a voluntary participant in LAIF which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the Authority’s investment in this pool is reported in the accompanying financial statements at amounts based upon the entity’s pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Further information about LAIF is available on the California State Controller’s website: www.treasurer.ca.gov/pmia-laif/

The Authority’s investments with LAIF at June 30, 2021 and 2020, included a portion of the pool funds invested in structured notes and asset-backed securities:

Structured Notes: debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options.

Asset-Backed Securities: generally, mortgage-backed securities that entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (for example, Collateralized Mortgage Obligations) or credit card receivables.

The Authority had \$4,289,505 and \$4,546,663 invested in LAIF, which had invested 2.31% and 3.37% of the pooled investment funds at June 30, 2021 and June 30, 2020, respectively, in structured notes and medium-term asset-backed securities. The investment in LAIF is reported at amortized cost.

South Bay Regional Public Communications Authority
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

Note 3 – Capital Assets

A summary of changes in the capital assets for the year ended June 30, 2021 is as follows:

	<u>Balance</u> <u>July 1, 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2021</u>
Nondepreciable assets:				
Land and easements	\$ 495,554	\$ -	\$ -	\$ 495,554
Total nondepreciable assets	<u>495,554</u>	<u>-</u>	<u>-</u>	<u>495,554</u>
Depreciable assets:				
Buildings and improvements	6,389,356	-	-	6,389,356
Vehicles and equipment	9,389,543	227,902	(205,599)	9,411,846
Total depreciable assets	<u>15,778,899</u>	<u>227,902</u>	<u>(205,599)</u>	<u>15,801,202</u>
Accumulated depreciation:				
Buildings and improvements	(2,881,277)	(232,067)	-	(3,113,344)
Vehicles and equipment	(4,227,551)	(473,356)	205,599	(4,495,308)
Total accumulated depreciation	<u>(7,108,828)</u>	<u>(705,423)</u>	<u>205,599</u>	<u>(7,608,652)</u>
Total depreciable assets, net	<u>8,670,071</u>	<u>(477,521)</u>	<u>-</u>	<u>8,192,550</u>
Total capital assets, net	<u>\$ 9,165,625</u>	<u>\$ (477,521)</u>	<u>\$ -</u>	<u>\$ 8,688,104</u>

Depreciation Expense for the year ended June 30, 2021 was charged as follows:

Authority depreciable assets	\$ 493,817
UASI Grant and other equipments	211,606
	<u>\$ 705,423</u>

A summary of changes in the capital assets for the year ended June 30, 2020 is as follows:

	<u>Balance</u> <u>July 1, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2020</u>
Nondepreciable assets:				
Land and easements	\$ 495,554	\$ -	\$ -	\$ 495,554
Total nondepreciable assets	<u>495,554</u>	<u>-</u>	<u>-</u>	<u>495,554</u>
Depreciable assets:				
Buildings and improvements	6,389,356	-	-	6,389,356
Vehicles and equipment	9,270,145	119,398	-	9,389,543
Total depreciable assets	<u>15,659,501</u>	<u>119,398</u>	<u>-</u>	<u>15,778,899</u>
Accumulated depreciation:				
Buildings and improvements	(2,702,179)	(179,098)	-	(2,881,277)
Vehicles and equipment	(3,676,441)	(551,110)	-	(4,227,551)
Total accumulated depreciation	<u>(6,378,620)</u>	<u>(730,208)</u>	<u>-</u>	<u>(7,108,828)</u>
Total depreciable assets, net	<u>9,280,881</u>	<u>(610,810)</u>	<u>-</u>	<u>8,670,071</u>
Total capital assets, net	<u>\$ 9,776,435</u>	<u>\$ (610,810)</u>	<u>\$ -</u>	<u>\$ 9,165,625</u>

South Bay Regional Public Communications Authority
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

Note 3 – Capital Assets (Continued)

Depreciation Expense for the year ended June 30, 2020 was charged as follows:

Authority depreciable assets	\$ 518,602
UASI Grant and other equipments	211,606
	\$ 730,208

Note 4 – Member Deposits and Unearned Revenue

As of June 30, 2021 and June 30, 2020, the City of El Segundo prepaid its fiscal year 2021-22 first-quarter installment and its fiscal year 2020-21 first-quarter installment to the Authority in the amount \$424,909 and \$374,435, respectively.

Note 5 – Compensated Absences

A summary of changes in compensated absences for the year ended June 30, 2021 and 2020 is as follows:

Year Ended	Beginning Balance	Additions	Deletions	Ending Balance	Due within One Year	Due in More Than One Year
June 30, 2021	\$ 612,311	\$ 641,600	\$ (716,189)	\$ 537,722	\$ 134,431	\$ 403,291
June 30, 2020	\$ 537,604	\$ 741,682	\$ (666,975)	\$ 612,311	\$ 153,078	\$ 459,233

Note 6 – Deferred Compensation Savings Plan

For the benefit of its employees, the Authority participates in a 457 Deferred Compensation Program (Program). The purpose of this Program is to provide deferred compensation for public employees that elect to participate in the Program. Generally, eligible employees may defer receipt of a portion of their salary until termination, retirement, death, or unforeseeable emergency. Until the funds are paid or otherwise made available to the employee, the employee is not obligated to report the deferred salary for income tax purposes. Federal law requires deferred compensation assets to be held in trust for the exclusive benefit of the participants. Accordingly, the Authority is in compliance with this legislation. Therefore, these assets are not the legal property of the Authority, and are not subject to claims of the Authority's general creditors and are not included in the accompanying financial statements. Market value of all plan assets held in trust by ICMA-RC Services, LLC at June 30, 2021 and 2020 was \$6,273,869 and \$4,541,539, respectively.

