

Regional Government Services Authority

Carmel Valley, California

Basic Financial Statements and Independent Auditors' Report

For the Years Ended June 30, 2021 and 2020

Regional Government Services Authority
Basic Financial Statements
For the Years Ended June 30, 2021 and 2020

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1
Management's Discussion and Analysis – Required Supplementary Information (Unaudited)	3
Basic Financial Statements:	
Statements of Net Position	11
Statements of Revenues, Expenses, and Changes in Net Position	12
Statements of Cash Flows	13
Notes to the Basic Financial Statements	15

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Regional Government Services Authority
Carmel Valley, California

Report on Financial Statements

We have audited the accompanying financial statements of the Regional Government Services Authority, California (the "Authority"), which comprise the statement of net position as of June 30, 2021, and the related statements of revenues, expenses, and changes in net position for the year then ended, 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 7, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

2020 Financial Statements

The Authority's basic financial statements for the year ended June 30, 2020, were audited by other auditors whose report thereon November 12, 2020, expressed an unmodified opinion.

The PwC Group, LLP

Walnut Creek, California
February 10, 2022

MANAGEMENT’S DISCUSSION AND ANALYSIS

The following discussion and analysis of the Regional Government Services Authority (the “Authority” or “RGS”) financial performance provides an overview of the Authority’s financial activities for the fiscal year (FY) ended June 30, 2021. Please read it in conjunction with the Authority’s financial statements which follow this section.

FINANCIAL HIGHLIGHTS

- In the fiscal year ended June 30, 2021, the Authority’s net gain of \$577,621 compares favorably to the Authority’s loss of \$83,380 in the prior fiscal year.
- Charges for services increased 32% in FY21 vs FY20. Correspondingly, operating expenses increased 27% to provide those services.
- For the twelve months ending June 30, 2021, revenues were \$5,565,724 (47%) over budget, reflecting strong demand for advisory services in addition to the growth of RGS services to the California Statewide Automated Welfare System (CalSAWS), the Authority’s largest client.
- In addition to revenue growth, several expense variances resulted in the net income of \$577,621: long term liabilities were reduced by \$313,467 which results in an expense credit; and COVID19 related travel restrictions resulted in a savings of \$190,819 versus what was budgeted for conferences, travel, mileage, and meetings. Therefore, a little more than half of the gain is from non-operating activities, and the balance is from operating savings.

OPERATIONAL HIGHLIGHTS

- The Authority’s expanding services now number thirteen: Classification and Compensation, Disability and Leave Management, Economic Development, Emergency Management Services, Finance, Groundwater Sustainability Agency Management, Human Resources, Land Use Planning, Payroll, Pooled Programs, Recruitment, Training and Development, and Transition Management.
- RGS provides all accounting and human resources functions for two Groundwater Sustainability Agencies; financial, IT and marketing functions for the STARS program (401a and 457b Plans); and financial and support functions for Municipal Shared Services (MSS), a non-profit, tax-exempt benefit corporation. The investments in JPA resources results in lower operating costs, improved reporting and controls, and increased capacity to take on additional client work and new client services.
- The Authority continues to review its remaining technology needs, including improving the cost model, enhancements to financial and time recording data gathering and reporting, and better utilization of social media platforms and customer relations management software.
- The Authority has administrative personnel, technical infrastructure, internal processes, and outreach activities in place to control costs and grow RGS services revenue.

USE OF FINANCIAL STATEMENTS TO ANALYZE THE AUTHORITY’S CONDITION

Financial statements can be used to answer the question, “Is an agency better off or worse off as a result of this year’s activities?” The financial statements report information about the Authority’s activities in a way that helps answer this question. The statements are prepared on the accrual basis of accounting, which means that all of the current year’s revenues and expenses are taken into account regardless of when cash is received or paid. An explanation of each of the statements and the information they report follows.

THE STATEMENT OF NET POSITION

The Statement of Net Position details the Authority's assets, liabilities and the difference between them, known as net position, at the end of the fiscal years, June 30, 2021, June 30, 2020, and June 30, 2019. The level of net position is one way to measure the Authority's financial health. Over time, increases or decreases in the Authority's net position are one indicator of whether its financial health is improving or deteriorating.

