City of Perris

Perris, California

Single Audit
and Independent Auditors' Reports

For the Year Ended June 30, 2019

THE PUN GROUP
ACCOUNTANTS & ADVISORS

City of Perris
Single Audit Report
For the Year Ended June 30, 2019

Table of Contents

THE
PUN GROUP
ACCOUNTANTS & ADVISORS

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

Independent Auditors' Report

To the Honorable Mayor and the Members of City Council
of the City of Perris
Perris, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Perris, California (the "City") as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 20, 2019.

Internal Control Over Financial Reporting

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

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

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

200 E. Sandpointe Avenue, Suite 600, Santa Ana, California 92707
Tel: 949-777-8800 • Fax: 949-777-8850 • www.pungroup.com

THE
PUN GROUP
ACCOUNTANTS & ADVISORS

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

Independent Auditors' Report

To the Honorable Mayor and the Members of City Council
of the City of Perris
Perris, California

Report on Compliance for Each Major Federal Program

We have audited the City of Perris, California's (the "City") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2019. The City's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statues, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

200 E. Sandpointe Avenue, Suite 600, Santa Ana, California 92707
Tel: 949-777-8800 • Fax: 949-777-8850 • www.pungroup.com

City of Perris
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2019

Federal Grantor/Passed through Grantor Program Title	CFDA Number	Grant Award Number	Federal Expenditures
U.S. Department of Agriculture:			
Passed through the County of Riverside, Department of Public Health			
SNAP Cluster:			
Supplemental Nutrition Assistance Program (SNAP)	10.551	12-10194	$ 179,336
		SNAP Cluster Subtotal	179,336
		Total U.S. Department of Agriculture	179,336
U.S. Department of Commerce:			
Direct Programs:			
Investment for Economic Development Cluster:			
Public Works and Economic Development Facilities Program	11.300	07-01-07461	50,000
		Investment for Economic Development Cluster Subtotal	50,000
		Total U.S. Department of Commerce	50,000
U.S. Department of Housing and Urban Development:			
Direct Programs:			
CDBG - Entitlement Grants Cluster:			
Community Development Block Grants/Entitlement Grants	14.218	B-15-MC-06-0602	25,622
Community Development Block Grants/Entitlement Grants	14.218	B-16-MC-06-0602	20,000
Community Development Block Grants/Entitlement Grants	14.218	B-17-MC-06-0602	289,874
Community Development Block Grants/Entitlement Grants	14.218	B-18-MC-06-0602	658,306
Neighborhood Stablization Program 3	14.218	B-11-MN-06-0525	82,001
		CDBG - Entitlement Grants Cluster Subtotal	1,075,803
		Total U.S. Department of Housing and Urban Development	1,075,803
U.S. Department of Homeland Security:			
Passed through the County of Riverside:			
Emergency Management Performance Grants	97.042	2015-0049	16,147
Homeland Security Grant Program	97.067	2015-55-00078	902
		Total U.S. Department of Homeland Security	17,049
		Total Expenditures of Federal Awards	$ 1,322,188

See accompanying Notes to the Schedule of Expenditures of Federal Awards.

City of Perris
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2019

Section I – Summary of Auditors' Results

Financial Statements

Types of report the auditors issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	None Reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major federal programs:	
• Material weakness(es) identified?	None
• Significant deficiency(ies) identified?	None Reported
Type of auditor's report issued on compliance for major federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No

Identification of major federal programs:

CFDA Number(s)	Name of Federal Program or Cluster	Expenditures
14.218	CDBG Entitlement Grants Cluster	$ 1,075,803
	Total Expenditures of All Major Federal Programs	$ 1,075,803
	Total Expenditures of Federal Awards	$ 1,322,188
	Percentage of Total Expenditures of Federal Awards	81.37%

Dollar threshold used to distinguish between type A and type B programs:	$750,000
Auditee qualified as low-risk auditee under 2 CFR 500.520?	No

This page intentionally left blank.

City of Perris
Public Utility Authority

Perris, California

Basic Financial Statements
and Independent Auditors' Reports

For the Year Ended June 30, 2019

THE PUN GROUP
ACCOUNTANTS & ADVISORS

City of Perris Public Utility Authority
For the Year Ended June 30, 2019

Table of Contents

This page intentionally left blank.

THE PUN GROUP
ACCOUNTANTS & ADVISORS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
of the City of Perris Public Utility Authority
Perris, California

Report on the Financial Statements

We have audited the accompanying financial statements of the of the City of Perris Public Utility Authority (the "Authority"), a component unit of the City of Perris, California (the "City"), as of and for the year ended June 30, 2019, 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.

Auditors' Responsibility

Our responsibility is to express opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Audit 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority, as of June 30, 2019, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

200 E. Sandpointe Avenue, Suite 600, Santa Ana, California 92707
Tel: 949-777-8800 • Fax: 949-777-8850 • www.pungroup.com

Emphasis of Matter

Prior Period Adjustments

As described in Note 9 to the Financial Statements, the net position at July 1, 2018 for the Authority was restated to $106,921 as a result of correction of errors related to allocate other postemployment benefits liabilities and related deferred outflows and inflows of resources to the Authority. Our opinion is not modified with respect to this matter.

Going Concern

The accompany financial statements have been prepared assuming that the Authority will continue as a going concern. As discussion in Note 10 to the financial statements, the Authority suffered recurring losses from operations and has entered into asset purchase agreement to sell its water operation, pending approval from the California Public Utilities Commission. This raises substantial doubt about the Authority's ability to continue as a going concern. Management's plans in regard to these matters also described in Note 10. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect with this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require the Schedule of Proportionate Share of Net Pension Liability and Related Ratios, the Schedule of Contributions – Pensions, the Schedule of Proportionate Share of Net Other Postemployment Benefits Liability and Related Ratios, and the Schedule of Contributions – Other Postemployment Benefits on pages 33 to 36 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Required Supplementary Information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the 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 the 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.

To the Board of Directors
of the City of Perris Public Utility Authority
Perris, California
Page 3

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2019, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

The Pun Group, LLP

Santa Ana, California
December 20, 2019

This page intentionally left blank.

THE PUN GROUP
ACCOUNTANTS & ADVISORS

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

Independent Auditors' Report

To the Board of Directors
of the City of Perris Public Utility Authority
Perris, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the City of Perris Public Utility Authority (the "Authority"), a component unit of the City of Perris, California (the "City"), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated December 20, 2019.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

To the Board of Directors
of the City of Perris Public Utility Authority
Perris, California
Page 2

Purpose of this Report

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

The Pun Group, LLP

Santa Ana, California
December 20, 2019

BASIC FINANCIAL STATEMENTS

This page intentionally left blank.

City of Perris Public Utility Authority
Statement of Net Position
June 30, 2019

ASSETS		
Current assets:		
Cash and cash equivalents	$	216,679
Accounts receivable, net		277,556
Total current assets		494,235
Noncurrent assets:		
Capital assets, not being depreciated		300,564
Capital assets, net of depreciation		7,715,483
Total noncurrent assets		8,016,047
Total assets		8,510,282
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources related to pensions		22,982
Deferred outflows of resources related to other postemployment benefits		1,726
Total deferred outflows of resources		24,708
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities	$	400,164
Due to the City of Perris		3,052,783
Deposits payable		110,005
Loans payable to the City of Perris, due within one year		195,988
Total current libilities		3,758,940
Noncurrent liabilities:		
Compensated absences, due in more than one year		9,868
Loans payable to the City of Perris, due in more than one year		4,703,707
Net pension liability		75,036
Net other postemployment benefits liability		139,298
Total noncurrent liabilities		4,927,909
Total liabilities		8,686,849
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources related to pensions		6,289
Deferred inflows of resources related to other postemployment benefits		116
Total deferred inflows of resources		6,405
NET POSITION		
Net investment in capital assets		3,116,352
Unrestricted (deficit)		(3,274,616)
Total net position	$	(158,264)

See accompanying Notes to the Basic Financial Statements.

City of Perris Public Utility Authority
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2019

Operating Revenues	
Charges for services	$ 850,720
Total operating revenues	850,720
Operating Expenses	
Maintenance and operations	143,010
Contractual services	289,003
Administrative and general	57,792
Depreciation	320,359
Total Operating Expenses	810,164
Operating income	40,556
Nonoperating Expenses	
Interest expense	(305,741)
Total nonoperating expenses	(305,741)
Change in net position	(265,185)
Net Position:	
Beginning of Year, as restated (Note 9)	106,921
End of Year	$ (158,264)

See accompanying Notes to the Basic Financial Statements.

City of Perris Public Utility Authority
Statement of Cash Flows
For the Year Ended June 30, 2019

CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers and user	$	884,346
Cash paid for employee services		(138,750)
Cash paid to suppliers for goods and services		(272,171)
Net cash provided by operating activities		473,425
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Cash received from the City of Perris		3,052,783
Cash paid to the City of Perris		(2,952,109)
Net cash provided by noncapital financing activities		100,674
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Principal payments on capital debt		(195,988)
Interest payments on capital debt		(305,741)
Net cash (used in) capital and related financing activities		(501,729)
Net increase in cash and cash equivalents		72,370
CASH AND CASH EQUIVALENT:		
Beginning of year		144,309
End of year	$	216,679
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	$	40,556
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation		320,359
(Increase) decrease in accounts receivable		34,371
Increase (decrease) in pension related deferred outflows of resources		10,525
(Increase) decrease in deferred outflows of resources related to other postemployment benefits		(1,726)
(Increase) decrease in accounts payable and accrued liabilities		80,764
Increase (decrease) in deposit payable		(745)
(Increase) decrease in compensated absences		(295)
(Increase) decrease in net pension liability		(15,363)
Increase (decrease) in net other postemployment benefits liabilities		5,595
(Increase) decrease in pension related deferred inflows of resources		(732)
Increase (decrease) in deferred inflows of resources related to other postemployment benefits		116
Total adjustment		432,869
Net cash provided by (used in) operating activities	$	473,425

See accompanying Notes to the Basic Financial Statements.