Note 7 – Defined Benefit Pension Plan

General Information about the Pension Plans

Plan Description

The Authority contributes to the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer defined benefit pension plan. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. A full description of the pension plan, benefit provisions, assumptions (for funding, but not accounting purposes), and membership information are listed in the June 30, 2019 and 2018 Annual Actuarial Valuation Reports. This report and CalPERS' audited financial statements are publicly available reports that can be obtained at CalPERS' website under Forms and Publications.

South Bay Regional Public Communications Authority
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

Note 7 – Defined Benefit Pension Plan (Continued)

General Information about the Pension Plans (Continued)

Members Covered by Benefit Terms

At June 30, 2019 and 2018, valuation dates, the following members were covered by the benefit terms:

Plan Members	2019			2018		
	Classic Tier 1	Classic Tier 2	PEPRA Tier 3	Classic Tier 1	Classic Tier 2	PEPRA Tier 3
Active members	39	7	19	41	8	15
Transferred and terminated members	76	9	19	81	7	11
Retired members and beneficiaries	73	1	-	68	1	-
Total plan members	188	17	38	190	16	26

Benefits Provided

CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. A classic CalPERS member becomes eligible for Service Retirement upon attainment of age 55 with at least five (5) years of credited service. Public Employee Pension Reform Act (PEPRA) miscellaneous members become eligible for service retirement upon attainment of age 62 with at least five (5) years of service. The service retirement benefit is a monthly allowance equal to the product of the benefit factor, years of service, and final compensation. The final compensation is the highest average annual compensation during any consecutive 12-or 36-month period of employment. Retirement benefits for classic miscellaneous employees are calculated as 2% of the highest average annual compensation during any consecutive 12-or 36-month period of employment. Retirement benefits for PEPRA miscellaneous employees are calculated as 2% of the average final three (3) year compensation.

Participant is eligible for non-industrial disability retirement if they become disabled and has at least five (5) years of credited service. There is no special age requirement. The standard non-industrial disability retirement benefit is a monthly allowance equal to 1.8% of final compensation, multiplied by service. Industrial disability benefits are not offered to miscellaneous employees.

An employee's beneficiary may receive the basic death benefit if the employee dies while actively employed. The employee must be actively employed with the Authority to be eligible for this benefit. An employee's survivor who is eligible for any other pre-retirement death benefit may choose to receive that death benefit instead of this basic death benefit. The basic death benefit is a lump sum in the amount of the employee's accumulated contributions, where interest is currently credited at 7.5% per year, plus a lump sum in the amount of one month salary for each completed year of current service, up to a maximum of six months' salary. For purposes of this benefit, one month salary is defined as the member's average monthly full-time rate of compensation during the 12 months preceding death.

Upon the death of a retiree, a one-time lump sum payment of \$500 will be made to the retiree's designated survivor(s), or to the retiree's estate.

Benefit terms provide for annual cost-of-living adjustments to each employee's retirement allowance. Beginning the second calendar year after the year of retirement, retirement and survivor allowances will be annually adjusted on a compound basis by 2%.

South Bay Regional Public Communications Authority
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

Note 7 – Defined Benefit Pension Plan (Continued)

General Information about the Pension Plans (Continued)

Contributions

Section 20814(c) of the California Public Employees’ Retirement Law (PERL) requires that the employer contribution rates for all public employers will 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. The total plan contributions are determined through CalPERS’ annual actuarial valuation process. The public agency cost-sharing plans covered by the Miscellaneous risk pool, the Plan’s actuarially determined rate is based on the estimated amount necessary to pay the Plan’s allocated share of the risk pool’s costs of benefits earned by employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of members.

For the measurement period ended June 30, 2020, the active member contribution rates for the Classic Miscellaneous Plan Tier 1, Tier 2 and the PEPRM Miscellaneous Plan are 7.00%, 7.00% and 6.25% of annual pay, respectively, and the employer contribution rates are 10.221%, 8.081% and 6.985% of annual payroll, respectively.

For the measurement period ended June 30, 2019, the active member contribution rates for the Classic Miscellaneous Plan Tier 1, Tier 2 and the PEPRM Miscellaneous Plan are 7.00%, 7.00% and 6.25% of annual pay, respectively, and the employer contribution rates are 9.409%, 7.634% and 6.842% of annual payroll, respectively.

Net Pension Liability, Pension Expenses, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension Plans

Actuarial Methods and Assumptions Used to Determine the Total Pension Liability

The June 30, 2019 and 2018 valuations were rolled forward to determine the June 30, 2020 and 2019 total pension liabilities, based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB 68
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table ¹	Derived using CalPERS’ Membership Data for all Funds.
Post Retirement Benefit Increase	Contract COLA up to 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies

¹The mortality table used in 2020 was developed based on CalPERS’ specific data. The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period 1997 to 2015. Pre-retirement and Post-retirement mortality rates include 15 years of projected mortality improvement using 90% of scale MP 2016 published by the Society of Actuaries. For more details on this table, please refer to the CalPERS Experience Study and Review of Actuarial Assumptions report from December 2017 that can be found on the CalPERS website.

The mortality table used in 2019 was developed based on CalPERS’ specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to December 2017 Experience Study Report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website at www.calpers.ca.gov under Forms and Publications.

South Bay Regional Public Communications Authority
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

Note 7 – Defined Benefit Pension Plan (Continued)

Net Pension Liability, Pension Expenses, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension Plans (Continued)

Change of Assumption

In 2020 and 2019, there were no changes of assumptions.

