PERRIS

JOINT POWERS AUTHORITY

FINANCIAL STATEMENTS

Year Ended June 30, 2016

Perris Joint Powers Authority
Financial Statements
Year Ended June 30, 2016

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TEAMAN, RAMIREZ & SMITH, INC.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Perris Joint Powers Authority
Perris, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and major fund of the Perris Joint Powers Authority (the "Authority"), a component unit of the City of Perris, California, as of and for the year ended June 30, 2016, and the related notes to the 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.

Auditor's Responsibility

Our responsibility is to express opinions 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 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 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 Authority'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 Authority'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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of the Authority, as of June 30, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Richard A. Teaman, CPA • David M. Ramirez, CPA • Javier H. Carrillo, CPA • Bryan P. Daugherty, CPA • Joshua J. Calhoun, CPA
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Emphasis of Matter

Change in Accounting Principle

As described in Note 1 to the financial statements, in 2016 the Authority adopted new accounting guidance, GASB Statement No. 72, *Fair Value Measurement and Application*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Management has omitted *Management's Discussion and Analysis* that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our reported dated January 24, 2017, on our consideration of the City of Perris'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 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 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.

Teaman Ramirez & Smith, Inc.

Riverside, California
January 24, 2017

Perris Joint Powers Authority
Statement of Net Position
June 30, 2016

	Governmental Activities
ASSETS	
Cash and Investments	$ 49,388
Cash and Investments with Fiscal Agent	112,286,792
Interest Receivable	1,234,338
Total Assets	113,570,518
LIABILITIES	
Accounts Payable	1,750
Deposits	9,168,992
Interest Payable	1,234,289
Noncurrent Liabilities:	
Due Within One Year	3,280,000
Due in More Than One Year	95,005,064
Total Liabilities	108,690,095
NET POSITION	
Restricted for Debt Service	4,880,423
Total Net Position	$ 4,880,423

The accompanying notes are an integral part of this statement.

Perris Joint Powers Authority
Statement of Activities
Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue
Governmental Activities:					
General Government	$ 11,286,125	$	$ 12,789,260	$	$ 1,503,135
Interest on Long-term Debt	3,618,512		3,618,512		0
Total Governmental Activities	$ 14,904,637	$ 0	$ 16,407,772	$ 0	1,503,135

General Revenues:	
Investment Earnings	(541,293)
Special Item - Gain on CFD Investments	1,918,811
Total General Revenues and Special Item	1,377,518
Change in Net Position	2,880,653
Net Position - Beginning of Year	1,999,770
Net Position - Ending	$ 4,880,423

The accompanying notes are an integral part of this statement.

Perris Joint Powers Authority
Balance Sheet
Governmental Fund
June 30, 2016

	Debt Service	Total Governmental Fund
ASSETS		
Cash and Investments	$ 49,388	$ 49,388
Cash and Investments with Fiscal Agent	112,286,792	112,286,792
Interest Receivable	49	49
Total Assets	$ 112,336,229	$ 112,336,229
LIABILITIES		
Accounts Payable	$ 1,750	$ 1,750
Deposits	9,168,992	9,168,992
Total Liabilities	9,170,742	9,170,742
DEFERRED INFLOWS OF RESOURCES		
Unavailable Revenue - Interest	49	49
Total Deferred Inflows of Resources	49	49
FUND BALANCES		
Restricted:		
Debt Service	103,165,438	103,165,438
Total Fund Balances	103,165,438	103,165,438
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 112,336,180	

Amounts reported for governmental activities in the Statement of Net Position are different because:	
Some assets are not due and receivable in the current period and therefore are not reported in the governmental funds.	
Interest Receivable on Investments	1,234,289
Some liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.	(99,519,353)
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailble revenue in the funds.	49
Net Position of Governmental Activities	$ 4,880,423

The accompanying notes are an integral part of this statement.

Perris Joint Powers Authority
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Fund
Year Ended June 30, 2016

	Debt Service	Total Governmental Fund
REVENUES		
Investment Earnings	$ 2,656,140	$ 2,656,140
Total Revenues	2,656,140	2,656,140
EXPENDITURES		
Current:		
General Government	21,620	21,620
Debt Service:		
Principal	2,255,000	2,255,000
Interest and Fiscal Charges	3,161,406	3,161,406
Debt Issuance Costs	1,322,836	1,322,836
Total Expenditures	6,760,862	6,760,862
Excess (Deficiency) of Revenues over Expenditures	(4,104,722)	(4,104,722)
OTHER FINANCING SOURCES (USES)		
Contributions from Other Governments	12,789,260	12,789,260
Revenue Bonds Issued	13,015,000	13,015,000
Refunding Bonds Issued	9,975,000	9,975,000
Discounts on Revenue Bonds	(297,655)	(297,655)
Payment to Bond Escrow Agent	(9,941,669)	(9,941,669)
Total Other Financing Sources (Uses)	25,539,936	25,539,936
SPECIAL ITEM - Gain on CFD Investments	1,918,811	1,918,811
Net Change in Fund Balances	23,354,025	23,354,025
Fund Balances, Beginning	79,811,413	79,811,413
Fund Balances, Ending	$ 103,165,438	$ 103,165,438

The accompanying notes are an integral part of this statement.

