

PERRIS
JOINT POWERS AUTHORITY
FINANCIAL STATEMENTS
Year Ended June 30, 2017

Perris Joint Powers Authority
Financial Statements
Year Ended June 30, 2017

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditors' Report	i - ii
Basic Component Unit Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	1
Statement of Activities	2
Fund Financial Statements:	
Balance Sheet - Governmental Fund	3
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Fund	4
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Fund to the Statement of Activities	5
Notes to the Financial Statements	6 - 21

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, 2017, 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, 2017, 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.

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 December 29, 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.

Jeaman Ramirez & Smith, Inc.

Riverside, California
December 29, 2017

Perris Joint Powers Authority
Statement of Net Position
June 30, 2017

	<u>Governmental Activities</u>
ASSETS	
Cash and Investments	\$ 48,111
Cash and Investments with Fiscal Agent	112,492,944
Interest Receivable	1,225,889
Due from Other Governments	<u>11,850</u>
Total Assets	<u>113,778,794</u>
LIABILITIES	
Accounts Payable	2,400
Due to Other Governments	11,850
Deposits	9,566,588
Interest Payable	1,225,840
Noncurrent Liabilities:	
Due Within One Year	3,515,000
Due in More Than One Year	<u>95,225,132</u>
Total Liabilities	<u>109,546,810</u>
NET POSITION	
Restricted for Debt Service	<u>4,231,984</u>
Total Net Position	<u><u>\$ 4,231,984</u></u>

The accompanying notes are an integral part of this statement.

Perris Joint Powers Authority
Statement of Activities
Year Ended June 30, 2017

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	
Governmental Activities:				
General Government	\$ 143,470	\$	\$ 30,931	\$ (112,539)
Interest on Long-term Debt	<u>3,724,723</u>		<u>3,724,723</u>	<u>0</u>
Total Governmental Activities	<u>\$ 3,868,193</u>	<u>\$ 0</u>	<u>\$ 3,755,654</u>	<u>(112,539)</u>
General Revenues:				
Investment Earnings				<u>(535,900)</u>
Total General Revenues				<u>(535,900)</u>
Change in Net Position				(648,439)
Net Position - Beginning of Year				<u>4,880,423</u>
Net Position - Ending				<u>\$ 4,231,984</u>

The accompanying notes are an integral part of this statement.

Perris Joint Powers Authority
Balance Sheet
Governmental Fund
June 30, 2017

	Debt Service	Total Governmental Fund
ASSETS		
Cash and Investments	\$ 48,111	\$ 48,111
Cash and Investments with Fiscal Agent	112,492,944	112,492,944
Interest Receivable	49	49
Due from Other Governments	11,850	11,850
Total Assets	\$ 112,552,954	\$ 112,552,954
LIABILITIES		
Accounts Payable	\$ 2,400	\$ 2,400
Due to Other Governments	11,850	11,850
Deposits	9,566,588	9,566,588
Total Liabilities	9,580,838	9,580,838
DEFERRED INFLOWS OF RESOURCES		
Unavailable Revenue - Interest	56	56
Total Deferred Inflows of Resources	56	56
FUND BALANCES		
Restricted:		
Debt Service	102,972,060	102,972,060
Total Fund Balances	102,972,060	102,972,060
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 112,552,954	

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	1,225,840
------------------------------------	-----------

Some liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.

	(99,965,972)
--	--------------

Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.

	56
--	----

Net Position of Governmental Activities

	\$ 4,231,984
--	--------------

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, 2017

	Debt Service	Total Governmental Fund
REVENUES		
Investment Earnings	\$ 3,197,265	\$ 3,197,265
Total Revenues	3,197,265	3,197,265
EXPENDITURES		
Current:		
General Government	23,750	23,750
Debt Service:		
Principal	4,060,000	4,060,000
Interest and Fiscal Charges	3,694,179	3,694,179
Debt Issuance Costs	119,720	119,720
Total Expenditures	7,897,649	7,897,649
Excess (Deficiency) of Revenues over Expenditures	(4,700,384)	(4,700,384)
OTHER FINANCING SOURCES (USES)		
Contributions from Other Governments	30,931	30,931
Revenue Bonds Issued	4,580,000	4,580,000
Discounts on Revenue Bonds	(103,925)	(103,925)
Total Other Financing Sources (Uses)	4,507,006	4,507,006
Net Change in Fund Balances	(193,378)	(193,378)
Fund Balances, Beginning	103,165,438	103,165,438
Fund Balances, Ending	\$ 102,972,060	\$ 102,972,060