This page intentionally left blank.

Note 1 – Summary of Significant Accounting Policies

The financial statements of the City of Perris Public Utility Authority (the "Authority"), a component unit of the City of Perris, California (the "City"), have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") as applied to governmental agencies. The Governmental Accounting Standards Boards ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The Authority's significant accounting policies are described below.

A. Description of the Reporting Entity

The City and the former Perris Redevelopment Agency (the "Agency") formed the Authority, a Joint Powers authority, pursuant to a Joint Exercise Powers Agreement, dated as of December 29, 1999 to assist the City in its financing objectives by purchasing and operating the Sewer and Water systems from the City.

The City and the Authority entered into a "Purchase Agreement", dated March 16, 2000, to sell the sewer and water enterprise from the City to the Authority. The sale price was based upon the completion of an appraisal of the enterprise, which was not completed until November 2000. On August 28, 2001, the original purchase agreement was rescinded and replaced by a new purchase agreement. The new purchase agreement was subsequently rescinded on February 12, 2002. Therefore, transactions related to the Purchase Agreement was not completed, nor presented in the accompanying financial statements. In December 2008, the Authority purchased the McCanna Ranch Water Company ("MRWC").

On February 1, 2012, the former Agency was dissolved by legislation from the California State Legislature and a decision by the California Supreme Court. The City became the Successor Agency of the former Agency and oversees the remaining activities of the former Agency.

The Authority's office and records are located at the City hall, 101 North "D" Street, Perris, California, Telephone number (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. The Authority is an integral part of the reporting entity of the City. The funds of the Authority have been blended within the financial statements of the City because the City Council of the City 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.

B. Basis of Accounting and Measurement Focus

The Authority reports its activities as an enterprise fund, which is used to account for operations that are financed and operated in a manner similar to a private business enterprise, where the intent of the Authority is that the costs (including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through fees and capital acquisition proceeds. The Authority's financial statements are reported using the "*economic resources*" measurement focus and the accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred regardless of the timing of related cash flows.

Proprietary funds distinguish operating revenues and expenses from those revenues and expenses that are nonoperating. Operating revenues are those revenues that are generated by services while operating expenses pertain directly to the furnishing of those services. Nonoperating revenues and expenses are those revenues and expenses generated that are not directly associated with the normal business services.

Note 1 – Summary of Significant Accounting Policies (Continued)

C. *Cash and Investments*

The Authority's cash and investments consist of cash and investments pooled with the City. The Authority cash balance is pooled with various other City funds for deposit and investment purposes. The Authority does not own specifically identifiable securities in the City's pool. The share of each fund in the pooled cash is separately maintained and interest income is apportioned to the participating funds based on the relationships of their average quarter-end cash balances to the total of the pooled cash and investments. The Authority consider the pool cash and cash equivalent due to the funds can be withdrawn upon request.

D. *Uncollectible Accounts Receivable*

The Authority uses the allowance method for uncollectible accounts receivable. Included in accounts receivable is an allowance for doubtful accounts of $22,432.

E. *Capital Assets*

Capital assets, which include land, buildings, building improvements, machinery, vehicles, and infrastructure assets, are reported in the government-wide financial statements. Capital assets are recorded at cost where historical records are available and at an estimated historical cost where no historical records exist. Capital assets purchased in excess of $5,000, and buildings and building improvements purchased in excess of $20,000 are capitalized if they have an expected useful life of 2 years or more. Infrastructure is capitalized if cost is in excess of $50,000 and it has an expected useful life of 2 years or more. The cost of normal maintenance and repairs that do not add to the value of the asset's lives are not capitalized.

Major capital outlay for capital assets and improvements are capitalized as projects are constructed. For debt-financed capital assets, interest incurred during the construction phase is reflected in the capitalization value of the asset constructed, net of interest earned on the invested proceeds over the same period. Capital assets acquired through lease obligations are valued at the present value of future lease payments at the date acquired. Donated capital assets are valued at their acquisition value rather than the estimated fair market value at the date of donation.

Capital assets used in operations are depreciated over the estimated useful lives using the straight-line method in the government-wide financial statements and in the fund financial statements of the proprietary funds. Depreciation is charged as an expense against operations and accumulated depreciation is reported on the respective balance sheet.

Depreciation is recorded on a straight-line basis over estimated useful lives of the assets as follows:

Buildings	30 - 45 years
Building Improvements	7 - 30 years
machinery	6 - 15 years
Vehicles	5 - 15 years
Infrastructure	20 - 40 years
Structures and Improvements	35 - 40 years
Reservoirs and Manholes	50 - 60 years
Boosters	25 years
Other Equipment and Services	35 - 60 years

Note 1 – Summary of Significant Accounting Policies (Continued)

F. Deferred Outflows and Inflows of Resources

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

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

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

G. Compensated Absences

Accumulated vacation and sick leave benefits and compensatory time are payable in future years when used by City employees. These amounts are payable from future resources and therefore have been recorded in long-term liabilities in the financial statements. Vacation benefits, sick leave, and compensatory time are recorded as expenses when incurred.

H. Pensions

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

The following timeframes are used for pension reporting:

Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Measurement Period	June 30, 2017 to June 30, 2018

Gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time. The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and inflows of sources related to pensions and are to be recognized in further pension expense. The amortization period differs depending on the source of the gain or loss. The difference between projected and actual earnings is amortized over five years. All other amounts are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period.

I. Other Postemployment Benefits ("OPEB")

For the purpose of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, the OPEB Plan recognizes benefit payments when due and payable in accordance with the benefit terms.

Note 1 – Summary of Significant Accounting Policies (Continued)

I. Other Postemployment Benefits ("OPEB") (Continued)

The following timeframes are reported OPEB reporting:

Valuation Date	July 1, 2017
Measurement Date	June 30, 2019
Measurement Period	July 1, 2018 to June 30, 2019

Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time. The first amortized amounts are recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense. The gains and losses are amortized on a straight-line basis over the average expected remaining service lives of all members.

J. Net Position

The net position is classified as follows:

Net Investment in Capital Assets – This amount consists of capital assets net of accumulated depreciation and related debt.

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

Unrestricted – This amount is all net position that does not meet the definition of "net investment in capital assets" or "restricted net position."

When expenses are incurred for purposes for which both restricted an unrestricted net position are available, the Authority's policy is to apply restricted net position first, then unrestricted net position as they are needed.

K. Use of Estimates

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

B. Implementation of New GASB Pronouncements

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements (GASB 88)*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established.

Note 2 – Cash and Investments

Cash and investment at June 30, 2019 was in the amount of $216,679 and consisted of pooled cash with the City in the City's internal investment pool. The Authority does not own specific identifiable securities in the City pool. Interest income is allocated based on average cash balances. Investment policies and associated risk factors applicable to the Authority are those of the City and are included in the City's basic financial statements. Please refer to the City's Comprehensive Annual Financial Report for related cash and investment disclosures.

Note 3 – Capital Assets

The summary of changes in capital assets for the year ended June 30, 2019 was as follows:

	Balance July 1, 2018	Additions	Deletions	Reclassification	Balance June 30, 2019
Capital assets, not being depreciated:					
Land	$ 300,564	$ -	$ -	$ -	$ 300,564
Total capital assets, not being depreciated	300,564	-	-	-	300,564
Capital assets, being depreciated:					
Major equipment	396,481	-	-	-	396,481
Structures and improvements	244,829	-	-	-	244,829
Reservoirs	1,608,367	-	-	-	1,608,367
Mains	5,641,405	-	-	-	5,641,405
Services	1,335,421	-	-	-	1,335,421
Meters	204,327	-	-	-	204,327
Hydrants	656,884	-	-	-	656,884
Wells	996,070	-	-	-	996,070
Total capital assets, being depreciated	11,083,784	-	-	-	11,083,784
Less accumulated depreciation:					
Major equipment	(188,329)	(19,824)	-	-	(208,153)
Structures and improvements	(54,898)	(5,778)	-	-	(60,676)
Resevoirs	(339,541)	(35,742)	-	-	(375,283)
Mains	(1,529,799)	(160,463)	-	-	(1,690,262)
Services	(422,883)	(44,514)	-	-	(467,397)
Meters	(64,704)	(6,811)	-	-	(71,515)
Hydrants	(178,296)	(18,768)	-	-	(197,064)
Wells	(269,492)	(28,459)	-	-	(297,951)
Total accumulated depreciation	(3,047,942)	(320,359)	-	-	(3,368,301)
Total capital assets being depreciated, net	8,035,842	(320,359)	-	-	7,715,483
Capital assets, net of depreciation	$ 8,336,406	$ (320,359)	$ -	$ -	$ 8,016,047

Note 4 – Compensated Absences

The summary of changes in compensated absences for the year ended June 30, 2019 was as follows:

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019	Due within One Year	Due in More Than One Year
Compensated absences	$ 10,163	$ -	$ (295)	$ 9,868	$ -	$ 9,868

Note 5 – Loans Payable to the City of Perris

On December 12, 2008, the Authority entered into a promissory note with MRWC for $9,360,000 for the acquisition of the company's capital assets and operations. Interest on the note accrues at 2% per annum. The note is secured by the issuance of bonds. The first bond is required to equal or exceed $4,950,000. The remaining $4,410,000 shall be determined by the subsequent issuance of bonds according to the promissory note covenants. In January 2010, BAI Investors, LLC ("BAI") acquired the promissory note from the MRWC. On March 31, 2015, the Authority approved the first settlement agreement with BAI that requires two payments to settle the debt. The Authority agreed to pay BAI $5,879,635 to satisfy the first payment in the amount of $4,950,00. The second payment in the amount of $4,410,000 will become due when the State Water Resources Control Board issues an amendment to the Authority's permit allowing appropriation of additional water from the underground stream diversion of that water to other parts of the City. The Authority and BAI entered into second settlement agreement in the amount of $2,079,000 for the second payment during the year ended June 30, 2018.