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

Long-Term Expected Rate of Return (Continued)

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

Asset Class ¹	Assumed Asset Allocation	Real Return Years 1 - 10 ²	Real Return Years 11+ ³
Global Equity	50.00%	4.80%	5.98%
Fixed Income	28.00%	1.00%	2.62%
Inflation Assets	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Estate	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%
	<u>100.00%</u>		

¹In the CalPERS CAFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments, Inflation Assets are included in both Global Equity Securities and Global Debt Securities.

²An Expected inflation of 2.00% used for this period

³An Expected inflation of 2.92% used for this period

Discount Rate

The discount rate used to measure the 2020 and 2019 total pension liabilities was both 7.15 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

South Bay Regional Public Communications Authority
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

Note 7 – Defined Benefit Pension Plan (Continued)

Net Pension Liability, Pension Expenses, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension Plans (Continued)

Sensitivity of the Authority’s 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 of the Plan as of the measurement date, calculated using the discount rate of 7.15%, 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 (6.15%) or 1 percentage-point higher (8.15%) than the current rate for the June 30, 2020 and 2019 Measurement Date as follows:

Measurement Date	Plan's Net Pension Liability/(Asset)		
	Discount Rate - 1%	Current Discount	Discount Rate + 1%
	6.15%	Rate 7.15%	8.15%
June 30, 2020	\$ 12,887,352	\$ 8,125,094	\$ 4,190,189
June 30, 2019	\$ 11,895,559	\$ 7,335,396	\$ 3,571,303

Pension Plan Fiduciary Net Position

Detail information about the plan’s fiduciary net position is available in the separately issued CalPERS financial report and can be obtained from CalPERS’ website under Forms and Publications.

Proportionate Share of Net Pension Liability and Pension Expense

The following table shows the plan’s proportionate share of the risk pool collective net pension liability over the measurement period:

	Increase (Decrease)		
	Total Pension Liability	Fiduciary Net Position	Net Pension Liability/(Asset)
Balance as of June 30, 2019 (Valuation Date)	\$ 33,903,792	\$ 26,568,396	\$ 7,335,396
Balance as of June 30, 2020 (Measurement Date)	35,786,116	27,661,022	8,125,094
Net Changes during 2019-2020	\$ 1,882,324	\$ 1,092,626	\$ 789,698
Balance as of June 30, 2018 (Valuation Date)	\$ 31,777,327	\$ 25,206,895	\$ 6,570,432
Balance as of June 30, 2019 (Measurement Date)	33,903,792	26,568,396	7,335,396
Net Changes during 2018-2019	\$ 2,126,465	\$ 1,361,501	\$ 764,964

The following is the approach established by the plan actuary to allocate the net pension liability and pension expense to the individual employers within the risk pool for the measurement periods ended June 30, 2020 and 2019.

- (1) In determining a cost-sharing plan’s proportionate share, total amounts of liabilities and assets are first calculated for the risk pool as a whole on the valuation date (June 30, 2019 and 2018). The risk pool’s fiduciary net position (“FNP”) subtracted from its total pension liability (“TPL”) determines the net pension liability (“NPL”) at the valuation date.

South Bay Regional Public Communications Authority
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

Note 7 – Defined Benefit Pension Plan (Continued)

Net Pension Liability, Pension Expenses, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension Plans (Continued)

Proportionate Share of Net Pension Liability and Pension Expense (Continued)

- (2) Using standard actuarial roll forward methods, the risk pool TPL is then computed at the measurement date (June 30, 2020 and 2019). Risk pool FNP at the measurement date is then subtracted from this number to compute the NPL for the risk pool at the measurement date. For purposes of FNP in this step and any later reference thereto, the risk pool's FNP at the measurement date denotes the aggregate risk pool's FNP at June 30, 2020 and 2019 less the sum of all additional side fund (or unfunded liability) contributions made by all employers during the measurement periods (2019-2020 and 2018-2019).
- (3) The individual plan's TPL, FNP and NPL are also calculated at the valuation date. TPL is allocated based on the rate plan's share of the actuarial accrued liability. FNP is allocated based on the rate plan's share of the market value assets.
- (4) Two ratios are created by dividing the plan's individual TPL and FNP as of the valuation date from (3) by the amounts in step (1), the risk pool's total TPL and FNP, respectively.
- (5) The plan's TPL as of the measurement date is equal to the risk pool TPL generated in (2) multiplied by the TPL ratio generated in (4). The plan's FNP as of the Measurement Date is equal to the FNP generated in (2) multiplied by the FNP ratio generated in (4) plus any additional side fund (or unfunded liability) contributions made by the employer on behalf of the plan during the measurement period.
- (6) The plan's NPL at the measurement date is the difference between the TPL and FNP calculated in (5).

Deferred outflows of resources, deferred inflows of resources, and pension expense is allocate based on the Authority's share of risk pool actuarial accrued liability at the beginning of measurement period.

The Authority's proportionate share of the net pension liability was as follows:

2021		2020	
Measurement Date		Measurement Date	
June 30, 2019	0.071590%	June 30, 2018	0.068180%
June 30, 2020	0.074680%	June 30, 2019	0.071590%
Change - Increase		Change - Increase	
(Decrease)	0.003090%	(Decrease)	0.003410%

For the years ended June 30, 2021 and 2020, the Authority recognized pension expense in the amount of \$1,656,594 and \$1,756,446, respectively.

The amortization period differs depending on the source of the gain or loss. The difference between projected and actual earnings is amortized over 5-years straight line. All other amounts are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive and retired) as of the beginning of the measurement period.