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, 2017

Net change in fund balances-total governmental fund \$ (193,378)

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	4,060,000
Accrued Interest	8,449
Issuance of Long-term Debt	(4,580,000)
Bond Discounts	103,925
Amortization of Bond Premiums	3,905
Amortization of Bond Discounts	(42,898)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds.

Unavailable Revenues	7
Accrued Interest	(8,449)

Change in Net Position of Governmental Activities \$ (648,439)

This page intentionally left blank

Perris Joint Powers Authority
Notes to Financial Statements
Year Ended June 30, 2017

<u>NOTE</u>	<u>DESCRIPTION</u>	<u>PAGE</u>
1	Reporting Entity and Summary of Significant Accounting Policies	7 - 10
2	Cash and Investments	11 -14
3	Fair Value Measurements	15
4	Long-term Liabilities	16 - 20
5	Risk Management	20 - 21
6	Subsequent Events	21

Perris Joint Powers Authority
Notes to Financial Statements
Year Ended June 30, 2017

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) 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.

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.

Perris Joint Powers Authority
Notes to Financial Statements
Year Ended June 30, 2017

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

C) 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.

D) 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	\$ (1,225,840)
Long-term Liabilities	(99,500,000)
Unamortized Bond Premiums	(109,994)
Unamortized Bond Discounts	<u>869,862</u>
 Net adjustment to reduce fund balance - total governmental funds to arrive at net position - governmental activities.	 <u>\$ (99,965,972)</u>

Perris Joint Powers Authority
Notes to Financial Statements
Year Ended June 30, 2017

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

E) 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.

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.

F) 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.

Perris Joint Powers Authority
Notes to Financial Statements
Year Ended June 30, 2017

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

G) 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. Currently, the Authority does not report any deferred outflows of resources.

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.

H) 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.

I) Investment Earnings

Investment earnings include amortization of \$56,633 premiums and \$525,708 discounts on Community Facilities District bond investments.

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.

Perris Joint Powers Authority
Notes to Financial Statements
Year Ended June 30, 2017

2) CASH AND INVESTMENTS

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

Statement of Net Position:	
Cash and Investments	\$ 48,111
Cash and Investments with Fiscal Agent	<u>112,492,944</u>
 Total Cash and Investments	 <u>\$ 112,541,055</u>

Cash and investments consist of the following:

City of Perris Pooled Investments	\$ 48,111
Other Investments	<u>112,492,944</u>
 Total Cash and Investments	 <u>\$ 112,541,055</u>

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 City of Perris's investment policy. The City manages the Authority's investments in the City's investment pool. The table also identifies certain provisions of the California Government Code (or the City'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	30%	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.

⁽³⁾ The City of Perris's pooled investments are subject to the same above restrictions.

Perris Joint Powers Authority
Notes to Financial Statements
Year Ended June 30, 2017

2) CASH AND INVESTMENTS - Continued

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.

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	
City of Perris Pooled Investments	\$ 48,111	\$ 48,111	\$	\$	\$
Held by Bond Trustee:					
Federal Securities	226,445		226,445		
Money Market Fund	9,939,702	9,939,702			
Local Obligation Bonds	<u>102,326,797</u>	<u>3,970,522</u>	<u>4,030,522</u>	<u>12,596,029</u>	<u>81,729,724</u>
Total	<u>\$112,541,055</u>	<u>\$13,958,335</u>	<u>\$ 4,256,967</u>	<u>\$12,596,029</u>	<u>\$ 81,729,724</u>