On March 31, 2015, the City and the Authority entered in to loan agreement for $5,879,635. The loan is being used to provide funding for the first settlement agreement with BAI. Interest on the loan accrues 6% per annum. Principal on the loan is payable in annual payments of $195,988 and a final payment of $195,983 commencing June 30, 2015 through June 30, 2044. The balance of the loans payable was in the amount of $4,899,695 at June 30, 2019.

The future debt requirements are as follows:

Year Ending June 30,	Principal	Interest	Total
2020	$ 195,988	$ 293,982	$ 489,970
2021	195,988	282,222	478,210
2022	195,988	270,463	466,451
2023	195,988	258,704	454,692
2024	195,988	246,945	442,933
2025-2029	979,940	1,058,333	2,038,273
2030-3034	979,940	764,352	1,744,292
2035-2039	979,940	470,370	1,450,310
2040-2044	979,935	176,388	1,156,323
Total	$ 4,899,695	$ 3,821,759	$ 8,721,454

Note 6 – Pensions

A. General Information about the Pension Plan

Plan Description

The Public Utility Authority participates in the City of Perris's miscellaneous plan, an agent multiple-employer defined benefit pension plan for miscellaneous employees. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statue and City ordinance. A full description of the pension plan regarding number of employees covered, benefit provisions, assumptions (for funding, but not accounting purposes), and membership information are listed in the annual actuarial valuation report. This report and CalPERS' audited financial statements are publicly available reports that can be obtained at CalPERS' website under Forms and Publications.

Benefits Provided

CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefits are based on years of credited service, equal to one year of fulltime employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

Below is the summary of the plans' provisions and benefits in effect at June 30, 2019, for which the City of Perris has contracted:

	Classic	Tire II	PEPRA
Hire date	Prior to January 1, 2013	January 1, 2010 but prior to January 1, 2013	January 1, 2013 and after
Benefit formula	2.7% @ 55	2.0% @ 60	2% @ 62
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	Monhtly for life	Monhtly for life	Monhtly for life
Retirement age	Minimum 50 yrs	Minimum 50 yrs	Minimum 52 yrs
Monthly benefits, as a % of eligbile compension	2.0% to 2.7%	1.092% to 2.418%	1.0% to 2.5%
Employee contribution rate	8.00%	7.00%	6.25%
Employer contribution rate (Measurement period)	11.68%	7.20%	6.53%
Employer contribution rate (current fiscal year)	12.21%	7.63%	6.84%

Note 6 – Pensions (Continued)

A. General Information about the Pension Plan (Continued)

Benefits Provided

Participant is eligible for non-industrial disability retirement if he/she becomes disabled and has at least 5 years of credited service. There is no special age requirement. The standard non-industrial disability retirement benefit is a monthly allowance equal to 1.8 percent of final compensation, multiplied by service. Industrial disability benefits are not offered.

An employee's beneficiary may receive the basic death benefit if the employee dies while actively employed. A member's survivor who is eligible for any other pre-retirement death benefit may choose to receive that death benefit instead of this basic death benefit. The basic death benefit is a lump sum in the amount of the employee's accumulated contributions, where interest is currently credited at 7.5 percent per year, plus a lump sum in the amount of one month salary for each completed year of current service, up to a maximum of six months' salary. For purposes of this benefit, one month's salary is defined as the member's average monthly full-time rate of compensation during the 12 or 36 months preceding death.

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

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

Employees Covered by Benefit Terms

Please refer to the City's Comprehensive Annual Financial Report for numbers of employees covered by benefit terms at June 30, 2017 valuation date.

Contribution Description

Section 20814(c) of the California Public Employees' Retirement Law ("PERL") requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

B. Pension Liabilities, Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

For measurement period ended June 30, 2018, the total pension liability was determined by rolling forward the June 30, 2017 total pension liability. The June 30, 2017 valuation was rolled forward to determine the June 30, 2018 total pension liability, based on following actuarial methods and assumptions:

Note 6 – Pensions (Continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension (Continued)

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.15% Net of Pension Plan Investment and Administrative Expenses; includes Inflation
Mortality Rate Table	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.00% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.50% thereafter

[1]The mortality table used in 2018 was developed based on CalPERS' specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to December 2017 Experience Study Report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website at www.calpers.ca.gov under Forms and Publications.

Change of Assumptions

In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate.

Long-term Expected Rate of Return

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

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

Note 6 – Pensions (Continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension (Continued)

Long-term Expected Rate of Return (Continued)

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

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

[1] In the CalPERS' CAFR, Fisced Income is included in Global Debt Securities; Liquity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.

[2] An expected inflation of 2.00% used for this period

[3] An expected inflation of 2.92% used for this period

Discount Rate

The discount rate used to measure the 2018 total pension liabilities were 7.15 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

	Plan's Net Pension Liability		
	Discount Rate - 1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate + 1% (8.15%)
Measurement Date June 30, 2018	$ 120,528	$ 75,036	$ 37,482

Pension Plan Fiduciary Net Position

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

Note 6 – Pensions (Continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension (Continued)

Proportionate Share of Net Pension Liability and Pension Expense

The Authority proportionate share of net pension liability of the City's miscellaneous plan is determined by the City's CalPERS fiscal year 2017-2018 contribution made by the Authority over the total miscellaneous plan contribution. The following table shows the Authority's proportionate share of the City's miscellaneous plan net pension liability over the measurement periods ended June 30, 2018.

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/(Asset) (c) = (a) - (b)
Balance at June 30, 2017 (Valuation Date)	$ 357,450	$ 267,051	$ 90,399
Balance at June 30, 2018 (Measurement Date)	313,771	238,735	75,036
Net Changes during 2017-2018	$ (43,679)	$ (28,316)	$ (15,363)

The following is the approach established by the plan actuary to allocate the net pension liability and pension expense to the individual employers within the risk pool.

(1) In determining a cost-sharing plan's proportionate share, total amounts of liabilities and assets are first calculated for the risk pool as a whole on the valuation date (June 30, 2017). The risk pool's fiduciary net position ("FNP") subtracted from its total pension liability ("TPL") determines the net pension liability ("NPL") at the valuation date.

(2) Using standard actuarial roll forward methods, the risk pool TPL is then computed at the measurement date (June 30, 2018). Risk pool FNP at the measurement date is then subtracted from this number to compute the NPL for the risk pool at the measurement date. For purposes of FNP in this step and any later reference thereto, the risk pool's FNP at the measurement date denotes the aggregate risk pool's FNP at June 30, 2018 less the sum of all additional side fund (or unfunded liability) contributions made by all employers during the measurement period (2017-18).

(3) The individual plan's TPL, FNP and NPL are also calculated at the valuation date.

(4) Two ratios are created by dividing the plan's individual TPL and FNP as of the valuation date from (3) by the amounts in step (1), the risk pool's total TPL and FNP, respectively

(5) The plan's TPL as of the measurement date is equal to the risk pool TPL generated in (2) multiplied by the TPL ratio generated in (4). The plan's FNP as of the Measurement Date is equal to the FNP generated in (2) multiplied by the FNP ratio generated in (4) plus any additional side fund (or unfunded liability) contributions made by the employer on behalf of the plan during the measurement period.

(6) The plan's NPL at the Measurement Date is the difference between the TPL and FNP calculated in (5).

Deferred outflows of resources, deferred inflows of resources, and pension expense is allocated based on the City's share of net pension liability at the measurement date and the Authority's share of contribution made.

Note 6 – Pensions (Continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension (Continued)

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

The Authority's proportionate shares of the net pension liabilities are as follows:

June 30, 2017	0.00091%
June 30, 2018	0.00078%
Change - Increase (Decrease)	-0.00013%

For the year ended June 30, 2019, the Authority recognized pension credit in the amounts of $66,735.

The expected average remaining service lifetime ("EARSL") is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired). The EARSL for the miscellaneous plan for the 2017-18 measurement period is 3.8 years, which was obtained by dividing the total service years of 516,147 (the sum of remaining service lifetimes of the active employees) by 135,474 (the total number of participants: active, inactive, and retired).

As of measurement date of June 30, 2018, the Authority reported deferred outflows and deferred inflows of resources related to pensions as follows:

	Deferred outflows of Resources	Deferred inflows of Resources
Contribution made after the measurement date	$ 8,392	$ -
Changes of assumptions	8,554	(2,097)
Difference between expected and actual experience	2,879	(980)
Net difference between projected and actual earning on pension plan investments	371	-
Adjustment due to differences in proportions	2,786	
Difference between the City's contributions and proportionate share of contributions	-	(3,212)
Total	$ 22,982	$ (6,289)

The amounts above are net of deferred outflows and inflows of resources recognized in the 2017-2018 measurement period expense.