THE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

The Statement of Revenues, Expenses and Changes in Net Position presents information which shows how the Authority's net position changed during the fiscal year. The statement measures the success of the Authority's operations during the year and determines whether the Authority has recovered its costs through user fees, its only revenue source other than nominal interest earnings and client reimbursements.

THE STATEMENT OF CASH FLOWS

The Statement of Cash Flows provides information regarding the Authority's cash receipts and disbursements during the fiscal years. Cash activity is grouped in the following two categories: operations and investing. These statements differ from the Statements of Revenues, Expenses and Changes in Net Position, because they only account for transactions that result in cash receipts or disbursements. For example, the amount shown as receipts from customers on the first line of the statements represents cash received during the fiscal year, rather than revenue earned.

THE NOTES TO FINANCIAL STATEMENTS

The Notes to Financial Statements provide a description of accounting policies used to prepare the financial statements and present material disclosures required by generally accepted accounting principles of the United States that are not otherwise present in the financial statements.

FINANCIAL ANALYSIS

NET POSITION

The Authority's net position as of June 30, 2021, totaled \$720,974 compared with \$143,353 at June 30, 2020 and \$226,733 at June 30, 2019. A summary of the Authority's asset, liability and net position balances at the end of the current and prior fiscal years appears on the following chart.

	2019	2020	2021	Change	Percent Change
Current Assets	\$2,968,347	\$3,224,023	\$4,010,274	\$786,251	24%
Current Liabilities	460,367	641,146	985,716	344,570	54%
Non-Current Liabilities	2,281,247	2,439,524	2,303,584	-135,940	-6%
Total Liabilities	2,741,614	3,080,670	3,287,300	208,630	7%
Net Position					
Unrestricted	\$226,733	\$143,353	\$720,974	\$577,621	403%

Digging further into the current assets as of June 30, 2021, cash and cash equivalents balance of \$1,867,175 was up \$282,543 from the balance at the end of the prior year. Accounts receivable grew \$502,785 (32%) which is less than the growth in revenue over the prior year and reflects typical billing and client payment cycle fluctuations. The Authority invests surplus cash in a Money Market account at the Community Bank of the Bay, the Local Agency Investment Fund, a governmental investment pool managed and directed by the California State Treasurer, and in the Investment Trust of California (CalTRUST), a public joint powers authority formed to pool and invest the funds of public agencies.

Non-Current liabilities decreased \$135,940. The decrease reflects the increase in vacation liability being more than offset by the reduction in claims and insurance liabilities.

REVENUES, EXPENSES AND CHANGES IN NET POSITION

Operating revenue and expenses continued their year over year growth. Operating expenses include all costs related to payroll and employee benefits, as well as general and administrative expenses. Professional services expense growth reflects CalSAWS use of eight independent contractors. It is important to note that all these costs are passed on to the client with a small administrative fee. Administrative costs are suppressed by long term liability adjustments at year end.

The following table summarizes the Authority’s Statement of Revenues, Expenses and Changes in Net Position for the current and prior fiscal years:

	2019	2020	2021	Change	Percent Change
Operating Revenues:					
Charges for services	\$ 9,182,646	\$ 13,195,143	\$ 17,483,143	\$ 4,288,000	32%
Operating Expenses:					
Salaries and benefits	7,642,273	10,300,415	12,580,672	2,280,257	22%
Professional services	955,130	2,329,567	4,275,453	1,945,886	84%
Administration	587,160	674,817	54,051	-620,766	-92%
Total Operating Expenses	9,184,563	13,304,799	16,910,176	3,605,377	27%
Operating Income (Loss)	-1,917	-109,656	572,967	682,623	623%
Non-Operating Revenues					
Investment income	48,742	26,276	4,654	-21,622	-82%
Special item	-504,279				
Change in net position	-457,454	-83,380	577,621	661,001	793%
Beginning Net Position	684,187	226,733	143,353	-83,380	
Ending Net Position	\$ 226,733	\$ 143,353	\$ 720,974	\$ 577,621	403%

CAPITAL ASSETS

On June 30, 2021, the Authority had no capital assets, no depreciation expenses, and no immediate plans to acquire capital assets in the future.