The expected average remaining service lifetime ("EARSL") is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired) in the risk pool. The EARSL for risk pool for the measurement date ended June 30, 2020 and 2019 are both 3.8 years, which was obtained by dividing the total service years of 548,581 and 530,470 (the sum of remaining service lifetimes of the active employees) by 145,663 and 140,593 (the total number of participants: active, inactive, and retired), respectively.

South Bay Regional Public Communications Authority
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

Note 7 – Defined Benefit Pension Plan (Continued)

Net Pension Liability, Pension Expenses, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension Plans (Continued)

Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, 2021 and 2020, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2021		2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions made after the measurement date	\$ 1,078,691	\$ -	\$ 957,115	\$ -
Adjustment due to differences in proportions	460,903	-	397,018	-
Differences between expected and actual experience	418,710	-	509,474	(39,474)
Differences between projected and actual earnings on pension plan investments	241,369	-	-	(128,245)
Difference between actual and proportionate share of employer contributions	-	(400,883)	-	(392,634)
Changes in assumptions	-	(57,951)	349,786	(123,996)
Total Deferred Outflows/(Inflows) of Resources	\$ 2,199,673	\$ (458,834)	\$ 2,213,393	\$ (684,349)

Deferred outflows of resources related to pensions resulting from Authority's contributions subsequent to the measurement date in the amount of \$1,078,691 and \$957,115 will be recognized as a reduction of the collective net pension liability in the years ending June 30, 2022 and 2021, respectively.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be amortized to pension expense in future periods as follows:

Year Ending June 30,	Deferred Outflows / (Inflows) of Resources	Year Ending June 30,	Deferred Outflows / (Inflows) of Resources
	2021		2020
2022	\$ 119,522	2021	\$ 536,040
2023	237,624	2022	(50,981)
2024	189,235	2023	60,954
2025	115,767	2024	25,916
2026	-	2025	-
Thereafter	-	Thereafter	-
Total	\$ 662,148	Total	\$ 571,929

South Bay Regional Public Communications Authority
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

Note 8 – Other Postemployment Benefits (“OPEB”)

General Information about the OPEB Plan

Plan Description

The Authority provides certain health insurance benefits, in accordance with a memorandum of understanding with its retired employees. Employees, who are at least 50 years of age and have 10 years continuous service with the Authority, become eligible for benefits if they reach normal retirement age while working for the Authority. The benefits for various bargaining groups are as follows:

Teamsters (Communications Operators):

- 10 years of service – will get \$200/mo. from retirement date till age 65
- 15 years of service – will get \$300/mo. from retirement date till age 65
- 20 years of service – will get \$500/mo. from retirement date till age 65

Those who retired prior to July 1, 2008, shall continue to receive \$582 per month, until age 65 as long as the Authority remains in the Public Employees’ Medical & Hospital Care Act (PEMHCA); if no longer in PEMHCA, they will receive above depending on years of service. This includes the minimum contribution required under Government Code Section 22892(b) of PEMHCA, \$143 and \$139 per month for 2021 and 2020 calendar year, respectively.

Teamsters (Communications Technicians):

- 10 years of service – will get \$200/mo. from retirement date till age 65
- 15 years of service – will get \$300/mo. from retirement date till age 65
- 20 years of service – will get \$500/mo. from retirement date till age 65

Those who retire prior to July 1, 2008, shall continue to receive \$960 per month, until age 65 as long as the Authority remains in PEMHCA; if no longer in PEMHCA, they will receive above depending on years of service. This includes the minimum contribution required under Government Code Section 22892(b) of PEMHCA, \$143 and \$139 per month for 2021 and 2020 calendar year, respectively.

CWA (Communications Supervisors):

- 15 years of service – will get \$250/mo. from retirement date till age 65
- 20 years of service – will get \$450/mo. from retirement date till age 65

Those who retire from the Authority before July 1, 2014 receive \$750 per month, until age 65 as long as the Authority remains in PEMHCA, or the above if no longer in PEMHCA. This includes the minimum contribution required under Government Code Section 22892(b) of PEMHCA, \$143 and \$139 per month for 2021 and 2020 calendar year, respectively.

Management & Confidential

Management and confidential employees receive a benefit of \$40 times the number of years of service as a monthly benefit from their retirement date until the age of 65 (with minimum 10 years of service with the Authority). Those who retire before July 1, 2019 with a minimum 10 years of service shall receive \$960 per month until age 65 as long as the Authority remains in PEMHCA, or the above if no longer in PEMHCA. This includes the minimum contribution required under Government Code Section 22892(b) of PEMHCA, \$143 and \$139 per month for 2021 and 2020 calendar year, respectively.

South Bay Regional Public Communications Authority
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

Note 8 – Other Postemployment Benefits (“OPEB”) (Continued)

General Information about the OPEB Plan (Continued)

Plan Description (Continued)

All Bargaining Groups

The Authority currently contracts with CalPERS for employee group insurance health benefits. If the Authority should terminate its contract with CalPERS, all employees hired prior to April 1, 1986, who are ineligible to participate in Medicare and retire from a classification covered by the memorandum of understanding of each bargaining unit, are receiving retirement benefits from CalPERS and have a minimum of twenty (20) years of full-time employment, shall be entitled to enroll in an Authority-selected health benefit plan. The benefits provided in the health plan selected by the Authority shall equal or exceed the benefits the employee would have received had he/she been eligible to participate in Medicare. The Authority agrees to pay the cost of coverage for the plan in which the employee is enrolled. If the employee resides outside the State of California at the time of eligibility, the Authority agrees to pay the employee the cash equivalent of the cost of coverage for the plan in which the employee would have been enrolled had he/she lived in California. This benefit commences upon the employee reaching the age of 65, at which time he/she would have otherwise been eligible to participate in Medicare. The benefit shall cease if and when the employee becomes eligible to participate in Medicare or an equivalent Government health benefit program.