Perris Joint Powers Authority
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Fund to the Statement of Activities
Year Ended June 30, 2016

Net change in fund balances-total governmental fund		$ 23,354,025
Amounts reported for governmental activities in the Statement of Activities are different because:		
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, government funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.		
	Long-term Debt Principal Payments	2,255,000
	Accrued Interest	(421,030)
	Issuance of Long-term Debt	(22,990,000)
	Bond Discounts	297,655
	Amortization of Bond Premiums	3,905
	Amortization of Bond Discounts	(39,981)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds.		
	Unavailable Revenues	49
	Accrued Interest	421,030
Change in Net Position of Governmental Activities		$ 2,880,653

The accompanying notes are an integral part of this statement.

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Perris Joint Powers Authority
Notes to Financial Statements
Year Ended June 30, 2016

1) REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A) Reporting Entity

The Perris Joint Powers Authority (the "Authority") is a joint exercise of powers between the City of Perris (the "City") and the Perris Housing Authority (the "Authority"), created by a joint powers agreement dated March 26, 2013. The purpose of the Authority is to provide financing for public capital improvements and other programs within the City.

The Authority's offices and records are located at City Hall, 101 North "D" Street, Perris, California, telephone (951) 943-6100.

The Authority is a component unit of the City of Perris and, accordingly, the financial statements of the Authority are included in the financial statements of the City of Perris. The Authority is an integral part of the reporting entity of the City of Perris. The funds of the Authority have been blended within the financial statements of the City because the City Council of the City of Perris is the governing board of the Authority and exercises control over the operations of the Authority. Only the funds of the Authority are included herein, therefore, these financial statements do not purport to represent the financial position or results of operations of the City of Perris.

B) Implementation of Governmental Accounting Standards Board (GASB) Pronouncements

Governmental Accounting Standard Board Statement No. 72

In February of 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. Statement No. 72 is effective for periods beginning after June 15, 2015. The Authority implemented GASB No. 72 and is reflected on the Authority's financial statements.

C) Basis of Presentation

The accounting policies of the Authority conform to accounting principles generally accepted in the United States of America as they are applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies reflected in the financial statements are summarized as follows:

Government-wide Statements: The Government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government (the Authority). For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All Authority activities are governmental; no business-type activities are reported in the statements.

1) REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

C) Basis of Presentation - Continued

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are expenses that are clearly identifiable with a specific program, project, function or segment. Program revenues of the Authority include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment.

Taxes and other items that are properly not included among program revenues are reported instead as general revenues.

Fund Financial Statements: Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as non-major funds.

D) Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide 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. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the providers have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Authority considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgements, are recorded only when payment is due.

Taxes, intergovernmental revenues, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual, and are therefore recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the Authority.

The Authority reports the following major governmental fund:

The *Debt Service Fund* is used to account for the accumulation of resources for, and the repayment of, long-term debt principal, interest and related costs.

1) REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

D) Measurement Focus, Basis of Accounting, and Financial Statement Presentation - Continued

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements. Direct expenses have not been eliminated from the functional categories; indirect expenses and internal payments have been eliminated.

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

E) Explanation of Differences Between Governmental Fund Balance Sheet and the Statement of Net Position

All liabilities (both current and long-term) are reported in the Statement of Net Position. Long-term liabilities and the interest payable on these liabilities applicable to the Authority's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities as well as any related deferred outflows and inflows of resources.

Interest Payable	$ (1,234,289)
Long-term Liabilities	(98,980,000)
Bond Premiums	(113,899)
Bond Discounts	808,835
Net adjustment to reduce fund balance - total governmental funds to arrive at net position - governmental activities.	$ (99,519,353)

F) Fund Equity

Fund balance in governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the Authority is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The Authority considers restricted fund balance to have been spent first when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. Similarly, when an expenditure is incurred for purposes for which amounts in any of the unrestricted classifications of fund balance could be used.

The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

Nonspendable Fund Balance - Includes amounts that cannot be spent because they are either not in spendable form, or, for legal or contractual reasons, must be kept intact.

Restricted Fund Balance - Constraints placed on the use of these resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors or other governments; or are imposed by law (through constitutional provisions or enabling legislation).

Committed Fund Balance - Amounts that can only be used for specific purposes because of a formal action (resolution or ordinance) by the government's highest level of decision-making authority.

1) REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

F) Fund Equity - Continued

Assigned Fund Balance - Amounts that are constrained by the Authority's intent to be used for specific purposes, but that do not meet the criteria to be classified as restricted or committed. Intent can be stipulated by the governing body, another body, or by an official to whom the authority has been given.

Unassigned Fund Balance - These are either residual positive net resources of the General Fund in excess of what can properly be classified in one of the other categories, or negative balances in all other funds.

G) Investments

As a governmental entity other than an external investment pool in accordance with GASB 31, the Authority's investments are stated at fair value except for interest-earning investment contracts (see Note 2).

In applying GASB 31, the Authority utilized the following methods and assumptions:

1) Fair value is based on quoted market prices as of the valuation date;

2) The portfolio did not hold investments in any of the following:
   a) Items required to be reported at amortized cost,
   b) Items in external pools that are not SEC-registered,
   c) Items subject to involuntary participation in an external pool,
   d) Items associated with a fund other than the fund to which the income is assigned;

3) The gain/loss resulting from valuation will be reported within the revenue account "Investment Earnings" on the Statement of Activities and Statement of Revenues, Expenditures and Changes in Fund Balances for Governmental Funds.

H) Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The Authority has one item that qualifies for reporting in this category under the modified accrual basis of accounting. Accordingly, the item *unavailable revenues*, is reported only in the governmental funds balance sheet for interest. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The Authority has one item that qualifies for reporting in this category under the modified accrual basis of accounting. Accordingly, the item *unavailable revenues*, is reported only in the governmental funds balance sheet for interest. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

1) REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

I) Net Position

GASB No. 63 requires that the difference between assets, liabilities and deferred outflows/inflows of resources be reported as net position. Net position is classified as either net investment in capital assets, restricted, or unrestricted.

Net position classified as net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding principal of related debt. Restricted net position is the net position that has external constraints placed on them by creditors, grantors, contributors, laws, or regulations of other governments, or through constitutional provisions, or enabling legislation. Unrestricted net position consists of net position that does not meet the definition of net investment in capital assets or restricted net position.

J) Budgets and Budgetary Accounting

Formal budgets are not required for the Debt Service Funds; therefore, no statement of revenues, expenditures and changes in fund balance - budget and actual is presented.

K) Use of Estimates

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

2) CASH AND INVESTMENTS

Cash and Investments are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and Investments	$ 49,388
Cash and Investments with Fiscal Agent	112,286,792
Total Cash and Investments	$112,336,180

Cash and investments consist of the following:

Deposits with Financial Institutions	$ 49,388
Investments	112,286,792
Total Cash and Investments	$ 112,336,180

2) CASH AND INVESTMENTS - Continued

Investments Authorized by the California Government Code and the Authority's Investment Policy

The following table identifies the investment types that are authorized for the Authority by the Authority's investment policy. The table also identifies certain provisions of the California Government Code (or the Authority's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity[1]	Maximum Percentage Of Portfolio[2]	Maximum Investment In One Issuer
Local Agency Bonds	5 years	10%	None
U.S. Treasury Obligations	5 years	80%	None
U.S. Agency Securities	5 years	80%	None
Banker's Acceptances	180 days	40% of market value	5%
Commercial Paper	270 days	25% of market value	5%
Negotiable Certificates of Deposit	5 years	30%	5%
Repurchase Agreements	92 days	20%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Local Agency Investment Fund (LAIF)	N/A	80%	None
Bank / Time Deposits	5 years	25%	None

[1] No more than 50% of the portfolio shall have maturity dates in excess of 2 years at any given time.
[2] Excluding amounts held by bond trustee that are not subject to California Government Code Restrictions.

Investments Authorized by Debt Agreements

Investment of debt proceeds held by bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the Authority's investment policy.

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 to changes in market interest rates. One of the ways that the Authority manages its exposure to interest rates 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.

2) CASH AND INVESTMENTS - Continued

Disclosures Relating to Interest Rate Risk - Continued

Information about the sensitivity of the fair values of the Authority's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the Authority's investments by maturity:

Investment Type		Remaining Maturity (in Months) 12 Months Or Less	13 to 24 Months	25 to 60 Months	More Than 60 Months
Held By Bond Trustee:					
Federal Securities	$ 226,445	$	$ 226,445	$	$
Money Market Fund	9,378,627	9,378,627			
Local Obligation Bonds	102,681,720	3,753,268	3,943,268	12,539,804	82,445,380
Total	$ 112,286,792	$ 13,131,895	$ 4,169,713	$ 12,539,804	$ 82,445,380

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. Presented below is the minimum rating required by (where applicable) the California Government Code or the Authority's investment policy and the actual rating as of year end for each investment type.