ECONOMIC FACTORS AND BUDGET

The Authority is a unique government agency in that it is 100% fee-for-service driven AND that it provides general and administrative services to public agencies and their non-profit partners. How RGS can be of value to local governments varies from agency to agency, and it has been a market needs-based approach that has led to the Authority’s expanding service offerings. Agencies use the Authority’s services when they determine it is in their best interest to do so. Because financial pressures on local governments are cyclical but ever increasing, the demand for RGS services is expected to vary, but generally to increase over time as long as those services are relevant to and cost effective for local governments. Prior investment in shared financial software is enabling RGS to provide full financial services to several government agencies, with several additional agencies considering using the platform. Investment in the RGS training program is expected to enable RGS to offer additional academies this fiscal year. Other investments in staffing are expected to contribute to the JPA’s long-term fiscal health.

The Authority's governing bodies – its Board of Directors and committees – guide and ensure that the Authority stays current with its mission to serve local agencies in a fiscally sustainable manner. The Authority's growth over the last 20 years, has seen over 325 client agencies served since inception, including 115 over the course of the last fiscal year, is confirmation of the value of that mission. There have been and will continue to be challenges which will require adjustments and investments in the Authority's capacity. Fiscal year 2021 was a year of continued growth in the number of partner agencies served, as well as the range of service offerings. RGS continued to invest in its capacity to improve existing services as well as develop new one by hiring committed and professional staff who have an interest in Authority growth. The Authority has also continued to invest in RGS sponsorship of local agency trade groups and professional organizations as well as outreach so that more cities, special districts and joint powers authorities know of RGS' services and value. RGS continues to increase training and professional development of RGS Advisors and core administrative staff so that the Authority workforce remains highly skilled and relevant.

The FY2022 budget reflects a stable base of large partner agencies, some growth in advisory and consulting services, continued investments in conference and sponsorship activities, and the careful monitoring and adjustment of charges for services. Fiscal year 2022 financial performance is expected to show a net income of \$109,000 as the JPA continues to absorb legal and administrative costs associated with CalPERS' increased involvement in local government operations.

The Regional Government Services Authority is constantly striving to be a valuable partner to the local government community through innovation and excellent customer service. With the continued contributions from staff, Board of Directors/Executive Committee Members, and client agencies, it will remain a valuable public asset long into the future. The Strategic Plan adopted by the governing body in FY2020 will guide the Authority as it strives to meet its strategic objectives and accomplish its mission.

RGS is a public agency serving the consulting, administrative and project management needs of local governments.

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BASIC FINANCIAL STATEMENTS

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Regional Government Services Authority
Statements of Net Position
June 30, 2021 and 2020

	2021	2020
ASSETS		
Current assets:		
Cash and investments	\$ 1,867,175	\$ 1,584,632
Accounts receivable	2,050,759	1,547,974
Due from other agencies	7,605	23,240
Prepaid expenses	84,735	68,177
Total current assets	4,010,274	3,224,023
Total assets	4,010,274	3,224,023
LIABILITIES		
Current liabilities:		
Accounts payable	440,676	207,613
Accrued payroll and related liabilities	519,389	406,467
Unearned revenue	25,651	27,066
Total current liabilities	985,716	641,146
Noncurrent liabilities		
Compensated absences	413,410	241,531
Claims payable	75,000	160,500
Retrospective contributions payable	1,815,174	2,037,493
Total noncurrent liabilities	2,303,584	2,439,524
Total liabilities	3,289,300	3,080,670
NET POSITION		
Unrestricted	720,974	143,353
Total net position	\$ 720,974	\$ 143,353

Regional Government Services Authority
Statements of Revenues, Expenses, and Changes in Net Position
For the Years Ended June 30, 2021 and 2020

	2021	2020
OPERATING REVENUES:		
Charges for services	\$ 17,483,143	\$ 13,195,143
Total operating revenues	17,483,143	13,195,143
OPERATING EXPENSES:		
Salaries and benefits	12,580,672	10,300,415
Professional services	4,275,453	2,329,567
Administration	54,051	674,817
Total operating expenses	16,910,176	13,304,799
OPERATING INCOME (LOSS)	572,967	(109,656)
NONOPERATING REVENUES:		
Investment income	4,654	26,276
Total nonoperating revenues	4,654	26,276
NET INCOME (LOSS)	577,621	(83,380)
NET POSITION:		
Beginning of year	143,353	226,733
End of year	\$ 720,974	\$ 143,353