Employees Covered by the Benefit Term

The following employees were covered by the benefit terms at June 30, 2019 valuation date:

	2019
Active employees	65
Inactive employees or beneficiaries currently receiving benefits	13
Inactive employees entitled to, but not yet receiving benefits	6
Total	84

Contributions

The contribution requirements of plan members and the Authority is established and may be amended by the Authority’s Management or the Board of Directors. For the years ended June 30, 2021 and 2020, the average contribution rate was not applicable. Employees are not required to contribute to the plan. The Authority made contributions on pay-as-you-go basis. During the year ended June 30, 2021, the Authority established an irrevocable trust with California Employers' Retiree Benefit Trust (CERBT) and pre-funded \$250,000. The pre-funded amount is reported as part of the contribution made after measurement date.

Net OPEB Liability

The Authority’s 2021 and 2020 net OPEB liabilities were measured as of June 30, 2020 and 2019, respectively, and the total OPEB liabilities used to calculate the net OPEB liabilities were determined by an actuarial valuation as of June 30, 2019.

South Bay Regional Public Communications Authority
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

Note 8 – Other Postemployment Benefits (“OPEB”) (Continued)

General Information about the OPEB Plan (Continued)

Actuarial Assumptions

Total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Valuation Date	June 30, 2019																
Contribution Policy	No Pre-funding																
Discount Rate	2.21% at June 30, 2020 (Bond Buyer 20-year index) 3.50% at June 30, 2019 (Bond Buyer 20-year index)																
Expected Long-term Rate of Return on investment	N/A																
General Inflation	2.75% per annum																
Mortality, Retirement, Disability, Termination	CalPERS 1997-2015 Experience Study																
Mortality Improvement	Mortality projected fully generation with Scale MP-17 for post-retirement mortality																
Salary increases	Aggregate 3% annually																
Medical Trend	Merit - CalPERS 1997-2015 Experience Study Non Medicare - 7.25% for 2021, decreasing to an ultimate rate of 4.0% in 2076 and later years Medicare - 6.3% for 2021, decreasing to an ultimate rate of 4.0% in 2076 and later years																
PEHHCA Minimum Increase	4.25% annually																
Participation at Retirement	Actives: Based on the supplemental benefit amount																
	<table border="1" style="margin-left: auto; margin-right: auto; border-collapse: collapse;"> <thead> <tr> <th style="border: none;">Suppl Benefit</th> <th style="border: none;">Participation</th> <th style="border: none;">Suppl Benefit</th> <th style="border: none;">Participation</th> </tr> </thead> <tbody> <tr> <td style="border: none;">\$0-\$99</td> <td style="border: none;">50.0%</td> <td style="border: none;">\$300-\$499</td> <td style="border: none;">85.0%</td> </tr> <tr> <td style="border: none;">\$100-\$199</td> <td style="border: none;">75.0%</td> <td style="border: none;">\$500+</td> <td style="border: none;">90.0%</td> </tr> <tr> <td style="border: none;">\$200-\$299</td> <td style="border: none;">80.0%</td> <td></td> <td></td> </tr> </tbody> </table>	Suppl Benefit	Participation	Suppl Benefit	Participation	\$0-\$99	50.0%	\$300-\$499	85.0%	\$100-\$199	75.0%	\$500+	90.0%	\$200-\$299	80.0%		
Suppl Benefit	Participation	Suppl Benefit	Participation														
\$0-\$99	50.0%	\$300-\$499	85.0%														
\$100-\$199	75.0%	\$500+	90.0%														
\$200-\$299	80.0%																
Spouse Coverage	Retirees: Based on current coverage Actives: current election if covered, 20% if waived Retirees: current election																

Discount Rate

The discount rates of 2.21% and 3.50% were used during measurement periods June 30, 2020 and 2019, respectively. The Authority used the Bond Buyer 20-Bond GO index along with the assumed long-term inflation assumption to set the discount rate.

South Bay Regional Public Communications Authority
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

Note 8 – Other Postemployment Benefits (“OPEB”) (Continued)

Net OPEB Liability (Continued)

Change in Total OPEB Liability

	2021		
	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at June 30, 2019 (measurement date)	\$ 2,750,082	\$ -	\$ 2,750,082
Changes Recognized for the Measurement Period:			
Service Cost	156,598	-	156,598
Interest on the total OPEB liability	100,283	-	100,283
Change of benefit terms	-	-	-
Difference between expected and actual experience	-	-	-
Changes in assumptions	547,573	-	547,573
Contribution from the employer	-	83,145	(83,145)
Net investment income	-	-	-
Administrative expenses	-	(256)	256
Benefit payments	(82,889)	(82,889)	-
Net changes during measurement 2019-2020	721,565	-	721,565
Balance at June 30, 2020 (measurement date)	<u>\$ 3,471,647</u>	<u>\$ -</u>	<u>\$ 3,471,647</u>
	2020		
	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at June 30, 2018 (measurement date)	\$ 2,805,233	\$ -	\$ 2,805,233
Changes Recognized for the Measurement Period:			
Service Cost	138,260	-	138,260
Interest on the total OPEB liability	111,541	-	111,541
Change of benefit terms	5,100	-	5,100
Difference between expected and actual experience	(304,572)	-	(304,572)
Changes in assumptions	117,179	-	117,179
Contribution from the employer	-	122,891	(122,891)
Net investment income	-	-	-
Administrative expenses	-	(232)	232
Benefit payments	(122,659)	(122,659)	-
Net changes during measurement 2018-2019	(55,151)	-	(55,151)
Balance at June 30, 2019 (measurement date)	<u>\$ 2,750,082</u>	<u>\$ -</u>	<u>\$ 2,750,082</u>