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
City of Perris Pooled Investments	N/A	\$ 48,111	\$
Held by Bond Trustee:			
Federal Securities	N/A		226,445
Money Market Fund	N/A		9,939,702
Local Obligation Bonds	N/A	<u>102,326,797</u>	
Total		<u>\$ 102,374,908</u>	<u>\$ 10,166,147</u>

Perris Joint Powers Authority
Notes to Financial Statements
Year Ended June 30, 2017

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	\$ 9,939,702
CFD 2001-1 Special Tax Bonds (IA1, IA2 and IA3), 2014 Refunding Bonds	Local Obligation Bonds	\$ 10,759,269
CFD 2004-3 Special Tax Bonds (IA1), 2014 Refunding Bonds	Local Obligation Bonds	\$ 7,557,653
CFD 2001-1 Special Tax Bonds (IA6 and IA7), 2014 Refunding Bonds	Local Obligation Bonds	\$ 12,902,661
CFD 2005-2 Special Tax Bonds, 2015 Refunding Bonds	Local Obligation Bonds	\$ 13,746,208
CFD 2006-2 Special Tax Bonds, 2015 Series	Local Obligation Bonds	\$ 9,220,143
CFD 2004-3 Special Tax Bonds (IA2), 2015 Series	Local Obligation Bonds	\$ 8,804,622
CFD 2005-4 Special Tax Refunding Bonds, 2015 Series	Local Obligation Bonds	\$ 5,914,814

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, 2017, 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 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).

Perris Joint Powers Authority
Notes to Financial Statements
Year Ended June 30, 2017

2) CASH AND INVESTMENTS - Continued

Investments in Community Facilities 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	\$ 2,105,000
CFD 2002-1 Special Tax Bonds, 2013 Series	4,970,929
CFD 2001-1 Special Tax Refunding Bonds (IA1, IA2 and IA3), 2014 Series	10,759,269
CFD 2006-1 Special Tax Refunding Bonds, 2014 Series	2,397,133
CFD 2004-3 Special Tax Refunding Bonds (IA1), 2014 Series	7,557,653
CFD 2004-2 Special Tax Refunding Bonds, 2014 Series	4,534,560
CFD 2001-1 Special Tax Refunding Bonds (IA6 and IA7), 2014 Series	12,902,661
CFD 2004-1 Special Tax Refunding Bonds, 2014 Series A	2,262,395
CFD 2003-1 Special Tax Refunding Bonds, 2014 Series	3,273,327
CFD 2005-2 Special Tax Refunding Bonds 2015 Series	13,746,208
CFD 2006-2 Special Tax Refunding Bonds 2015 Series	9,220,143
CFD 2004-3 Special Tax Refunding Bonds (IA2), 2015 Series	8,084,622
CFD 2014-2 Special Tax Refunding Bonds, 2015 Series	2,927,688
CFD 2005-1 Special Tax Refunding Bonds (IA3), 2015 Series	4,686,076
CFD 2005-4 Special Tax Refunding Bonds, 2015 Series	5,914,814
CFD 2005-4 Special Tax Bonds, 2015 Series	2,813,234
CFD 2014-1 Special Tax Bonds, 2017 Series	4,171,085
Total	<u>\$ 102,326,797</u>

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.

Perris Joint Powers Authority
Notes to Financial Statements
Year Ended June 30, 2017

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, 2017, are as follows:

	Fair Value	Uncategorized	Significant Other Observable Inputs (Level 2)
City of Perris Pooled Investments	\$ 48,111	\$ 48,111	\$
Held by Fiscal Agent:			
Federal Securities	226,445		226,445
Money Market Fund	9,939,702	9,939,702	
Local Obligation Bonds	102,326,797		102,326,797
Total Investments	\$ 112,541,055	\$ 9,987,813	\$ 102,553,242

The City of Perris Pooled Investments and 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.