Regional Government Services Authority
Statements of Cash Flows
For the Years Ended June 30, 2021 and 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers for services performed	\$ 16,994,578	\$ 12,895,393
Cash paid to supplier for goods and services	(4,420,818)	(2,921,688)
Cash paid to employees for services	(12,295,871)	(10,053,598)
Net cash provided by (used in) operating activities	277,889	(79,893)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment income received	4,654	26,277
Net cash provided by investing activities	4,654	26,277
Net change in cash and cash equivalents	282,543	(53,616)
CASH AND CASH EQUIVALENTS:		
Beginning of year	1,584,632	1,638,248
End of year	\$ 1,867,175	\$ 1,584,632
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:		
Operating income (loss)	\$ 572,967	\$ (109,656)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities		
Changes in assets and liabilities:		
Accounts receivable	(502,785)	(295,703)
Due from other agencies	15,635	-
Prepaid expenses	(16,558)	(13,589)
Accounts payable	233,063	96,285
Accrued payroll and related liabilities	112,922	88,540
Unearned revenue	(1,415)	(4,047)
Claims payable	(85,500)	39,818
Retrospective contributions payable	(222,319)	(15,296)
Compensated absences	171,879	133,755
Total adjustments	(295,078)	29,763
Net cash provided by (used in) operating activities	\$ 277,889	\$ (79,893)

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Regional Government Services Authority
Notes to Basic Financial Statements
For the Years Ended June 30, 2021 and 2020

Note 1 – Summary of Significant Accounting Policies

A. Reporting Entity

The Regional Government Services Authority (Authority) is an independent administrative and fiscal government agency whose purpose is to provide services for public agencies and other non-profit entities at reduced net costs. The Authority was established by a Joint Powers Agreement on March 2001, under the provisions of the Joint Exercise of Powers Act of the Government Code of the State of California.

Members of the Authority include the City of Larkspur, the Town of Yountville, the City of Dublin, and the City of Walnut Creek. A four-member board consisting of one representative from each member controls the Authority. None of the member entities exercise specific control over budgeting and financing of the Authority's activities beyond their representation on the board.

B. Basis of Presentation

The basic financial statements of the Authority have been prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for governmental accounting financial reporting purposes. The more significant of the Authority's accounting policies are described below:

C. Financial Statements

The financial statements (i.e., the statement of net position, statement of revenues, expenses, and changes in net position, and statement of cash flows) report information on all the activities of the Authority. The statement of revenues, expenses, and changes in net position demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment.

D. Measurement Focus and Basis of Accounting

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 liability is incurred, regardless of the timing of related cash flows.

The Authority distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the Authority's principal ongoing operations. The principal operating revenues of the Authority are fee for services. Operating expenses of the Authority include the cost of personnel providing the services, administrative expenses, and other professional services. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

E. Use of Restricted/Unrestricted Assets

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

Regional Government Services Authority
Notes to Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

Note 1 – Summary of Significant Accounting Policies (Continued)

F. Cash, Cash Equivalents, and Investments

The Authority considers all highly liquid investments with a maturity of three months or less when purchased to be cash and cash equivalents.

Risk Disclosures – Certain disclosures requirements, if applicable for deposit and investment risk, are specified for the following areas:

- Interest Rate Risk
- Credit Risk
 - Overall
 - Custodial Credit Risk
 - Concentration of Credit Risk

Investment Valuation – GASB Statement No. 72, *Fair Value Measurement and Application*, defines fair value, establishes a framework for measuring fair value and establishes disclosures about fair value measurement. Investments, unless otherwise specified, recorded at fair value in the statement of net position, are categorized based upon the level of judgement associated with the inputs used to measure their fair value. Levels of inputs are as follows:

Level 1 – Inputs are unadjusted, quoted prices for identical assets and liabilities in active markets at the measurement date.

Level 2 – Inputs, other than quoted prices included in Level 1, that are observable for the assets or liability through corroboration with market data at the measurement date.

Level 3 – Unobservable inputs that reflect management’s best estimate of what market participants would use in pricing the asset or liability at the measurement date.