South Bay Regional Public Communications Authority
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

Note 8 – Other Postemployment Benefits (“OPEB”) (Continued)

Net OPEB Liability (Continued)

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

The following presents the total OPEB liability of the Authority, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for the measurement periods ended June 30, 2020 and June 30, 2019:

Measurement Date	Plan's Total OPEB Liability		
	Discount Rate -1% (1.21%)	Current Discount Rate (2.21%)	Discount Rate +1% (3.21%)
June 30, 2020	\$ 4,033,951	\$ 3,471,647	\$ 3,019,995
Measurement Date	Discount Rate -1% (2.50%)	Current Discount Rate (3.50%)	Discount Rate +1% (4.50%)
June 30, 2019	\$ 3,151,988	\$ 2,750,082	\$ 2,420,597

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

The following presents the total OPEB liability of the Authority, as well as what the total OPEB liability would be if it were calculated using a health care cost trend rates that are one percentage point lower or one percentage point higher than the current rates, for the measurement periods ended June 30, 2020 and June 30, 2019:

Measurement Date	Plan's Total OPEB Liability		
	Healthcare Cost Trend Rate -1%	Current Healthcare Cost Tread Rate	Healthcare Cost Trend Rate +1%
June 30, 2020	\$ 2,931,348	\$ 3,471,647	\$ 4,191,400
June 30, 2019	\$ 2,380,764	\$ 2,750,082	\$ 3,228,848

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

For the years ended June 30, 2021 and June 30, 2020, the Authority recognize OPEB expense in the amounts of \$250,816 and \$199,481, respectively. At June 30, 2021 and 2020, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2021		2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions made after measurement date	\$ 335,588	\$ -	\$ 83,145	\$ -
Changes in assumptions	594,115	(276,898)	106,526	(315,515)
Differences between expected and actual experience	-	(249,196)	-	(276,884)
Total	\$ 929,703	\$ (526,094)	\$ 189,671	\$ (592,399)

The Expected Average remaining service Lifetime (“EARSL”) is calculated by dividing the total future service years by total number of covered participants in the plan. The EARSL for the plan at the beginning of measurement period June 30, 2020 and June 30, 2019 are both 11.1 years, which was obtained by dividing the total services years of 863 by 78 covered participants.

South Bay Regional Public Communications Authority
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

Note 8 – Other Postemployment Benefits (“OPEB”) (Continued)

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

Other amounts reported as deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

Deferred outflows of resources related to OPEB resulting from Authority’s contributions subsequent to the measurement date in the amounts of \$355,588 and \$83,145 will be recognized as a reduction of the net OPEB liability in the years ending June 30, 2022 and 2021, respectively.

Year Ending June 30,	Deferred Outflows/ (Inflows) of Resources 2021	Year Ending June 30,	Deferred Outflows/ (Inflows) of Resources 2020
2022	\$ (6,321)	2021	\$ (55,652)
2023	(6,321)	2022	(55,652)
2024	(6,321)	2023	(55,652)
2025	(6,321)	2024	(55,652)
2026	(6,321)	2025	(55,652)
Thereafter	99,626	Thereafter	(207,613)
Total	<u>\$ 68,021</u>	Total	<u>\$ (485,873)</u>

Note 9 – Conduit Debt

The Authority issued three series of bonds to finance the costs of acquisition, construction, installation, and equipping of main facility with emergency communications equipment (the “Project”) in January 2001 on behalf of the Cities of Gardena, Hawthorne, and Manhattan Beach. The 2001 Revenue Bonds Series A in the amount of \$3,060,000 (Gardena), the 2001 Variable Rate Demand Revenue Bonds Series B in the amount of \$4,300,000 (Hawthorne), and the 2001 Variable Rate Demand Revenue Bonds Series C in the amount of \$2,180,000 (Manhattan Beach), are payable from the revenues derived primarily from project financing and operating by the Cities of Gardena, Hawthorne, and Manhattan Beach, respectively.

In 2007, the Authority issued the 2007 Refunding Revenue Bonds, Series A in the amount of \$2,800,000 to fully refund the 2001 Revenue Bond Series A on behalf of the City of Gardena. The outstanding balances of the 2007 Refunding Revenue Bonds Series A were \$1,430,000 and \$1,540,000 as of June 30, 2021 and 2020, respectively. The 2001 Revenue Bonds, Series B, were fully refunded by the City of Hawthorne’s private placement in 2016. The 2001 Revenue Bonds, Series C, were paid off by the City of Manhattan Beach.

The bonds were not reflected as the Authority’s long-term debt because the debt is solely payable from and secured by specific revenue sources described in the official statement. Neither the faith and credit of the Authority, nor the taxing power of the State of California or any political subdivision thereof, is pledged for payment of these bonds. Accordingly, since this debt does not constitute an obligation of the Authority, it is not included in the accompanying basic financial statements.

South Bay Regional Public Communications Authority
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

Note 10 – Assessment Revenues

For the year ended June 30, 2021 and 2020, the assessment from member and nonmember cities consisted of the following Gardena, Hawthorne, Manhattan Beach, Hermosa Beach, El Segundo, and Culver City.