Investment Type		Minimum Legal Rating	Not Rated	AAA
Held By Bond Trustee:				
Federal Securities	$ 226,445		$	$ 226,445
Money Market Fund	9,378,627	N/A		9,378,627
Local Obligation Bonds	102,681,720	N/A	102,681,720	
Total	$ 112,286,792		$ 102,681,720	$ 9,605,072

2) CASH AND INVESTMENTS - Continued

Concentration of Credit Risk

Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total Authority's investments are as follows:

Issuer	Investment Type	Reported Amount	
First American Prime Obligation FD	Money Market Fund	$	9,378,627
CFD 2001-1 Special Tax Bonds (IA1, IA2 and IA3), 2014 Refunding Bonds	Local Obligation Bonds	$	11,328,811
CFD 2004-3 Special Tax Bonds (IA1), 2014 Refunding Bonds	Local Obligation Bonds	$	7,964,167
CFD 2001-1 Special Tax Bonds (IA6 and IA7), 2014 Refunding Bonds	Local Obligation Bonds	$	13,449,480
CFD 2005-2 Special Tax Bonds, 2015 Refunding Bonds	Local Obligation Bonds	$	14,266,105
CFD 2006-2 Special Tax Bonds, 2015 Series	Local Obligation Bonds	$	9,361,864
CFD 2004-3 Special Tax Bonds (IA2), 2015 Series	Local Obligation Bonds	$	8,295,182
CFD 2005-4 Special Tax Refunding Bonds, 2015 Series	Local Obligation Bonds	$	6,089,236

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 Authority deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. As of June 30, 2016, none of the Authority's deposits that are in excess of federal depository insurance limits were held in uncollateralized accounts, and none of the Authority's investments were held by the broker-dealer (counterparty) that was used by the Authority to buy the securities.

Investments in Community Facilities District and Assessment District Bonds

The Authority has purchased various Community Facilities District (CFD) Bonds from the proceeds of revenue bonds issued by the Authority to facilitate the respective bond issues of the Districts (see Note 4).

2) CASH AND INVESTMENTS - Continued

Investments in Community Facilities District and Assessment District Bonds - Continued

The CFD Bonds are secured solely by assessments on property owners within the Districts. The repayment schedules of the bonds, and interest thereon, to the Authority are concurrent and sufficient to satisfy the debt service requirements of the respective Authority revenue bonds. The investments are summarized below:

Investment	Fair Value
CFD 93-2 Revised Special Tax Bonds, 2013 Series	$ 2,360,000
CFD 2002-1 Special Tax Bonds, 2013 Series	5,251,759
CFD 2001-1 Special Tax Refunding Bonds (IA1, IA2 and IA3), 2014 Series	11,328,811
CFD 2006-1 Special Tax Refunding Bonds, 2014 Series	2,533,730
CFD 2004-3 Special Tax Refunding Bonds (IA1), 2014 Series	7,964,167
CFD 2004-2 Special Tax Refunding Bonds, 2014 Series	4,730,894
CFD 2001-1 Special Tax Refunding Bonds (IA6 and IA7), 2014 Series	13,449,480
CFD 2004-1 Special Tax Refunding Bonds, 2014 Series A	2,351,661
CFD 2003-1 Special Tax Refunding Bonds, 2014 Series	3,382,863
CFD 2005-2 Special Tax Refunding Bonds 2015 Series	14,266,105
CFD 2006-2 Special Tax Refunding Bonds 2015 Series	9,361,864
CFD 2004-3 Special Tax Refunding Bonds (IA2), 2015 Series	8,295,182
CFD 2014-2 Special Tax Refunding Bonds, 2015 Series	3,558,137
CFD 2005-1 Special Tax Refunding Bonds (IA3), 2015 Series	4,826,255
CFD 2005-4 Special Tax Refunding Bonds, 2015 Series	6,089,236
CFD 2005-4 Special Tax Bonds, 2015 Series	2,931,576
Total	$ 102,681,720

Cash with Fiscal Agent

Cash and investments held and invested by fiscal agents on behalf of the Authority are pledged for payment or security of certain long-term debt issuances. Fiscal agents are mandated by bond indentures as to the types of investments in which debt proceeds can be invested.

Included in cash and investments with fiscal agent are the debt securities issued by some of the City's Community Facilities Districts. These are special assessment obligations and, therefore, are not obligations of the Authority or the City.

3) FAIR VALUE MEASUREMENTS

Governmental Accounting Standards Board (GASB) Statement No. 72, Fair Value Measurements and Application, provides the framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value with Level 1 given the highest priority and Level 3 the lowest priority. The three levels of the fair value hierarchy are as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the organization has the ability to access at the measurement date.

Level 2 inputs are inputs other than quoted prices included within *Level 1* that are observable for the asset or liability, either directly or indirectly. *Level 2* inputs include the following:

a. Quoted prices for similar assets or liabilities in active markets.

b. Quoted prices for identical or similar assets or liabilities in markets that are not active.

c. Inputs other than quoted prices that are observable for the asset or liability (for example, interest rates and yield curves observable at commonly quoted intervals, volatilities, prepayment speeds, loss severities, credit risks, and default rates).

d. Inputs that are derived principally from or corroborated by observable market data by correlation or other means (market-corroborated inputs).