G. Accounts Receivable

The Authority extends credit to customers in the normal course of operations. The Authority has not experienced any significant bad debt losses, accordingly, no provision has been made for doubtful accounts.

H. Prepaid Expenses

Certain payments to vendors reflect costs or deposits applicable to future accounting periods and are recorded as prepaid expenses in the statement of net position.

I. Compensated Absences

Vested or accumulate vacation leave are recorded as expenses and liabilities as benefits accrued to employees.

J. Unearned Revenue

When the Authority collect fees in advance for services provided to others, these amounts are recorded as unearned revenue on the statement of net position until the respective services have been provided.

Regional Government Services Authority
Notes to Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

Note 1 – Summary of Significant Accounting Policies (Continued)

K. Net Position

Net position of the Authority classified into three components:

Net investment in capital assets – This component of net position consists of capital assets, net of accumulated depreciation plus deferred amounts on refunding, and reduced by the outstanding balance of notes or borrowing that are attributable to the acquisition of the assets, construction, or improvement of these assets.

Restricted net position – this component of net position consists of net position with constrained use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position – This component of net position consists of net position that does not meet the definition of “net investment in capital assets”, or “restricted net position”.

L. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 2 – Cash and Investments

Cash and investments at June 30, 2021 and 2020 are classified in the accompanying financial statements as follows:

	2021	2020
Demand Deposits	\$ 317,464	\$ 105,575
Investments:		
Money Market Account	703,649	984,877
CalTrust Funds	694,647	467,929
Local Agency Investment Fund	151,415	26,251
Total cash and investments	\$ 1,867,175	\$ 1,584,632

A. Demand Deposits

As of June 30, 2021, the carrying amount of demand deposits was \$317,494 and the bank balance was \$322,407 compared to \$105,575 and \$146,030 at June 30, 2020, of which the total amount was collateralized or insured with securities held by the pledging financial institutions in the Authority’s name as discussed below under *Disclosures Relating Custodial Credit Risk*.

Regional Government Services Authority
Notes to Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

Note 2 – Cash and Investments (Continued)

B. Investments

Under provisions of the Authority's investment policy, and in accordance with Section 53601 of the California Government Code, the Authority may deposit and invest in the following:

- Local Agency Bonds
- U.S. Treasury Obligation
- U.S. Agency Securities
- Negotiable Certificates of Deposit
- CalTrust Investment Pool
- Local Agency Investment Fund

C. CalTrust Investment Pool

The Authority is a voluntary participant in the Investment Trust of California (CalTrust), a public joint powers authority formed to pool and invest the funds of public agencies. CalTrust invests in fixed income securities eligible for investment pursuant to California Government Code Sections 53601 and 53635. Investment guidelines adopted by the board of Trustees may further restrict the types of investments that are held by the Trust. Leveraging within the Trust's portfolios is prohibited. The fair value of the Authority's investment in this pool is reported in the accompanying financial statements at amounts based upon the Authority's pro-rata share of the fair value provided by CalTrust for the entire CalTrust portfolio (in relation to the amortized cost of that portfolio). As of June 30, 2021 and 2020, the Authority had \$694,647 and \$467,929, respectively, invested in CalTrust.

D. Local Agency Investment Fund

The Authority is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by Code Section 16429 under the oversight of the Treasurer of the State of California. The Authority's investments with LAIF at June 30, 2019 and 2020, include a portion of the pool funds invested in Structured Notes and Asset-Backed Securities. These investments include the following:

Structured Notes – are 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 have embedded forwards or options.

Asset-Backed Securities – the bulk of which are mortgage-backed securities, 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 (such as Collateralized Mortgage Obligations) or credit card receivables.

As of June 30, 2021, the Authority had \$151,415 invested in LAIF, which had invested 1.10% of the pool investment funds in Structured Notes and Asset-Backed Securities as compared to 2.21% in the previous year. The LAIF fair value factor of 1.00008297 was used to calculate the fair value of the investments in LAIF.

As of June 30, 2020, the Authority had \$26,251 invested in LAIF, which had invested 2.21% of the pool investment funds in Structured Notes and Asset-Backed Securities as compared to 1.77% in the previous year. The LAIF fair value factor of 1.004912795 was used to calculate the fair value of the investments in LAIF.