$8,392 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the collective net pension liability in the year ending June 30, 2020. Other amounts reported as deferred outflows or deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Note 6 – Pensions (Continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension (Continued)

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

Measurement Period Ended June 30,	Deferred Outflows/(Inflows) of Resources Miscellaneous Plan
2019	$ 7,315
2020	3,997
2021	(2,336)
2022	(675)
2023	-
Thereafter	-
	$ 8,301

Note 7 – Other Postemployment Benefits ("OPEB")

A. General Information about the OPEB Plan

Plan Description

The Authority participates in the City of Perris Retiree Healthcare Plan, CPRHP. The City provides medical benefits to eligible retired employees and qualified dependents. CPRHP is part of the Public Agency portion of the California Employers' Retiree Benefit Trust Fund ("CERBT"), an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California. Benefit provisions as well as other requirements are established by State statute within the Public Employees' Retirement Law. CPRHP selects optional benefit provisions from the benefit menu by contract with CalPERS. CalPERS issues a Comprehensive Annual Financial Report ("CAFR"). The CAFR is issued in aggregate and includes the sum of all CalPERS plans. Copies of the CalPERS CAFR may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814.

Funding Policy

The contribution requirements of plan members and the City are established and may be amended by the City Council. Retirees hired prior to June 26, 2007 are covered by an "equal contribution method" resolution. The City contributes 100% of the retiree and dependent premiums up to the average of the family premiums for the two median-cost plans.

Retirees hired after June 25, 2008 are covered under a "vesting" resolution. A summary of the vesting resolution is as follows:

Contribution (Maximum)		
Employee Only	Employee and 1 dependent	Employee and 2+ dependent
$ 907	$ 1,815	$ 1,676

Note 7 – Other Postemployment Benefits ("OPEB") (Continued)

A. *General Information about the OPEB Plan (Continued)*

Funding Policy (Continued)

Years of Sevice	Vesting %
Less than 10	0%
10	50%
11	55%
12	60%
13	65%
14	70%
15	75%
16	80%
17	85%
18	90%
19	95%
20 or more	100%

Contributions

The Authority currently finances benefits on a pay-as-you-go basis.

Employee Covered

Please refer to the City's Comprehensive Annual Financial Report for numbers of employees covered by the plan at June 30, 2019.

B. *Net OPEB Liability*

Actuarial Assumptions

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

Valuation Date	July 1, 2017
Actuarial Cost Method	Entry Age Normal, Level of Percentage of Pay
Amortization Method	Straight-line amortization over a closed period equal to the average expected remaining service lives of all members (4.5124
Actuarial Assumptions:	
Discount Rate	3.5% per annum, net of investment expenses
Inflation	2.25% per annum
Salary Increases	3.0% per annum, in aggregate
Healthcare cost tread rates	8.00% for 2017-18, decreasing to 5.00% for 2020-21 and after
Retiree's share of cost	Retirees pay the balance of the premium after City contribution which varies by calendar year and date of hire.
Mortality	Mortality rates were based on the RP-2014 Employee and Healthy Annuitant Mortality Tables for Males or Females, as appropriate, projected using a generational projection based on 100% of scale MP-2016 for years 2014 through 2029, 50% of MP-2016 for years 2030 through 2049, and 20% of MP-2016 for 2050 and thereafter.

Note 7 – Other Postemployment Benefits ("OPEB") (Continued)

B. Net OPEB Liability (Continued)

Change of Assumptions

The discount rate decreased from 3.6% at June 30, 2018 to 3.5% at June 30, 2019.

Discount Rate

The discount rate used to measure the total OPEB liability was 3.5 percent. The discount rate was based on the Bond Buyer 20-bond General Obligation Index. Currently, the City is under a pay-as-you-go method and the CPRHP.

C. Change in the Net OPEB Liability

Proportionate Share of Net OPEB Liability

The following table shows the Authority's proportionate share of the City's CPRHP net OPEB liability over the measurement period ended June 30, 2019.

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability/(Asset) (c) = (a) - (b)
Balance at June 30, 2018	$ 133,703	$ -	$ 133,703
Balance at June 30, 2019 (Measurement Date)	139,298	-	139,298
Net Changes	$ 5,595	$ -	$ 5,595

The Authority's proportionate shares of the net OPEB liabilities is 0.83% at the measurement date of June 30, 2019.

June 30, 2018	0.83%
June 30, 2019	0.83%
Change - Increase (Decrease)	0.00%

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

The following presents the Authority's proportionate share of the net OPEB liability of the City, as well as what the Authority's proportionate share of net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.50 percent) or 1-percentage- point higher (3.50 percent) than the current discount rate:

	Plan's Net OPEB Liability/(Asset)		
	Discount Rate - 1% (2.50%)	Current Discount Rate (3.50%)	Discount Rate + 1% (4.50%)
Measurement Date June 30, 2018	$ 163,539	$ 139,298	$ 120,068

Note 7 – Other Postemployment Benefits ("OPEB") (Continued)

C. Change in the Net OPEB Liability (Continued)

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

The following presents the Authority's proportionate share of the net OPEB liability of the City, as well as what the Authority's proportionate share of the net OEPB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (4.00 percent) or 1-percentage-point higher (6.00 percent) than the current healthcare cost trend rates:

	Plan's Net OPEB Liability/(Asset)		
	Current Rate -1%	Current Healthcare Cost Trend Rates	Current Rate +1%
	1% Decrease (7.0% decreasing to 4.0%	Current Rates (8.0% decreasing to 5.0%	1% Increase (9.0% decreasing to 6.0%
Measurement Date June 30, 2018	$ 117,183	$ 139,298	$ 167,513

D. OPEB Expense and Deferred Outflows of Resources Related to OPEB

For the fiscal year ended June 30, 2019, the Authority recognized OPEB expenses in the amount of $9,388. At June 30, 2019, the Authority reported deferred outflows of resources related to OPEB from the following sources:

	Deferred outflows of Resources	Deferred inflows of Resources
Changes of assumptions	1,726	-
Difference between expected and actual experience	-	(116)
Total	$ 1,726	$ (116)

The amounts above are net of outflows recognized in the 2019 measurement period expense.

The deferred outflows of resources related to OPEB will be recognized in future OPEB expense as follows:

Year Ended June 30	Deferred Outflows/(Inflows) of Resources OPEB Plan
2020	$ 458
2021	458
2022	458
2023	236
2024	-
Thereafter	-
	$ 1,610

Note 8 – Commitments and Contingencies

Commitments

The Authority did not have material outstanding commitments as of June 30, 2019.

Asset Purchase Agreement with Liberty Utilities (Park Water) Corp

On December 19, 2017, the City and Liberty Utilities Corp. ("Liberty Utilities") entered into asset purchase agreement where the City will sell the both the water distribution system located entirely inside the northeast boundary of the City owned by the Authority and the water distribution system located entirely within the central downtown area of the City owned by the City (collectively the "Water Systems") to Liberty Utilities for $11,500,000. The sale includes the real property for the operation of the Water Systems and the related facilities, equipment, personal property, inventory, supplies, and customer-related information. The sale excludes the cash, receivables, customer deposits, and certain settlement agreements. The asset purchase agreement is subjected to approval by the California Public Utilities Commission (the "CPUC"). As of the report issuance date, the City has not received the approval from CPUC for the sale of the Water Systems.

Note 9 – Prior Period Adjustment

The beginning net position was restated from $240,624 to $106,921 as a result of correction of error related to allocate other postemployment benefits liabilities to the Authority.

Note 10 – Going Concern

As shown in the basic financial statements, the Authority had a negative change in net position of $(265,185), and had a negative net position of $(158,264) for the year ended June 30, 2019. These factors, as well as the pending sale of the Authority's water system, created substantial doubt about the Authority's ability to continue as a going concern for the year following the date the financial statements are available to be issued.

Management of the Authority has evaluated these conditions and plans to secure additional operating advances from the City. The ability of the Authority to continue as a going concern and meet its obligation as they become due is dependent on the advances from the City and the sale of the water system. The financial statements do not include any adjustments that might be necessary if the Authority is unable to continue as a going concern.

This page intentionally left blank.

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

This page intentionally left blank.

City of Perris Public Utility Authority
Required Supplementary Information (Unaudited)
Schedule of Proportionate Share of Net Pension Liability and Related Ratios
For the Year Ended June 30, 2019

Last Ten Fiscal Years

California Public Employees' Retirement System

Measurement period	June 30, 2014[1]	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018
Authority's Proportion of the Net Pension Liability	0.00097%	0.00116%	0.00900%	0.00091%	0.7900%
Authority's Proportionate Share of the Net Pension Liability	$ 60,159	$ 79,463	$ 78,308	$ 90,399	$ 75,036
Authority's Covered Payroll	$ 89,836	$ 85,815	$ 72,332	$ 54,762	$ 54,449
Authority's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	66.97%	92.60%	108.26%	165.08%	137.81%
Authority's Proportionate Share of the Fiduciary Net Position as a Percentage of the Total Pension Liability	86.36%	80.34%	75.87%	74.71%	76.09%

[1] Historical information is presented only for measurement periods for which GASB 68 is available. Additional years of information will be presented as it becomes available.

Notes to Schedule:

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

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

City of Perris Public Utility Authority
Required Supplementary Information (Unaudited)
Schedule of Contributions
For the Year Ended June 30, 2019

Last Ten Fiscal Years

California Public Employees' Retirement System

Fiscal year	2014-2015[1]	2015-2016	2016-2017	2017-2018	2018-2019
Actuarially determined contribution	$ 7,797	$ 7,878	$ 8,391	$ 8,515	$ 8,392
Contributions in relation to the actuarially determined contribution	(7,797)	(7,878)	(8,391)	(8,515)	(8,392)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered payroll[2]	$ 85,815	$ 72,332	$ 54,762	$ 54,449	$ 56,083
Contributions as a percentage of covered payroll	9.09%	10.89%	15.32%	15.64%	14.96%

[1] Historical information is presented only for measurement periods for which GASB 68 is applicable. Additional years of information will be presented as it becomes available.

[2]Payroll from prior year (2017-18) was assumed to increase by the 3.0 percent payroll growth assumption.