Level 3 inputs are unobservable inputs for the asset or liability.

Fair value of assets measured on a recurring basis at June 30, 2016, are as follows:

	Fair Value	Uncategorized	Significant Other Observable Inputs (Level 2)
Held by Fiscal Agent:			
Federal Securities	$ 226,445	$	$ 226,445
Money Market Fund	9,378,627	9,378,627	
Local Obligation Bonds	102,681,720		102,681,720
Total Investments	$ 112,286,792	$ 9,378,627	$ 102,908,165

The money market funds are exempt under GASB No. 72 fair value measurements. Local Obligation Bonds under Level 2 are valued based on their current maturity schedules. Fair values for other investments are determined by using a matrix pricing technique. Matrix pricing is used to value securities based on the security's relationship to benchmark quoted prices.

4) LONG-TERM LIABILITIES

The following is a summary of the changes in long-term liabilities:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
2013 Revenue Bonds, Series A	$ 2,560,000	$	$ 200,000	$ 2,360,000	$ 205,000
2013 Revenue Bonds, Series B	5,625,000		130,000	5,495,000	145,000
2014 Revenue Bonds, Series A	11,570,000		405,000	11,165,000	430,000
2014 Revenue Bonds, Series B	2,765,000		45,000	2,720,000	45,000
2014 Revenue Bonds, Series C	8,615,000		315,000	8,300,000	335,000
2014 Revenue Bonds, Series D	4,695,000		170,000	4,525,000	185,000
2014 Revenue Bonds, Series E	13,925,000		405,000	13,520,000	380,000
2014 Revenue Bonds, Series F	2,465,000		100,000	2,365,000	90,000
2014 Revenue Bonds, Series G	3,435,000		130,000	3,305,000	105,000
2015 Revenue Bonds, Series A	13,570,000		355,000	13,215,000	465,000
2015 Revenue Bonds, Series B	9,020,000			9,020,000	40,000
2015 Revenue Bonds, Series C	0	8,285,000		8,285,000	210,000
2015 Revenue Bonds, Series D	0	1,540,000		1,540,000	240,000
2015 Revenue Bonds, Series E	0	4,560,000		4,560,000	130,000
2015 Revenue Bonds, Series F	0	5,415,000		5,415,000	145,000
2015 Revenue Bonds, Series G	0	3,190,000		3,190,000	130,000
Premiums	117,804		3,905	113,899	
Discounts	(551,161)	(297,655)	(39,981)	(808,835)	
Total	$ 77,811,643	$ 22,692,345	$ 2,218,924	$ 98,285,064	$ 3,280,000

Revenue Bonds

On May 8, 2013, the Authority issued $2,775,000 2013 Local Agency Revenue Bonds, Series A, to refund a portion of the Perris Public Financing Authority 1995 Revenue Bonds, Series D and to acquire CFD 93-2 (Perris Plaza) Special Tax Bonds. Interest on the bonds is payable September 1st and March 1st of each year. Interest on the bonds accrues at rates varying from 2.00% to 5.00% per annum. Principal on serial bonds is payable in annual installments ranging from $195,000 to $280,000 commencing September 1, 2014 through September 1, 2025. At June 30, 2016, the Authority has a cash reserve balance for debt service of $275,773 which is sufficient to cover the Bond Indenture Reserve Requirement. $ 2,360,000

On June 12, 2013, the Authority issued $5,750,000 2013 Local Agency Revenue Bonds, Series B, to acquire CFD 2002-1 (Willowbrook Refunding) Special Tax Bonds. Interest on the bonds is payable September 1st and March 1st of each year. Interest on the bonds accrues at rates varying from 2.00% to 5.25% per annum. Principal on serial bonds is payable in annual installments ranging from $125,000 to $540,000 commencing September 1, 2014 through September 1, 2033. At June 30, 2016, the Authority has a cash reserve balance for debt service of $568,913 which is sufficient to cover the Bond Indenture Reserve Requirement. 5,495,000