Perris Joint Powers Authority
Notes to Financial Statements
Year Ended June 30, 2017

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	\$ 2,360,000	\$	\$ 255,000 ⁽¹⁾	\$ 2,105,000	\$ 210,000
2013 Revenue Bonds, Series B	5,495,000		295,000 ⁽²⁾	5,200,000	155,000
2014 Revenue Bonds, Series A	11,165,000		560,000 ⁽³⁾	10,605,000	445,000
2014 Revenue Bonds, Series B	2,720,000		145,000 ⁽⁴⁾	2,575,000	50,000
2014 Revenue Bonds, Series C	8,300,000		425,000 ⁽⁵⁾	7,875,000	345,000
2014 Revenue Bonds, Series D	4,525,000		185,000	4,340,000	190,000
2014 Revenue Bonds, Series E	13,520,000		550,000 ⁽⁶⁾	12,970,000	395,000
2014 Revenue Bonds, Series F	2,365,000		90,000	2,275,000	95,000
2014 Revenue Bonds, Series G	3,305,000		105,000	3,200,000	115,000
2015 Revenue Bonds, Series A	13,215,000		465,000	12,750,000	525,000
2015 Revenue Bonds, Series B	9,020,000		130,000 ⁽⁷⁾	8,890,000	50,000
2015 Revenue Bonds, Series C	8,285,000		210,000	8,075,000	220,000
2015 Revenue Bonds, Series D	1,540,000		240,000	1,300,000	250,000
2015 Revenue Bonds, Series E	4,560,000		130,000	4,430,000	145,000
2015 Revenue Bonds, Series F	5,415,000		145,000	5,270,000	175,000
2015 Revenue Bonds, Series G	3,190,000		130,000	3,060,000	105,000
2017 Revenue Bonds, Series A	0	4,580,000		4,580,000	45,000
Premiums	113,899		3,905	109,994	
Discounts	(808,835)	(103,925)	(42,898)	(869,862)	
Total	\$ 98,285,064	\$ 4,476,075	\$ 4,021,007	\$ 98,740,132	\$ 3,515,000

⁽¹⁾ This amount includes a bond call of \$50,000.

⁽²⁾ This amount includes a bond call of \$150,000.

⁽³⁾ This amount includes a bond call of \$130,000.

⁽⁴⁾ This amount includes a bond call of \$100,000.

⁽⁵⁾ This amount includes a bond call of \$90,000.

⁽⁶⁾ This amount includes a bond call of \$170,000.

⁽⁷⁾ This amount includes a bond call of \$90,000.

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, 2017, the Authority has a cash reserve balance for debt service of \$276,014 which is sufficient to cover the Bond Indenture Reserve Requirement.

\$ 2,105,000

Perris Joint Powers Authority
Notes to Financial Statements
Year Ended June 30, 2017

4) LONG-TERM LIABILITIES - Continued

Revenue Bonds - Continued

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, 2017, the Authority has a cash reserve balance for debt service of \$569,410 which is sufficient to cover the Bond Indenture Reserve Requirement.

\$ 5,200,000

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, 2017, the Authority has a cash reserve balance for debt service of \$955,422 which is sufficient to cover the Bond Indenture Reserve Requirement.

10,605,000

On June 4, 2014, the Authority issued \$2,825,000 2014 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, 2017, the Authority has a cash reserve balance for debt service of \$223,319 which is sufficient to cover the Bond Indenture Reserve Requirement.

2,575,000

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, 2017, the Authority has a cash reserve balance for debt service of \$624,049 which is sufficient to cover the Bond Indenture Reserve Requirement.

7,875,000

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, 2017, the Authority has a cash reserve balance for debt service of \$341,005 which is sufficient to cover the Bond Indenture Reserve Requirement.

4,340,000

Perris Joint Powers Authority
Notes to Financial Statements
Year Ended June 30, 2017

4) LONG-TERM LIABILITIES - Continued

Revenue Bonds - Continued

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, 2017, the Authority has a cash reserve balance for debt service of \$930,907 which is sufficient to cover the Bond Indenture Reserve Requirement.

\$ 12,970,000

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, 2017, the Authority has a cash reserve balance for debt service of \$176,871 which is sufficient to cover the Bond Indenture Reserve Requirement.