Notes to Schedule:

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

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

City of Perris Public Utility Authority
Required Supplementary Information (Unaudited)
Schedule of Proportionate Share of Net OPEB Liability and Related Ratios
For the Year Ended June 30, 2019

Last Ten Fiscal Years

Other Postemployment Benefits

Measurement period	June 30, 2018[1]	June 30, 2019
Authority's Proportion of the Net OPEB Liability	0.83000%	0.8300%
Authority's Proportionate Share of the Net OPEB Liability	$ 133,703	$ 139,298
Authority's Covered Payroll	$ 54,449	$ 56,083
Authority's Proportionate Share of the Net OPEB Liability as a Percentage of Its Covered Payroll	245.56%	248.38%
Authority's Proportionate Share of the Fiduciary Net Position as a Percentage of the Total OPEB Liability	0.00%	0.00%

[1] Historical information is presented only for measurement periods for which GASB 75 is available. Additional years of information will be presented as it becomes available.

Notes to Schedule:

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

Changes of Assumptions: In 2019, the accounting discount rate reduced from 3.6 percent to 3.5 percent.

City of Perris Public Utility Authority
Required Supplementary Information (Unaudited)
Schedule of Contributions - Other Postemployment Benefits Plan
For the Year Ended June 30, 2019

Last Ten Fiscal Years

Other Postemployment Benefits

Fiscal year	2017-2018[1]	2018-2019
Actuarially determined contribution	$ 4,249	$ 4,368
Contributions in relation to the actuarially determined contribution	(5,229)	(5,402)
Contribution deficiency (excess)	$ (980)	$ (1,034)
Covered payroll[2]	$ 54,449	$ 56,083
Contributions as a percentage of covered payroll	0.00%	9.63%

[1] Historical information is presented only for measurement periods for which GASB 75 is available. Additional years of information will be presented as it becomes available.

Notes to Schedule:

The actuarial methods and assumptions used to set the actuarially determined contributions for measurement date June 30, 2019 were derived from the July 1, 2017 funding valuation reports.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal Cost Method
Amortization method	Level Percent Payroll
Asset valuation method	Market Value
Inflation	2.25% per annum
Discount rate	3.50%
Payroll Growth	3.0% per annum, in aggregate
Individual salary growth	N/A
Medical Trend Rates	8.00% for 2017-18, decreasing to 5.00% for 2020-21 and after

The City of Perris Public Financing Authority

Perris, California

Basic Financial Statements and Independent Auditors' Reports

For the Year Ended June 30, 2019

THE PUN GROUP
ACCOUNTANTS & ADVISORS

City of Perris Public Financing Authority
For the Year Ended June 30, 2019

Table of Contents

This page intentionally left blank.

THE PUN GROUP
ACCOUNTANTS & ADVISORS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
of the City of Perris Public Financing Authority
Perris, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the City of Perris Public Financing Authority (the "Authority"), a component unit of the City of Perris, California (the "City"), as of and for the year ended June 30, 2019, 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.

Auditors' 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 Audit 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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 the major fund of the Authority, as of June 30, 2019, 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.

200 E. Sandpointe Avenue, Suite 600, Santa Ana, California 92707
Tel: 949-777-8800 • Fax: 949-777-8850 • www.pungroup.com

To the Board of Directors
of the City of Perris Public Financing Authority
Perris, California
Page 2

Other Matters

Required Supplementary Information

Management has omitted the Management's Discussion and Analysis and Budgetary Comparison Schedule 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 the 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 report dated December 20, 2019, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

The Pun Group, LLP

Santa Ana, California
December 20, 2019

THE PUN GROUP
ACCOUNTANTS & ADVISORS

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

Independent Auditors' Report

To the Board of Directors
of the City of Perris Public Financing Authority
Perris, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major fund of the City of Perris Public Financing Authority (the "Authority"), a component unit of the City of Perris, California (the "City"), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated December 20, 2019.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

200 E. Sandpointe Avenue, Suite 600, Santa Ana, California 92707
Tel: 949-777-8800 • Fax: 949-777-8850 • www.pungroup.com

To the Board of Directors
of the City of Perris Public Financing Authority
Perris, California
Page 2

Purpose of this Report

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

The Pun Group, LLP

Santa Ana, California
December 20, 2019

BASIC FINANCIAL STATEMENTS

This page intentionally left blank.

City of Perris Public Financing Authority
Statement of Net Position
June 30, 2019

	Governmental Activities
ASSETS	
Current assets:	
Cash and investments	$ 38,815
Interest receivable	71
Interest receivable from other agencies	475,838
Total current assets	514,724
Noncurrent assets:	
Loan receivable from other agencies	46,385,000
Restricted cash and investments with fiscal agent	4,803,643
Total noncurrent assets	51,188,643
Total Assets	51,703,367
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charge on refunding	741,822
Total Deferred Outflows of Resources	741,822
LIABILITIES	
Accounts payable	32
Deposits	4,604,827
Unearned revenue	289,169
Interest payable	475,838
Noncurrent liabilities:	
Due within one year	1,860,000
Due in more than one year	45,511,450
Total liabilities	52,741,316
NET POSITION	
Unrestricted (deficit)	(296,127)
Total Net Position	$ (296,127)

See accompanying Notes to the Basic Financial Statements.

City of Perris Public Financing Authority
Statement of Activities
For the Year Ended June 30, 2019

Functions/Programs	Expenses	Program Revenues: Operating Grants and Contributions	Net (Expenses) Revenue and Change in Net Position: Governmental Activities
Governmental Activities:			
Program Expenses:			
Interest and fiscal charges	$ 1,746,100	$ 1,746,100	$ -
Total	$ 1,746,100	$ 1,746,100	-
General Revenues:			
Interest earnings			667,888
Other			19,664
Total General Revenues			687,552
Change in Net Position			687,552
Net Position:			
Beginning of year			(983,679)
End of year			$ (296,127)

See accompanying Notes to the Basic Financial Statements.

GOVERNMENTAL FUND FINANCIAL STATEMENTS

This page intentionally left blank.

City of Perris Public Financing Authority
Balance Sheet
Governmental Fund
June 30, 2019

	General Fund
ASSETS	
Cash and investments	$ 38,815
Cash and investments with fiscal agent	4,803,643
Interest receivable	71
Loans receivable	46,385,000
Total assets	$ 51,227,529
LIABILITIES AND FUND BALANCE	
Liabilities:	
Payable to the City of Perris	$ 32
Deposits	4,604,827
Unearned revenues	289,169
Total liabilities	4,894,028
Fund Balances:	
Nonspendable:	
Noncurrent loans receivable	44,525,000
Restricted for:	
Debt service	1,808,501
Total Fund Balances	46,333,501
Total liabilities and fund balance	$ 51,227,529

See accompanying Notes to the Basic Financial Statements.

City of Perris Public Financing Authority
Reconciliation of the Governmental Fund Balance Sheet to the Government-Wide Statement of Net Position
June 30, 2019

Total Fund Balances - Governmental Fund		$ 46,333,501
Amounts reported for governmental activities in the statement of net position are different because:		
Interest receivable on advances to the Successor Agency of the Former Redevelopment Agency of the City of Perris does not provide current financial resources. Therefore, interest receivable on advances is not reported as an asset in the governmental fund.		475,838
Long-term liabilities applicable to the governmental activities are not due and payable in the current period; therefore, are not reported as fund liabilities. All liabilities, both current and long-term are reported in the Statement of Net Positions.		
Revenue bonds	(47,371,450)	
Deferred losses on refunding	741,822	(46,629,628)
Accrued interest payable for the current portion of interest due on bonds has not been reported in the governmental funds.		(475,838)
Net position of governmental activities		$ (296,127)

See accompanying Notes to the Basic Financial Statements.

City of Perris Public Financing Authority
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Fund
For the Year Ended June 30, 2019

	General Fund
REVENUES:	
Investment earnings	$ 2,736,395
Other	19,664
Total Revenues	2,756,059
EXPENDITURES:	
Debt service:	
Principal retirement	20,260,000
Interest and fiscal charges	2,074,287
Total Expenditures	22,334,287
Net Changes in Fund Balance	(19,578,228)
FUND BALANCE:	
Beginning of year	65,911,729
End of Year	$ 46,333,501

See accompanying Notes to the Basic Financial Statements.

City of Perris Public Financing Authority
Reconciliation of the Governmental Fund Statement of Revenues, Expenditures, and Change in Fund Balance to the Government-Wide Statement of Activities
For the Year Ended June 30, 2019

Net change in fund balance - governmental fund:		$ (19,578,228)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Interest income on advances receivable does not provide current financial resource. Therefore, interest income is not reported as revenue in the governmental fund. This is the net change in accrued interest receivable for the current period.		(322,407)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
Principal repayments:		
Revenue bonds	20,260,000	
Amortization of premium/discount and deferred charges	5,780	20,265,780
Accrued interest for long-term liabilities. This is the net change in accrued interest for the current period.		322,407
Change in net position of governmental activities		$ 687,552

See accompanying Notes to the Basic Financial Statements.

NOTES TO THE BASIC FINANCIAL STATEMENTS

This page intentionally left blank..

Note 1 – Reporting Entity and Summary of Significant Accounting Policies

A. Reporting Entity

The Perris Public Financing Authority (the "Authority") is a joint exercise of powers between the City of Perris, California (the "City") and the former Perris Redevelopment Agency (the "Agency"), created by a joint powers agreement dated August 28, 1989. The purpose of the Authority is to provide financing for public capital improvements within the City. On February 1, 2012, the Agency was dissolved by legislation from the California State Legislature and a decision by the California Supreme Court. The City of Perris is the Successor Agency of the Perris Redevelopment Agency (the "Successor Agency") which oversees the remaining activities of the former Perris Redevelopment Agency.