4) LONG-TERM LIABILITIES - Continued

Revenue Bonds - Continued

On January 16, 2014, the Authority issued $12,165,000 2014 Local Agency Revenue Bonds, Series A, to refund a portion of the Perris Public Financing Authority 2003 Revenue Bonds, Series A and to acquire CFD 2001-1 (May Farms IA 1, 2 & 3) Special Tax Bonds. Interest on the bonds is payable September 1st and March 1st of each year. Interest on the bonds accrues at rates varying from 2.00% to 5.375% per annum. Principal on serial bonds is payable in annual installments ranging from $405,000 to $905,000 commencing September 1, 2014 through September 1, 2033. At June 30, 2016, the Authority has a cash reserve balance for debt service of $954,588 which is sufficient to cover the Bond Indenture Reserve Requirement.	$ 11,165,000
On June 4, 2014, the Authority issued $2,825,000 2013 Local Agency Revenue Bonds, Series B, to refund a portion of the Perris Public Financing Authority 2007 Revenue Bonds, Series C and to acquire CFD 2006-1 (Meritage Homes) Special Tax Bonds. Interest on the bonds is payable September 1st and March 1st of each year. Interest on the bonds accrues at rates varying from 2.00% to 5.00% per annum. Principal on serial bonds is payable in annual installments ranging from $45,000 to $120,000 commencing September 1, 2014 through September 1, 2038. At June 30, 2016, the Authority has a cash reserve balance for debt service of $223,580 which is sufficient to cover the Bond Indenture Reserve Requirement.	2,720,000
On July 24, 2014, the Authority issued $8,615,000 2014 Local Agency Revenue Bonds, Series C, to refund a portion of the Perris Public Financing Authority 2004 Revenue Bonds, Series A and to acquire CFD 2004-3 (Monument Ranch IA 1) Special Tax Bonds. Interest on the bonds is payable September 1st and March 1st of each year. Interest on the bonds accrues at rates varying from 2.00% to 4.25% per annum. Principal on serial bonds is payable in annual installments ranging from $315,000 to $595,000 commencing September 1, 2015 through September 1, 2034. At June 30, 2016, the Authority has a cash reserve balance for debt service of $623,505 which is sufficient to cover the Bond Indenture Reserve Requirement.	8,300,000
On July 17, 2014, the Authority issued $4,695,000 2014 Local Agency Revenue Bonds, Series D, to acquire CFD 2004-2 (CLC Refunding) Special Tax Bonds. Interest on the bonds is payable September 1st and March 1st of each year. Interest on the bonds accrues at rates varying from 2.00% to 4.25% per annum. Principal on serial bonds is payable in annual installments ranging from $170,000 to $325,000 commencing September 1, 2015 through September 1, 2034. At June 30, 2016, the Authority has a cash reserve balance for debt service of $340,499 which is sufficient to cover the Bond Indenture Reserve Requirement.	4,525,000
On September 18, 2014, the Authority issued $13,925,000 2014 Local Agency Revenue Bonds, Series E, to refund a portion of the Perris Public Financing Authority 2007 Revenue Bonds, Series D and to acquire CFD 2001-1 (May Farms IA 6, & 7) Special Tax Bonds. Interest on the bonds is payable September 1st and March 1st of each year. Interest on the bonds accrues at rates varying from 2.00% to 4.25% per annum. Principal on serial bonds is payable in annual installments ranging from $380,000 to $890,000 commencing September 1, 2015 through September 1, 2038. At June 30, 2016, the Authority has a cash reserve balance for debt service of $930,095 which is sufficient to cover the Bond Indenture Reserve Requirement.	13,520,000

4) LONG-TERM LIABILITIES - Continued

Revenue Bonds - Continued

On October 9, 2014, the Authority issued $2,465,000 2014 Local Agency Revenue Bonds, Series F, to refund a portion of the Perris Public Financing Authority 2004 Revenue Bonds, Series A and to acquire CFD 2004-1 (Amber Oaks) Special Tax Bonds. Interest on the bonds is payable September 1st and March 1st of each year. Interest on the bonds accrues at rates varying from 2.00% to 4.00% per annum. Principal on serial bonds is payable in annual installments ranging from $90,000 to $165,000 commencing September 1, 2015 through September 1, 2034. At June 30, 2016, the Authority has a cash reserve balance for debt service of $177,229 which is sufficient to cover the Bond Indenture Reserve Requirement.	$ 2,365,000
On November 13, 2014, the Authority issued $3,435,000 2014 Local Agency Revenue Bonds, Series G, to acquire CFD 2003-1 (Chaparral Ridge) Special Tax Bonds. Interest on the bonds is payable September 1st and March 1st of each year. Interest on the bonds accrues at rates varying from 2.00% to 4.00% per annum. Principal on serial bonds is payable in annual installments ranging from $105,000 to $290,000 commencing September 1, 2015 through September 1, 2033. At June 30, 2016, the Authority has a cash reserve balance for debt service of $302,879 which is sufficient to cover the Bond Indenture Reserve Requirement.	3,305,000
On March 26, 2015, the Authority issued $13,570,000 2015 Local Agency Revenue Bonds, Series A, to acquire CFD 2005-2 (Harmony Grove) Special Tax Bonds. Interest on the bonds is payable September 1st and March 1st of each year. Interest on the bonds accrues at rates varying from 2.00% to 3.875% per annum. Principal on serial bonds is payable in annual installments ranging from $355,000 to $885,000 commencing September 1, 2015 through September 1, 2035. At June 30, 2016, the Authority has a cash reserve balance for debt service of $923,416 which is sufficient to cover the Bond Indenture Reserve Requirement.	13,215,000
On May 19, 2015, the Authority issued $9,020,000 2015 Local Agency Revenue Bonds, Series B, to acquire CFD 2006-2 (Monument Park Estates) Special Tax Bonds. Interest on the bonds is payable September 1st and March 1st of each year. Interest on the bonds accrues at rates varying from 2.00% to 5.00% per annum. Principal on serial bonds is payable in annual installments ranging from $40,000 to $760,000 commencing September 1, 2016 through September 1, 2045. At June 30, 2016, the Authority has a cash reserve balance for debt service of $755,520 which is sufficient to cover the Bond Indenture Reserve Requirement.	9,020,000
On June 18, 2015, the Authority issued $8,285,000 2015 Local Agency Revenue Bonds, Series C, to acquire CFD 2004-3 (IA 2) Special Tax Bonds. Interest on the bond is payable September 1st and March 1st of each year. Interest on the bonds accrues at rates varying from 2.00% to 4.25% per annum. Principal on serial bonds is payable in annual installments ranging from $210,000 to $715,000 commencing September 1, 2016 through September 1, 2032. At June 30, 2015, the Authority has a cash reserve balance for debt service of $746,126 which is sufficient to cover the Bond Indenture Reserve Requirement.	8,285,000