2,275,000

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, 2017, the Authority has a cash reserve balance for debt service of \$302,630 which is sufficient to cover the Bond Indenture Reserve Requirement.

3,200,000

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, 2017, the Authority has a cash reserve balance for debt service of \$925,115 which is sufficient to cover the Bond Indenture Reserve Requirement.

12,750,000

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, 2017, the Authority has a cash reserve balance for debt service of \$756,180 which is sufficient to cover the Bond Indenture Reserve Requirement.

8,890,000

Perris Joint Powers Authority
Notes to Financial Statements
Year Ended June 30, 2017

4) LONG-TERM LIABILITIES - Continued

Revenue Bonds - Continued

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, 2017, the Authority has a cash reserve balance for debt service of \$746,777 which is sufficient to cover the Bond Indenture Reserve Requirement. \$ 8,075,000

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, 2017, the Authority has a cash reserve balance for debt service of \$154,287 which is sufficient to cover the Bond Indenture Reserve Requirement. 1,300,000

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, 2017, the Authority has a cash reserve balance for debt service of \$308,937 which is sufficient to cover the Bond Indenture Reserve Requirement. 4,430,000

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, 2017, the Authority has a cash reserve balance for debt service of \$357,916 which is sufficient to cover the Bond Indenture Reserve Requirement. 5,270,000

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, 2017, the Authority has a cash reserve balance for debt service of \$202,251 which is sufficient to cover the Bond Indenture Reserve Requirement. 3,060,000

Perris Joint Powers Authority
Notes to Financial Statements
Year Ended June 30, 2017

4) LONG-TERM LIABILITIES - Continued

Revenue Bonds - Continued

On June 21, 2017, the Authority issued \$4,580,000 2017 Local Agency Revenue Bonds, Series A, to acquire CFD 2014-1 (Avelina) 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 3.75% per annum. Principal on serial bonds is payable in annual installments ranging from \$20,000 to \$335,000 commencing September 1, 2017 through September 1, 2047. At June 30, 2017, the Authority has a cash reserve balance for debt service of \$331,086 which is sufficient to cover the Bond Indenture Reserve Requirement.

\$ 4,580,000

Total Revenue Bonds

\$ 99,500,000

The future debt requirements are as follows:

Year Ending June 30,	Principal	Interest	Total
2018	\$ 3,515,000	\$ 3,677,105	\$ 7,192,105
2019	3,575,000	3,651,685	7,226,685
2020	3,720,000	3,570,688	7,290,688
2021	3,850,000	3,475,326	7,325,326
2022	3,985,000	3,362,304	7,347,304
2023-2027	20,990,000	14,731,847	35,721,847
2028-2032	25,355,000	10,262,600	35,617,600
2033-2037	22,845,000	4,623,425	27,468,425
2038-2042	7,205,000	1,594,863	8,799,863
2043-2047	4,125,000	484,313	4,609,313
2048	335,000	6,281	341,281
Total	<u><u>\$ 99,500,000</u></u>	<u><u>\$ 49,440,437</u></u>	<u><u>\$ 148,940,437</u></u>

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.

Perris Joint Powers Authority
Notes to Financial Statements
Year Ended June 30, 2017

5) RISK MANAGEMENT - Continued

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) SUBSEQUENT EVENTS

On September 12, 2017, the Authority issued \$22,175,000 2017 Local Agency Revenue Bonds, Series B, to acquire (CFD 2001-1 IA 4 & 5 and CFD 2005-1 IA 4) 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 5.00% per annum. Principal on serial bonds is payable in annual installments ranging from \$825,000 to \$1,555,000, commencing September 1, 2018 through September 1, 2037.

On December 14, 2017, the Authority issued \$4,060,000 2017 Local Agency Revenue Refunding Bonds, Series C, to acquire CFD 93-1 and CFD 2004-5 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 3.75% per annum. Principal on serial bonds is payable in annual installments ranging from \$70,000 to \$595,000 commencing September 1, 2018 through September 1, 2035.