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 and, accordingly, the financial statements of the Authority are included in the financial statements of the City. The Authority is an integral part of the reporting entity of the City. The funds of the Authority have been blended within the financial statements of the City because the City Council of the City 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.

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.

Investment earnings and other revenues that are 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 nonmajor funds. Currently, the Authority only has one governmental fund.

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

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.

D. Cash and Investments

The Authority's cash and investments consist of cash and investments pooled with the City and investments held by fiscal agents to meet debt obligations. Investments with fiscal agents are restricted for the redemption of bonded debt.

E. Loans Receivable

The Authority advanced funds to the former Agency and reported the advances as loans receivable from other agencies. See Note 3.

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

F. Long-Term Debt

In the government-wide financials statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium and discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on the debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

The fund financial statements do not present long-term debt. Accordingly, long-term debt is shown as a reconciling item in the Reconciliation of the Governmental Fund Balance Sheet to the Government-Wide Statement of Net Position.

G. Deferred Outflows and Inflows of Resources

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

Deferred Outflows of Resources represent outflows of resources (consumption of net position) that apply to future periods; therefore, will not be recognized as an expense until that time. The Authority reports deferred charges on refunding in this category which arises only under a full accrual basis of accounting. Accordingly, deferred charges on refunding are reported only in the government-wide statement of net position. The deferred charges on refunding resulted from the differences in the carrying value of the refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

Deferred Inflows of Resources represent inflows of resources (acquisition of net position) that apply to future periods; therefore, are not recognized as a revenue until that time. Currently, the Authority does not report any deferred inflows.

H. Net Position

The difference between assets, deferred outflows of resources, liabilities and inflows of resources is reported as net position. Net position is classified as follows:

Restricted net position consists of 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.

When expenses are incurred for purposes for which both restricted and unrestricted net position are available, the Authority's policy is to apply restricted net position first, then unrestricted net position as they are needed.

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

I. Fund Balance

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 negative balances in the General Fund.

J. Use of Estimates

The preparation of the basic financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect certain amounts and, accordingly, actual results could differ from those estimates.

Note 2 – Cash and Investments

The Authority's cash and investments consist of cash and investments pooled with the City and cash and investments held by fiscal agents, at June 30, 2019, the Authority had the following:

Cash and investments pooled with the City of Perris	$ 38,815
Restricted investments	4,803,643
Total	$ 4,842,458

A. Deposits

Cash is deposited in the City's internal investment pool. The Authority does not own specifically identifiable securities in the City's pool. Interest income is allocated based on the average cash balances. Investment policies and associated risk factors applicable to the Authority are those of the City and are included in the City's basic financial statements. Please refer to the City's comprehensive annual financial report for more detail.

Perris Public Financing Authority
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 2 – Cash and Investments (Continued)

B. Investment Authorized by Debt Agreement

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.

C. Risk Disclosures

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. At June 30, 2019, the Authority's investments with fiscal agent in money market fund in the amount of $4,803,643 had maturity one year or less.

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	Fair Value at June 30, 2019	Minimum Legal Rating	AAA
Investments with fiscal agent:			
Money market mutual funds	$ 4,803,643	AA	$ 4,803,643

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Authority's investments in money market funds are held by fiscal agent.

Note 3 – Loans Receivable

The Authority has entered into loan agreements with the former Agency whereby the Authority loaned the proceeds of the 2009 Series A, B and C Revenue Bonds and the 2010 Series A Revenue Bond to provide funds for certain public improvements in the former's Agency project areas. As of February 1, 2012, the former Agency was dissolved (see Note 1A) and the Successor Agency oversees the remaining activities of the former Agency. The Authority entered into additional loan agreements with the Successor Agency where the Authority issued 2015 Series A and B Revenue Refunding Bonds and loaned the proceeds to the Successor Agency to redeem prior bonds. During the year ended June 30, 2019, the Successor Agency repaid the loans funded through 2009 Series A, B, and C Revenue Bonds.

Note 3 – Loans Receivable (Continued)

The following table represents the remaining balances of net proceeds loaned to the Successor Agency at the end of the year:

	Amount Issued	Beginning Balance	Deletions	Ending Balance
2009 Series A Loan	$ 4,055,000	$ 3,485,000	$ (3,485,000)	$ -
2009 Series B Loan	7,605,000	6,955,000	(6,955,000)	-
2009 Series C Loan	5,490,000	4,930,000	(4,930,000)	-
2010 Series A Loan	7,180,000	6,960,000	(25,000)	6,935,000
2015 Series A Loan	21,590,000	19,665,000	(995,000)	18,670,000
2015 Series B Loan	23,120,000	21,575,000	(795,000)	20,780,000
Total	$ 69,040,000	$ 63,570,000	$ (17,185,000)	$ 46,385,000

Note 4 – Deposits

At June 30, 2019, deposits in the amount of $4,604,827 reflect the amount held by fiscal agent for the repayment of 2010 Series A, 2015 Series A, and 2015 Series B.

Note 5 – Long-Term Liabilities

The following is a summary of the changes in long-term liabilities for the year ended June 30, 2019:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
2007 Revenue Refunding Bonds, Series A	$ 3,075,000	$ -	$ 3,075,000	$ -	$ -
2009 Revenue Bonds, Series A	3,485,000	-	3,485,000	-	-
2009 Revenue Bonds, Series B	6,955,000	-	6,955,000	-	-
2009 Revenue Bonds, Series C	4,930,000	-	4,930,000	-	-
2010 Revenue Bonds, Series A	6,960,000	-	25,000	6,935,000	30,000
2015 Revenue Refunding Bonds, Series A	19,665,000	-	995,000	18,670,000	1,015,000
2015 Revenue Refunding Bonds, Series B	21,575,000	-	795,000	20,780,000	815,000
Subtotal	66,645,000	-	20,260,000	46,385,000	1,860,000
Add (less) Deferred Amounts:					
Bond Premiums	1,304,227	-	85,523	1,218,704	
Bond Discounts	(245,718)	-	(13,464)	(232,254)	
Total	$ 67,703,509	$ -	$ 20,332,059	$ 47,371,450	$ 1,860,000

<u>**2007 Revenue Refunding Bonds, Series A**</u>

On August 7, 2007, the Public Financing Authority issued $11,895,000 2007 Revenue Refunding Bonds, Series A, to refund a portion of the 1996 Revenue Bonds, Series F. Interest on the bonds is payable September 1 and March 1 of each year. Interest on the bonds accrues at rates varying from 4.000% to 5.000% per annum. Principal on the serial bonds is payable in annual installments ranging from $395,000 to $1,115,000 commencing September 1, 2008 through September 1, 2024. At June 30, 2019, the bonds were redeemed early.

Note 5 – Long-Term Liabilities (Continued)

2009 Revenue Bonds, Series A

On February 3, 2009, the Public Financing Authority issued $4,055,000 2009 Revenue (Tax Allocation) Bonds, Series A, to provide loans to the Redevelopment Agency (see Note 3). The proceeds of these loans will be used to finance the 1987 Project Loan and to pay related expenses of the Authority. Interest on the bond is payable October 1 and April 1 of each year. Interest on the bond accrues at rates varying from 3.250% to 6.100% per annum. Principal on the serial bonds is payable in annual installments ranging from $60,000 to $875,000 commencing October 1, 2009 through October 1, 2037. At June 30, 2019, the debt was redeemed early through proceeds from the loan paid off by the Successor Agency.

2009 Revenue Bonds, Series B

On February 25, 2009, the Public Financing Authority issued $7,605,000 2009 Revenue (Tax Allocation) Bonds, Series B, to provide loans to the Redevelopment Agency (see Note 3). The proceeds of these loans will be used to finance the 1994 Project Loan and to pay related expenses of the Authority. Interest on the bond is payable October 1 and April 1 of each year. Interest on the bond accrues at rates varying from 3.250% to 6.150% per annum. Principal on the serial bonds is payable in annual installments ranging from $65,000 to $1,310,000 commencing October 1, 2009 through October 1, 2039. At June 30, 2019, the debt was redeemed early through proceeds from the loan paid off by the Successor Agency.

2009 Revenue Bonds, Series C

On June 19, 2009, the Public Financing Authority issued $5,490,000 2009 Revenue (Tax Allocation) Bonds, Series C, to provide loans to the Redevelopment Agency (see Note 3). The proceeds of these loans will be used to finance the Central North Project Loan and to pay related expenses of the Authority. Interest on the bond is payable October 1 and April 1 of each year. Interest on the bond accrues at rates varying from 3.000% to 6.375% per annum. Principal on the serial bonds is payable in annual installments ranging from $60,000 to $1,380,000 commencing October 1, 2010 through October 1, 2035. At June 30, 2019, the debt was redeemed early through proceeds from the loan paid off by the Successor Agency.

2010 Revenue (Tax Allocation) Bonds, Series A

On April 19, 2010, the Authority issued $7,180,000 2010 Revenue (Tax Allocation) Bonds, Series A, to provide loans to the Redevelopment Agency (see Note 3). The proceeds of these loans will be used to finance the Housing Loan and to pay related expenses of the Authority. Interest on the bond is payable October 1 and April 1 of each year. Interest on the bond accrues at rates varying from 3.000% to 5.500% per annum. Principal on the serial bonds is payable in annual installments ranging from $25,000 to $1,200,000 commencing October 1, 2010 through October 1, 2040. At June 30, 2019, the Authority has a cash reserve balance for debt service of $722,174 which is sufficient to cover the reserve requirement. The outstanding balance at June 30, 2019 was $6,935,000.