Cities	2021			2020
	Assessment Charged	Surplus	Net Assessment	Assessment Charged
Gardena	\$ 2,083,118	\$ 417,040	\$ 1,666,078	\$ 2,391,301
Hawthorne	2,552,293	585,910	1,966,383	3,359,598
Manhattan Beach	1,387,975	342,500	1,045,475	1,703,280
Hermosa Beach	742,528	-	742,528	975,208
El Segundo	1,493,738	-	1,493,738	1,372,871
Culver City	2,665,229	-	2,665,229	2,587,601
Total	\$ 10,924,881	\$ 1,345,450	\$ 9,579,431	\$ 12,389,859

Note 11 – Risk Management

The Authority is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority is insured for all risks of loss through insurance companies. The following is a summary of the insurance policies carried by the Authority as of June 30, 2021:

Insurance Risk	Coverage per Incident	Coverage in Aggregate	Deductible
Commercial general liability	\$ 3,000,000	\$ 3,000,000	\$ 15,000
Automobile	1,000,000	-	-
Earthquake	5,000,000	-	25,000
Professional liability	3,000,000	-	35,000
Umbrella excess liability	7,000,000	7,000,000	-
Workers' compensation	1,000,000	-	-
Property	25,000,000	-	10,000
Cyber liability	2,000,000	25,000,000	5,000
Deadly weapons protection	500,000	500,000	10,000
Crime	1,000,000	-	2,500
Garagekeeper liability	50,000	450,000	1,000

South Bay Regional Public Communications Authority
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

Note 12 – Commitments and Contingencies

Litigation

In the ordinary course of operations, the Authority is subject to claims and litigation from outside parties. In the opinion of the Authority's management, there is no pending litigation which is likely to have a material adverse effect on the financial position of the Authority.

REQUIRED SUPPLEMENTARY INFORMATION

South Bay Regional Public Communications Authority
Required Supplementary Information (Unaudited)
Schedule of the Authority's Proportionate Share of the Net Pension Liability and Related Ratios
For the Years Ended June 30, 2021 and 2020

Last Ten Fiscal Years

California Public Employees' Retirement System (CalPERS) Miscellaneous Plan

Measurement date	June 30, 2014 ¹	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018
Authority's proportion of the net pension liability	0.059500%	0.059500%	0.064949%	0.067677%	0.068180%
Authority's proportionate share of the net pension liability	\$ 4,084,007	\$ 4,084,007	\$ 5,620,134	\$ 6,711,657	\$ 6,570,432
Authority's covered payroll	\$ 4,485,167	\$ 4,665,871	\$ 4,773,439	\$ 5,184,067	\$ 5,270,919
Authority's proportionate share of the net pension liability as a percentage of covered payroll	91.06%	87.53%	117.74%	129.47%	124.65%
Plan's fiduciary net position as a percentage of the plan's total pension liability	79.82%	78.40%	74.06%	73.31%	75.26%

¹ Historical information is presented only for measurement periods for which GASB No. 68 is available for periods after GASB 68 implementation in 2013-14.

South Bay Regional Public Communications Authority
Required Supplementary Information (Unaudited)
Schedule of the Authority's Proportionate Share of the Net Pension Liability and Related Ratios (Continued)
For the Years Ended June 30, 2021 and 2020

Last Ten Fiscal Years

California Public Employees' Retirement System (CalPERS) Miscellaneous Plan

Measurement date	<u>June 30, 2019</u>	<u>June 30, 2020</u>
Authority's proportion of the net pension liability	<u>0.071590%</u>	<u>0.074680%</u>
Authority's proportionate share of the net pension liability	<u>\$ 7,335,396</u>	<u>\$ 8,125,094</u>
Authority's covered payroll	<u>\$ 5,408,034</u>	<u>\$ 5,838,063</u>
Authority's proportionate share of the net pension liability as a percentage of covered payroll	<u>135.64%</u>	<u>139.17%</u>
Plan's fiduciary net position as a percentage of the plan's total pension liability	<u>75.26%</u>	<u>75.10%</u>

South Bay Regional Public Communications Authority
Required Supplementary Information (Unaudited)
Schedule of Contributions - Pensions
For the Years Ended June 30, 2021 and 2020

Last Ten Fiscal Years

California Public Employees' Retirement System (CalPERS) Miscellaneous Plan

Fiscal Year	<u>2013-14¹</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>
Actuarially determined contribution	\$ 480,107	\$ 507,694	\$ 553,317	\$ 634,790	\$ 692,687
Contribution in relation to the actuarially determined contribution	<u>(480,107)</u>	<u>(507,694)</u>	<u>(553,317)</u>	<u>(634,790)</u>	<u>(692,687)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's covered payroll	<u>\$ 4,485,167</u>	<u>\$ 4,665,871</u>	<u>\$ 4,773,439</u>	<u>\$ 5,184,067</u>	<u>\$ 5,270,919</u>
Contributions as a percentage of covered payroll	<u>10.70%</u>	<u>10.88%</u>	<u>11.59%</u>	<u>12.25%</u>	<u>13.14%</u>

¹ Historical information is presented only for measurement periods for which GASB No. 68 is available for periods after GASB 68 implementation in 2013-14.

Notes to the Schedule:

Change in Benefit Terms: There were no changes to benefit terms.

Change of Assumptions: In 2020 and 2019, there were no changes. In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate. In 2017, the accounting discount rate reduced from 7.65 percent to 7.15 percent. In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense. In 2014, amounts reported were based on the 7.5 percent discount rate.

South Bay Regional Public Communications Authority
Required Supplementary Information (Unaudited)
Schedule of Contributions - Pensions (Continued)
For the Years Ended June 30, 2021 and 2020

Last Ten Fiscal Years

California Public Employees' Retirement System (CalPERS) Miscellaneous Plan

Fiscal Year	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>
Actuarially determined contribution	\$ 807,058	\$ 957,115	\$ 1,078,691
Contribution in relation to the actuarially determined contribution	<u>(807,095)</u>	<u>(957,115)</u>	<u>(1,078,691)</u>
Contribution deficiency (excess)	<u>\$ (37)</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's covered payroll	<u>\$ 5,408,034</u>	<u>\$ 5,838,063</u>	<u>\$ 6,005,530</u>
Contributions as a percentage of covered payroll	<u>14.92%</u>	<u>16.39%</u>	<u>17.96%</u>

Notes to the Schedule:

Change in Benefit Terms: There were no changes to benefit terms.