4) LONG-TERM LIABILITIES - Continued

Revenue Bonds - Continued

On August 6, 2015, the Authority issued $1,540,000 2015 Local Agency Revenue Bonds, Series D, to acquire CFD 2014-2 (Perris Valley Spectrum) Special Tax Bonds. Interest on the bond is payable September 1st and March 1st of each year. Interest on the bonds accrues at rates varying from 2.00% to 3.00% per annum. Principal on serial bonds is payable in annual installments ranging from $240,000 to $270,000 commencing September 1, 2016 through September 1, 2021. At June 30, 2016, the Authority has a cash reserve balance for debt service of $154,153 which is sufficient to cover the Bond Indenture Reserve Requirement.	$ 1,540,000
On September 15, 2015, the Authority issued $4,560,000 2015 Local Agency Revenue Bonds, Series E, to refund a portion of the Perris Public Financing Authority 2008 Revenue Bonds, Series B, and to acquire CFD 2005-1 (IA 3) Special Tax Bonds. Interest on the bond is payable September 1st and March 1st of each year. Interest on the bonds accrues at rates varying from 2.00% to 4.50% per annum. Principal on serial bonds is payable in annual installments ranging from $130,000 to $295,000 commencing September 1, 2016 through September 1, 2038. At June 30, 2016, the Authority has a cash reserve balance for debt service of $308,668 which is sufficient to cover the Bond Indenture Reserve Requirement.	4,560,000
On October 14, 2015, the Authority issued $5,415,000 2015 Local Agency Revenue Bonds, Series F, to refund a portion of the Perris Public Financing Authority 2008 Revenue Bonds, Series A, and to acquire CFD 2005-4 (Stratford Ranch) Special Tax Bonds. Interest on the bond is payable September 1st and March 1st of each year. Interest on the bonds accrues at rates varying from 2.00% to 4.25% per annum. Principal on serial bonds is payable in annual installments ranging from $145,000 to $340,000 commencing September 1, 2016 through September 1, 2038. At June 30, 2016, the Authority has a cash reserve balance for debt service of $357,604 which is sufficient to cover the Bond Indenture Reserve Requirement.	5,415,000
On December 8, 2015, the Authority issued $3,190,000 2015 Local Agency Revenue Bonds, Series G, to acquire CFD 2005-4 (Steeplechase) Special Tax Bonds. Interest on the bond is payable September 1st and March 1st of each year. Interest on the bonds accrues at rates varying from 2.00% to 4.00% per annum. Principal on serial bonds is payable in annual installments ranging from $105,000 to $190,000 commencing September 1, 2016 through September 1, 2038. At June 30, 2016, the Authority has a cash reserve balance for debt service of $202,124 which is sufficient to cover the Bond Indenture Reserve Requirement.	3,190,000
Total Revenue Bonds	$ 98,980,000

4) LONG-TERM LIABILITIES - Continued

Revenue Bonds - Continued

The future debt requirements are as follows:

Year Ending June 30,	Principal	Interest	Total
2017	$ 3,280,000	$ 3,669,448	$ 6,949,448
2018	3,470,000	3,600,935	7,070,935
2019	3,580,000	3,527,191	7,107,191
2020	3,705,000	3,446,148	7,151,148
2021	3,835,000	3,350,816	7,185,816
2022-2026	20,470,000	14,844,169	35,314,169
2027-2031	23,890,000	10,664,703	34,554,703
2032-2036	25,625,000	5,097,150	30,722,150
2037-2041	7,815,000	1,495,419	9,310,419
2042-2046	3,310,000	437,250	3,747,250
Total	$ 98,980,000	$ 50,133,229	$ 149,113,229