2015 Revenue (Tax Allocation) Refunding Bonds, Series A

On July 9, 2015, the Public Financing Authority issued $21,590,000 2015 Revenue (Tax Allocation) Refunding Bonds, Series A, to refund the 2001 Series A and B, 2002 Series A and B and the 2006 (related to the housing loan) Tax Allocation Revenue Bonds and related Successor Agency Loans (see Note 3). Interest on the bond is payable October 1 and April 1 of each year. Interest on the bond accrues at rates varying from 2.000% to 5.000% per annum. Principal on the serial bonds is payable in annual installments ranging from $795,000 to $1,645,000 commencing October 1, 2016 through October 1, 2033. At June 30, 2019, the Authority has a cash reserve balance for debt service of $1,807,572 which is sufficient to cover the reserve requirement. The outstanding balance at June 30, 2019 was $18,670,000.

Note 4 – Long-Term Liabilities (Continued)

2015 Revenue (Tax Allocation Subordinate) Refunding Bonds, Series B

On July 9, 2015, the Public Financing Authority issued $23,120,000 2015 Revenue (Tax Allocation Subordinate) Refunding Bonds, Series B, to refund the 2002 Series C and the 2006 (excluding the housing loan portion) Tax Allocation Revenue Bonds and related Successor Agency loans (see Note 3). Interest on the bond is payable October 1 and April 1 of each year. Interest on the bond accrues at rates varying from 2.000% to 4.150% per annum. Principal on the serial bonds is payable in annual installments ranging from $765,000 to $2,190,000 commencing October 1, 2016 through October 1, 2036. At June 30, 2019, the Authority has a cash reserve balance for debt service of $2,075,081 which is sufficient to cover the reserve requirement. The outstanding balance at June 30, 2019 was $20,780,000.

Future Debt Requirement

Total revenue bonds outstanding balances was in the amount of $46,385,000. The future debt requirements are as follows:

Year Ending June 30,	Principal	Interest	Total
2020	$ 1,860,000	$ 1,884,338	$ 3,744,338
2021	1,900,000	1,830,276	3,730,276
2022	1,955,000	1,757,901	3,712,901
2023	2,035,000	1,680,576	3,715,576
2024	2,115,000	1,598,150	3,713,150
2025-2029	11,860,000	6,697,366	18,557,366
2030-2034	14,225,000	4,269,378	18,494,378
2035-2039	9,260,000	1,352,372	10,612,372
2040-2041	1,175,000	73,041	1,248,041
Total	$ 46,385,000	$ 21,143,398	$ 67,528,398

Pledged Revenue

The former Agency and the Successor Agency has pledged certain tax revenues to the repayment of the Authority debts through final maturity of bonds on October 1, 2040, or earlier retirement of the bonds, whichever occurs first. Tax revenues consist of tax increment revenues allocated to the Successor Agency to various project areas pursuant to Section 33670 of the Redevelopment Law. Such Law excludes a portion of tax increment revenues required to be paid under Tax-Sharing Agreements unless the payment of such amounts has been subordinated to the payment of debt service on the Bonds. Assembly Bill 1X 26 provided that upon dissolution of the Redevelopment Agency, property taxes allocated to redevelopment agencies no longer are deemed tax increment but rather property tax revenues and will be allocated first to local agency and school entity pursuant to any pass through agreement, then second to successor agencies to make payments on the indebtedness incurred by the dissolved redevelopment agency. For the current year, the total property tax revenue recognized by the Successor Agency was $5,314,849 and the debt service payments on the bonds was $3,813,688.

Prior Years Defeased Obligations

In prior years, the PFA defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. At June 30, 2019, the Authority had redeemed all prior year bonds that are considered defeased.

Note 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 claimscosts.

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 101, Palm Desert, California 92211.

This page intentionally left blank.

Perris Joint Powers Authority

Perris, California

Financial Statements
and Independent Auditors' Reports

For the Year Ended June 30, 2019

THE PUN GROUP
ACCOUNTANTS & ADVISORS

Perris Joint Powers Authority
For the Year Ended June 30, 2019

Table of Contents

This page intentionally left blank.

THE PUN GROUP
ACCOUNTANTS & ADVISORS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
of the Perris Joint Powers Authority
Perris, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the Perris Joint Powers Authority (the "Authority"), a component unit of the City of Perris, California (the "City") as of and for the year ended June 30, 2019, 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.

Auditors' 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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 the major fund of the Authority, as of June 30, 2019, and the respective changes in financial position for the year then in accordance with accounting principles generally accepted in the United States of America.

200 E. Sandpointe Avenue, Suite 600, Santa Ana, California 92707
Tel: 949-777-8800 • Fax: 949-777-8850 • www.pungroup.com

To the Board of Directors
of the Perris Joint Powers Authority
Perris, California
Page 2

Other Matters

Required Supplementary Information

Management has omitted the Management's Discussion and Analysis and Budgetary Comparison Schedule 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 the 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 report dated December 20, 2019, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

The Pun Group, LLP

Santa Ana, California
December 20, 2019

THE PUN GROUP
ACCOUNTANTS & ADVISORS

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

Independent Auditors' Report

To the Board of Directors
of the Perris Joint Powers Authority
Perris, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of governmental activities and the major fund of the Perris Joint Powers Authority (the "Authority"), a component unit of the City of Perris, California (the "City"), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated December 20, 2019.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

200 E. Sandpointe Avenue, Suite 600, Santa Ana, California 92707
Tel: 949-777-8800 • Fax: 949-777-8850 • www.pungroup.com

To the Board of Directors
of the Perris Joint Powers Authority
Perris, California
Page 2

Purpose of this Report

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

The Pun Group, LLP

Santa Ana, California
December 20, 2019

BASIC FINANCIAL STATEMENTS

This page intentionally left blank.

Perris Joint Powers Authority
Statement of Net Position
June 30, 2019

	Governmental Activities
ASSETS	
Current assets:	
Cash and investments	$ 52,054
Interest receivable	1,600,674
Total current assets	1,652,728
Noncurrent assets:	
Restricted investment with fiscal agent	10,260,648
Investments with fiscal agent	127,192,078
Total noncurrent assets	137,452,726
Total Assets	139,105,454
LIABILITIES	
Deposits	9,880,995
Other liabilities	43
Interest payable	1,600,643
Noncurrent liabilities:	
Due within one year	4,870,000
Due in more than one year	120,793,058
Total liabilities	137,144,739
NET POSITION	
Restricted for debt service	1,960,715
Total Net Position	$ 1,960,715

See accompanying Notes to the Financial Statements.

Perris Joint Powers Authority
Statement of Activities
For the Year Ended June 30, 2019

			Net (Expenses) Revenue and Change in Net Position
		Program Revnues	
Functions/Programs	Expenses	Operating Grants and Contributions	Governmental Activities
Program Expenses:			
Interest and fiscal charges	$ 5,561,629	$ 4,721,564	$ (840,065)
Total governmental activities	$ 5,561,629	$ 4,721,564	(840,065)
Change in Net Position			(840,065)
Net Position:			
Beginning of year			2,800,780
End of year			$ 1,960,715

See accompanying Notes to the Financial Statements.

FUND FINANCIAL STATEMENTS

This page intenetionally left blank.

GOVERNMENTAL FUND FINANCIAL STATEMENTS

This page intenetionally left blank.

Perris Joint Powers Authority
Balance Sheet
Governmental Fund
June 30, 2019

	General Fund
ASSETS	
Cash and investments	$ 52,054
Cash with fiscal agent	10,260,648
Restricted investments	127,192,078
Interest receivable	31
Total assets	$ 137,504,811
LIABILITIES AND FUND BALANCE	
Liabilities:	
Deposits	$ 9,880,995
Other liabilities	43
Total liabilities	9,881,038
Fund Balances:	
Restricted for:	
Debt service	127,623,773
Total Fund Balances	127,623,773
Total liabilities and fund balance	$ 137,504,811

Perris Joint Powers Authority
Reconciliation of the Governmental Fund Balance Sheet to the Government-Wide Statement of Net Position
June 30, 2019

Total Fund Balance - Governmental Fund	$ 127,623,773
Amounts reported for governmental activities in the statement of net position are different because:	
Interest receivable on the investments does not provide current financial resources. Therefore, interest receivable is not reported as an asset in the governmental fund.	1,600,643
Long-term liabilities applicable to the governmental activities are not due and payable in the current period; therefore, are not reported as fund liabilities. All liabilities, both current and long-term are reported in the Statement of Net Positions.	
Revenue bonds	(125,663,058)
Accrued interest payable for the current portion of interest due on bonds has not been reported in the governmental funds.	(1,600,643)
Net position of governmental activities	$ 1,960,715

Perris Joint Powers Authority
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Fund
For the Year Ended June 30, 2019

		General Fund
REVENUES:		
Investment earnings	$	4,564,784
Contributions		127,371
Total Revenues		4,692,155
EXPENDITURES:		
Debt service:		
Principal retirement		5,350,000
Interest and fiscal charges		5,615,380
Total Expenditures		10,965,380
Excess of Revenues over Expenditures		(6,273,225)
Other Financing Sources (Uses):		
Issuance of long-term debt		4,980,000
Issuance discount		(40,872)
Total other financing sources (uses)		4,939,128
Net change in fund balance		(1,334,097)
FUND BALANCE:		
Beginning of year		128,957,870
End of Year	$	127,623,773

Perris Joint Powers Authority
Reconciliation of the Governmental Fund Statement of Revenues, Expenditures, and Change in Fund Balance to the Government-Wide Statement of Activities
For the Year Ended June 30, 2019

Net change in fund balance - governmental fund:		$ (1,334,097)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Interest income on investment receivable does not provide current financial resource. Therefore, interest income is not reported as revenue in the governmental fund. This is the net change in accrued interest receivable for the current period.		29,409
Issuance of long-term debt provides current financial resources to governmental funds, while repayment of bond principal is an expenditure in the governmental funds, but the issuance increases the long-term liabilities and the repayment reduces long-term liabilities in the statement of net position.		
Issuance of long-term debt	(4,980,000)	
Issuance discount	40,872	
Revenue bonds principal repayments	5,350,000	
Amortization of premium/discount and deferred charges	83,160	494,032
Accrued interest for long-term liabilities. This is the net change in accrued interest for the current period.		(29,409)
Change in net position of governmental activities		$ (840,065)

NOTES TO THE BASIC FINANCIAL STATEMENTS

This page intentionally left blank.