Regional Government Services Authority
Notes to Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

Note 2 – Cash and Investments (Continued)

E. Fair Value Measurement

The following is a summary of the fair value hierarchy of investments held by the Authority as of June 30, 2021 and 2020:

	2021	2020
Investment not subject to fair value hierarchy:		
Money Market Account	\$ 703,649	\$ 984,877
CalTrust Funds	694,647	467,929
Local Agency Investment Fund	151,415	26,251
Total investments	\$ 1,549,711	\$ 1,479,057

F. Risk Disclosures

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value is to changes in market interest rates. One of the ways that an agency manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Investment Type	2021	Maturities
	Fair Value	1 year or Less
Money Market Account	\$ 703,649	\$ 703,649
CalTrust Funds	694,647	694,647
Local Agency Investment Fund	151,415	151,415
Total investments	\$ 1,549,711	\$ 1,549,711

Investment Type	2020	Maturities
	Fair Value	1 year or Less
Money Market Account	\$ 984,877	\$ 984,877
CalTrust Funds	467,929	467,929
Local Agency Investment Fund	26,251	26,251
Total investments	\$ 1,479,057	\$ 1,479,057

Regional Government Services Authority
Notes to Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

Note 2 – Cash and Investments (Continued)

F. Risk Disclosures (Continued)

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The monies held in the CalTrust and LAIF investment pools are not subject to categorization by risk category. It is also not rated as to credit risk by a nationally recognized statistical rating organization.

Disclosures Relating to Concentration of Credit Risk

The investment policy of the Authority contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. There are no investments in any one issuer that represent 5% or more of total Authority investments for the year ended June 30, 2021 and 2020.

Disclosures Relating to Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

The California Government Code and the Authority’s investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local government units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. As of June 30, 2021 and 2020, \$70,028 and \$0 of the Authority’s deposits with financial institutions in excess of the Federal insurance limits were held in collateralized accounts.

Note 3 – Compensated Absences

Summary of changes in compensated absences for the years ended June 30, 2021 and 2020, were as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due in More Than One Year
June 30, 2021	\$ 241,531	\$ 370,524	\$ (198,645)	\$ 413,410	\$ 413,410
June 30, 2020	107,776	223,844	(90,089)	241,531	241,531

Regional Government Services Authority
Notes to Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

Note 4 – Risk Management

For the year ended June 30, 2021, liability and workers’ compensation coverages are purchased from commercial insurance companies.

Personal Injury and Property Coverage

Limit: \$5 million in aggregate, \$50,000 per occurrence self-insured retention

Non-Owned and Hired Automotive Liability Coverage

Limit: \$5 million in aggregate, \$50,000 per occurrence self-insured retention

Public Officials Errors and Omissions Coverage

Limit: \$5 million in aggregate, \$50,000 per occurrence self-insured retention

Employment Practice Liability Coverage

Limit: \$5 million in aggregate, \$50,000 per occurrence self-insured retention

For the year ended June 30, 2020, the Authority was a member of the Municipal Insurance Cooperative (MIC), a newly formed Joint Powers Authority which provides coverage for general liabilities and workers’ compensation. MIC is governed by a Board consisting of representatives from its member agencies. The Board controls the operations, including selection of management and approval of operating budgets, independent of any influence by the member agencies beyond their representation on the Board. Each member agency pays a contribution or assessment commensurate with the level of coverage and services requested and shares surpluses and deficits proportionate to their participation in the joint powers authority. The Authority left the MIC on July 1, 2020.

Condensed financial information for MIC as of and for the year ended June 30, 2020 was as follows:

	2020
Total assets	\$ 144,456
Total liabilities	20,950
Net position	\$ 123,506
Revenues	\$ 1,805,686
Expenses	1,803,573
Nonoperating income	14,993
Change in net position	\$ 3,624,252

The claims liability for the years ended June 30, 2021 and 2020 was based on actuarial valuation. The schedule below represents changes in claims liabilities for the Authority for the years ended June 30, 2021 and 2020:

	Beginning Balance	New Claims and Changes in Estimates	Claims Payments	Ending Balance
June 30, 2021	\$ 160,500	\$ (61,032)	\$ (24,468)	\$ 75,000
June 30, 2020	120,682	95,255	(55,437)	160,500
June 30, 2019	-	120,682	-	120,682

Regional Government Services Authority
Notes to Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

Note 5 – Retrospective Contribution

The Authority was a member of Municipal Services Authority (MSA), which provided coverage for workers' compensation, general liability, and errors and omissions. MSA dissolved during fiscal year 2019, and risk for workers' compensation, general liability, and errors and omissions was assumed by the Authority.