Advanced Refunding

Perris Public Financing Authority 2008 Revenue Bonds, Series A

In 2016, the Perris Joint Powers Authority issued $5,415,000 in Local Agency Revenue Bonds Series 2015F with interest rates of 0.850% to 4.250% to advance refund $5,370,000 of the Perris Public Financing Authority 2008 Revenue Bonds, Series A. The net proceeds of $4,523,000 (after payment of $712,546 for reserves, underwriting fees and other issuance costs) plus an additional $1,039,579 of other available funds were deposited in an irrevocable trust to provide funds for the future debt service payment on the refunded bonds. As a result, the Perris Public Financing Authority 2008 Revenue Bonds, Series A, are considered to be defeased and the liability of this bond has been removed from the long-term debt of the Perris Public Financing Authority.

The reacquisition price exceeded the net carrying amount of the old debt by $192,579. The amounts paid to escrow to defease the bond, was paid by the Perris Joint Powers Authority and other sources. The advance refunded the Perris Public Financing Authority 2008 Revenue Bonds, Series A, to reduce its total debt service payments over 23 years by $2,828,485 to obtain an economic gain (difference between the present values of the debt service payments of the old debt and new debt) of $1,736,735.

Perris Public Financing Authority 2008 Revenue Bonds, Series B

In 2016, the Perris Joint Powers Authority issued $4,560,000 in Local Agency Revenue Bonds Series 2015E with interest rates of 2% to 4.5% to advance refund $4,125,000 of the Perris Public Financing Authority 2008 Revenue Bonds, Series B. The net proceeds of $3,853,466 (after payment of $568,996 for reserves, underwriting fees and other issuance costs) plus an

4) LONG-TERM LIABILITIES - Continued

Advanced Refunding - Continued

Perris Public Financing Authority 2008 Revenue Bonds, Series B - Continued

additional $525,624 of other available funds were deposited in an irrevocable trust to provide funds for the future debt service payment on the refunded bonds. As a result, the Perris Public Financing Authority 2008 Revenue Bonds, Series B, are considered to be defeased and the liability of this bond has been removed from the long-term debt of the Perris Public Financing Authority.

The reacquisition price exceeded the net carrying amount of the old debt by $254,090. The amounts paid to escrow to defease the bond, was paid by the Perris Joint Powers Authority and other sources. The advance refunded the Perris Public Financing Authority 2008 Revenue Bonds, Series B, to reduce its total debt service payments over 20 years by $1,102,818 to obtain an economic gain (difference between the present values of the debt service payments of the old debt and new debt) of $536,482.

5) RISK MANAGEMENT

To account for risks of loss and liability claims, the Authority participates in the City's self-insurance program. The City of Perris maintains a self-insurance program for workers' compensation. For workers' compensation claims, the City is at risk for up to $250,000 per occurrence, amounts in excess of $250,000 are covered through PERMA. The limits of the coverage are $250,000 per accident for workers' compensation and $5,000,000 each accident for employers' liability.

PERMA was created under a joint exercise of powers agreement for the purpose of providing insurance coverage for its members. The governing Board of Directors consists of one member from each participating agency.

PERMA also provides a non-risk sharing "deductible", or banking, pool for claims within the SIR level. Annual contributions are deposited with the PERMA from which claims are paid.

Under the liability programs risk-sharing pool, each member's share of total claims liabilities, including IBNR's, is determined by the application of risk factors to specific characteristics of each member which provides the relative share of each member in total losses of PERMA. These losses are paid from premiums charged to the members which are established at levels to fund all claims costs.

The workers' compensation insurance program is a non-risk sharing program. Therefore, each member is directly charged for any losses incurred. Each member's equity represents accumulated contributions held by PERMA on the member's behalf. Any deficits created for losses in excess of assets available for a given member is funded over a ten year period through an adjustment to required premiums.

During the past three fiscal years none of the above programs of protection have had settlements or judgements that exceeded pooled or insured coverage. There have been no significant reductions in pooled or insured liability coverage from coverage in the prior year.

The aforementioned information is not included in the accompanying financial statements. Separate financial statements of PERMA may be obtained at 36-951 Cook Street, Suite 100, Palm Desert, California 92211.

6) SPECIAL ITEM

The Authority advanced refunded the Perris Financing Authority's 2008 Local Agency Revenue Bonds, Series A, and 2008 Local Agency Revenue Bonds, Series B by issuing 2015 Series E and F Local Agency Revenue Bonds. As part of the refunding, the Perris Joint Powers Authority purchased CFD investments from the Perris Financing Authority that was restructured to coincide with the refunding bonds debt. The Authority had a net gain of $1,918,811 on this restructuring of CFD 2005-1 (IA 3) and CFD 2005-4 (Stratford Ranch) investments.