Change of Assumptions: In 2020 and 2019, there were no changes. In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate. In 2017, the accounting discount rate reduced from 7.65 percent to 7.15 percent. In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense. In 2014, amounts reported were based on the 7.5 percent discount rate.

South Bay Regional Public Communications Authority
Required Supplementary Information (Unaudited)
Schedule of Changes in Net Other Postemployment Benefits Liability and Related Ratios
For the Years Ended June 30, 2021 and 2020

Measurement Period	Last Ten Fiscal Years			
	2016-2017 ¹	2017-2018	2018-2019	2019-2020
Total OPEB Liability				
Service Cost	\$ 163,778	\$ 143,129	\$ 138,260	\$ 156,598
Interest on the total OPEB liability	88,136	103,266	111,541	100,283
Changes in benefit terms	-	-	5,100	-
Difference between expected and actual experience	-	-	(304,572)	-
Changes in assumptions	(307,074)	(113,847)	117,179	547,573
Contribution from the employer	-	-	-	-
Benefit payments	(126,836)	(137,416)	(122,659)	(82,889)
Net changes in total OPEB liability	(181,996)	(4,868)	(55,151)	721,565
Total OPEB liability, beginning	2,992,097	2,810,101	2,805,233	2,750,082
Total OPEB liability, ending (a)	\$ 2,810,101	\$ 2,805,233	\$ 2,750,082	\$ 3,471,647
Plan fiduciary net position:				
Employer contribution	\$ 126,836	\$ 137,416	\$ 122,891	\$ 83,145
Employee contributions	-	-	-	-
Net investment income	-	-	-	-
Administrative expenses	-	-	(232)	(256)
Benefit payments	(126,836)	(137,416)	(122,659)	(82,889)
Other	-	-	-	-
Net changes in fiduciary net position	-	-	-	-
Plan fiduciary net position, beginning	-	-	-	-
Plan fiduciary net position, ending (b)	\$ -	\$ -	\$ -	\$ -
Plan net OPEB liability - ending (a) - (b)	\$ 2,810,101	\$ 2,805,233	\$ 2,750,082	\$ 3,471,647
Plan's fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%	0.00%	0.00%
Covered employee payroll	\$ 5,996,321	\$ 7,010,558	\$ 6,722,179	\$ 7,264,866
Plan Net OPEB liability as a percentage of covered employee payroll	46.86%	40.01%	40.91%	47.79%

¹Historical information is presented only for measurement periods for which GASB 75 is available for periods after GASB 75 implementation in 2016-2017.

South Bay Regional Public Communications Authority
Required Supplementary Information (Unaudited)
Schedule of Contributions – Other Postemployment Benefits
For the Years Ended June 30, 2021 and 2020

Last Ten Fiscal Years

Other Postemployment Benefits ("OPEB")

Fiscal year	2016-17 ¹	2017-18	2018-19	2019-20	2020-21
Actuarially determined contribution	\$ 126,836	\$ 140,536	\$ 122,891	\$ 83,145	\$ 85,588
Contribution in relation to the actuarially determined contribution	<u>(126,836)</u>	<u>(140,536)</u>	<u>(122,891)</u>	<u>(83,145)</u>	<u>(335,588)</u>
Contribution deficiency / (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 250,000</u>
Authority's covered payroll ²	<u>\$ 5,996,321</u>	<u>\$ 7,010,558</u>	<u>\$ 6,722,179</u>	<u>\$ 7,264,866</u>	<u>\$ 7,482,812</u>
Contributions as a percentage of covered payroll	<u>2.12%</u>	<u>2.00%</u>	<u>1.83%</u>	<u>1.14%</u>	<u>1.14%</u>

²Payroll was assumed to increase by the 3.00 percentage payroll growth assumption from 2019-20 to 2020-21.

Notes to Schedule:

Valuation date:	June 30, 2019
Methods and assumptions used to determine contribution rates:	
Contribution Policy:	No pre-funding
Inflation:	2.75% per year
Investment return/discount rate:	2.21% at June 30, 2020 (Bond Buyer 20-year index) 3.50% at June 30, 2019 (Bond Buyer 20-year index)
Medical Trend	Non Medicare - 7.25% for 2021, decreasing to an ultimate rate of 4.0% in 2076 and later years Medicare - 6.3% for 2021, decreasing to an ultimate rate of 4.0% in 2076 and later years
Payroll increase:	Aggregate 3% annually with merit - CalPERS 1997-2015 Experience Study
Mortality:	CalPERS 1997-2015 Experience Study

This page intentionally left blank.



**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***

Independent Auditors' Report

To the Board of Directors
of the South Bay Regional Public Communications Authority
Hawthorne, 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 business-type activities of the South Bay Regional Public Communications Authority, California (the "Authority") as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprises the Authority's basic financial statements, and have issued our report thereon dated December 9, 2021.

Internal Control Over Financial Reporting

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

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*.

200 E. Sandpointe Ave., Suite 600, Santa Ana, California 92707

Tel: 949-777-8800 • Fax: 949-777-8850

www.pungroup.cpa

To the Board of Directors
of the South Bay Regional Public Communications Authority
Hawthorne, California
Page 2

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.

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

Santa Ana, California
December 9, 2021