The financial statements reflect the assumption of the retrospective contribution liabilities related to prior participation in California Joint Powers Insurance Authority (CJPIA), a risk sharing pool. These liabilities were previously assumed and reported by MSA, however, were transferred to the Authority after MSA's dissolution during fiscal year 2019.

The amounts assumed by Authority for the workers' compensation and liability programs for the years ended June 30, 2021 and 2020 were as follows:

	2021	2020
Workers' compensation	\$ 149,542	\$ 153,036
General liability	1,665,632	1,884,457
Total	\$ 1,815,174	\$ 2,037,493

The estimate noted above for liability programs includes a correction of an error that resulted in a \$1.4 million increase to the related retrospective contribution liability. The error was discovered by CJPIA during fiscal year 2019. The correction is being reviewed by the Authority, and may be subject to change; however, such amount (if any) cannot be reasonably estimated.

Note 6 – Employee Retirement Plans

A. Deferred Compensation Plan

The Authority has established a deferred compensation plan in accordance with Internal Revenue Code Section 457(b), whereby employees may elect to defer portions of their compensation in a self-directed investment plan for retirement. Plan assets are invested in each individual's name with a deferred compensation plan provider. Distributions are made upon the participant's termination, retirement, death or total disability, and in a manner in accordance with the election made by the participant. All employees are eligible for plan participation. Employee contributions to the plan for the years ended June 30, 2021 and 2020 were \$662,952 and \$482,352, respectively.

The Authority believes it has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor. The Authority has formally established a trust in accordance with Internal Revenue Code Section 457(g) for its deferred compensation plan to provide protection from the claims of the employer's general creditors. Accordingly, deferred compensation assets placed in the trust are not reflected in these financial statements.

Regional Government Services Authority
Notes to Basic Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

Note 6 – Employee Retirement Plans (Continued)

B. Other Defined Contribution Plans

The Authority has also established a defined contribution plan in accordance with Internal Revenue Code Section 401(a). The employer contributes 10% of regular salary on behalf of the employee and may contribute an additional amount up to 5% subject to individual employee's employment agreement. Plan assets are invested in each individual's name with the defined contribution plan provider.

Distributions are made upon the participant's termination, retirement, death or total disability, and in a manner in accordance with the election made by the participant. Contributions to the plan for the year ended June 30, 2021 and 2020 totaled \$986,026 and \$764,264, respectively, and were contributed by the Authority.

The Authority believes it has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor. The Authority has formally established a trust in accordance with Internal Revenue Code Section 401(f) for its defined contribution plan to provide protection from the claims of the employer's general creditors. Accordingly defined contribution assets placed in the trust are not reflected in the accompanying financial statements.

Note 7 – Other Postemployment Benefits

A. Health Reimbursement Account (HRA) Plan

Effective January 1, 2014, the Authority implemented a Health Reimbursement Account (HRA) plan. Those employees participating in the medical plan are now enrolled in the HRA plan. Employees are separated by tiers and these tiers dictate the amount of annual contributions made by the Authority into the HRA for each individual employee. Contributions are made for all employees at \$250 per quarter. Additionally, select employees are divided into two tiers, the first tier receives a contribution of \$2,500 per year that vests after five years of service and the second tier receives a contribution of \$10,000 per year that vests after ten years of service.

The Authority contracts with MidAmerica Administrative and Retirement Solutions to administer its HRA plan. The Authority funds the Plan fully each year, as vesting and subsequent years of service requirements are met.

Note 8 – Commitments and Contingencies

A. Litigation

In the ordinary course of operations, the Authority is subject to other claims and litigation from outside parties. After consultation with legal counsel, the Authority believes the ultimate outcome of such matters, will not materially affect its financial condition.

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