Perris Joint Powers Authority
Notes to the Basic Financial Statements
For the Year Ended June 30, 2019

Note 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, California (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 and, accordingly, the financial statements of the Authority are included in the financial statements of the City. The Authority is an integral part of the reporting entity of the City. The funds of the Authority have been blended within the financial statements of the City because the City Council of the City 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.

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

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.

Revenues not included among program revenues are reported as general revenues.

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.

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

B. Financial Statement Presentation, Measurement Focus, and Basis of Accounting (Continued)

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. Currently, the Authority only has one governmental fund.

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.

Intergovernmental revenues 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 ***General Fund*** is the main operating fund of the Authority and is used to account for the accumulation of resources for, and the repayment of, long-term debt principal, interest and related costs.

C. Cash and Investments

The Authority's cash and investments consist of cash and investments pooled with the City and investment held by fiscal agents to meet debt obligations. Investments with fiscal agents are restricted for the redemption of bonded debt.

D. Fair Value Measurement

U.S. GAAP defines fair value, establishes a framework for measuring fair value and establishes disclosures about fair value measurement. Investments, unless otherwise specified, recorded at fair value in the financial statements, are categorized based upon the level of judgement associated with the inputs used to measure their fair value. Level of inputs are as follows:

- Level 1 – Inputs are unadjusted, quoted prices for identical assets or liabilities in active markets at the measurement date.
- Level 2 – Inputs, other than quoted prices included in Level 1, that are observable for the assets or liabilities through corroboration with market data at the measurement date.
- Level 3 – Unobservable inputs that reflect management's best estimate of what market participants would use in pricing the assets or liabilities at the measurement date.

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

E. Long-Term Debt

In the government-wide financials statements, long-term debt are reported as liabilities in the applicable governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium and discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on the debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Cost of issuance is expensed when incurred.

The Fund Financial Statements do not present long-term debt. Accordingly, long-term debt is shown as a reconciling item in the Reconciliation of the Governmental Fund Balance Sheet to the Government-Wide Statement of Net Position.

F. Deferred Outflows and Inflows of Resources

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

Deferred outflows of resources 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.

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. Currently, the Authority does not report any deferred inflows of resources.

G. Net Position

The difference between assets, deferred outflows of resources, liabilities and inflows of resources is reported as net position. Net position is classified as follows:

Restricted net position consists of 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.

When expenses are incurred for purposes for which both restricted and unrestricted net position are available, the Authority's policy is to apply restricted net position first, then unrestricted net position as they are needed.

H. Fund Balance

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.

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

H. Fund Balance (Continued)

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.

I. Investment Earnings

Investment earnings include amortization of $624,878 premiums and $93,208 discounts on Community Facilities District bond investments.

J. Use of Estimates

The preparation of the basic financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect certain amounts and, accordingly, actual results could differ from those estimates.

Note 2 – Cash and Investments

The Authority's cash and investments consisted of cash and investments pooled with the City and cash and investments by fiscal agents, at June 30, 2019, the Authority had the following:

Cash pooled with the City of Perris	$ 52,054
Restricted investments with fiscal agnet	10,260,648
Investments with fiscal agent	127,192,078
Total	$ 137,504,780

Note 2 – Cash and Investments (Continued)

A. Deposits

Cash is deposited in the City's internal investment pool. The Authority does not own specifically identifiable securities in the City's pool. Interest income is allocated based on the average cash balances. Investment policies and associated risk factors applicable to the Authority are those of the City and are included in the City's basic financial statements. Please refer to the City's comprehensive annual financial report for more detail.

B. 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.

C. Risk Disclosures

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. 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:

	1 Year or Less	2 to 3 Years	3 to 5 Years	Over 5 Years	Total
Investments with fiscal agent:					
Money market mutual funds	$ 10,260,648	$ -	$ -	$ -	$ 10,260,648
Local obligation bonds	5,401,673	5,601,673	16,048,192	100,140,540	127,192,078
Total	$ 15,662,321	$ 5,601,673	$ 16,048,192	$ 100,140,540	$ 137,452,726

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	Fair Value at June 30, 2019	Minimum Legal Rating	AAA	Not Rated
Investments with fiscal agent:				
Money market mutual funds	$ 10,260,648	AA	$ 10,260,648	$ -
Local obligation bonds	127,192,078	A	-	127,192,078
Total	$ 137,452,726		$ 10,260,648	$ 127,192,078

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Authority's investments in money market funds and local obligation bonds are held by fiscal agent.

Note 2 – Cash and Investments (Continued)

D. Investment with Fiscal Agent

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 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. 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).

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 2002-1 Special Tax Bonds, 2013 Series	$ 4,679,267
CFD 2001-1 Special Tax Refunding Bonds (IA1, IA2 and IA3), 2014 Series	9,835,185
CFD 2006-1 Special Tax Refunding Bonds, 2014 Series	2,258,939
CFD 2004-3 Special Tax Refunding Bonds (IA1), 2014 Series	6,484,625
CFD 2004-2 Special Tax Refunding Bonds, 2014 Series	4,081,893
CFD 2001-1 Special Tax Refunding Bonds (IA6 and IA7), 2014 Series	12,114,023
CFD 2004-1 Special Tax Refunding Bonds, 2014 Series A	2,033,863
CFD 2003-1 Special Tax Refunding Bonds, 2014 Series	3,029,256
CFD 2005-2 Special Tax Refunding Bonds 2015 Series	12,576,544
CFD 2006-2 Special Tax Refunding Bonds 2015 Series	9,086,701
CFD 2004-3 Special Tax Refunding Bonds (IA2), 2015 Series	7,628,531
CFD 2014-2 Special Tax Refunding Bonds, 2015 Series	1,641,398
CFD 2005-1 Special Tax Refunding Bonds (IA3), 2015 Series	4,336,880
CFD 2005-4 Special Tax Refunding Bonds, 2015 Series	5,353,886
CFD 2005-4 Special Tax Bonds, 2015 Series	2,626,550
CFD 2014-1 Special Tax Bonds, 2017 Series	4,133,085
CFD 2001-1 Special Tax Bonds (IA4 and IA5), 2017 Series	23,126,598
CFD 93-1 and 2004-5 Special Tax Refunding Bonds, 2017 Series	3,282,170
CFD 2014-1 Special Tax Bonds (IA2), 2018 Series	4,122,237
CFD 2014-1 Special Tax Bonds (IA3), 2018 Series	4,760,447
Total	$ 127,192,078

E. Fair Value Measurement

The investments in the local obligation bonds are reported as level 2 investments. The measurement input is significant other observable inputs based on institutional bond quotes.

Note 3 – 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 B	$ 5,045,000	$ -	$ 165,000	$ 4,880,000	$ 175,000
2014 Revenue Bonds, Series A	10,160,000	-	460,000	9,700,000	475,000
2014 Revenue Bonds, Series B	2,525,000	-	105,000	2,420,000	60,000
2014 Revenue Bonds, Series C	7,530,000	-	765,000	6,765,000	340,000
2014 Revenue Bonds, Series D	4,100,000	-	190,000	3,910,000	195,000
2014 Revenue Bonds, Series E	12,575,000	-	400,000	12,175,000	410,000
2014 Revenue Bonds, Series F	2,145,000	-	100,000	2,045,000	105,000
2014 Revenue Bonds, Series G	3,085,000	-	120,000	2,965,000	125,000
2015 Revenue Bonds, Series A	12,225,000	-	535,000	11,690,000	545,000
2015 Revenue Bonds, Series B	8,840,000	-	60,000	8,780,000	70,000
2015 Revenue Bonds, Series C	7,855,000	-	235,000	7,620,000	255,000
2015 Revenue Bonds, Series D	1,050,000	-	255,000	795,000	260,000
2015 Revenue Bonds, Series E	4,250,000	-	145,000	4,105,000	150,000
2015 Revenue Bonds, Series F	4,945,000	-	175,000	4,770,000	175,000
2015 Revenue Bonds, Series G	2,955,000	-	105,000	2,850,000	110,000
2017 Revenue Bonds, Series A	4,535,000	-	20,000	4,515,000	40,000
2017 Revenue Bonds, Series B	22,175,000	-	850,000	21,325,000	825,000
2017 Revenue Bonds, Series C	4,060,000	-	595,000	3,465,000	510,000
2018 Revenue Bonds, Series A IA 2	4,410,000	-	70,000	4,340,000	30,000
2018 Revenue Bonds, Series A IA 3	-	4,980,000	-	4,980,000	15,000
Total revenue bonds	124,465,000	4,980,000	5,350,000	124,095,000	4,870,000
Premiums	2,522,723	-	130,530	2,392,193	-
Discounts	(830,633)	(40,872)	(47,370)	(824,135)	-
Total	$ 126,157,090	$ 4,939,128	$ 5,433,160	$ 125,663,058	$ 4,870,000

2013 Revenue Bonds, Series B

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, 2019, the Authority has a cash reserve balance for debt service of $556,748 which is sufficient to cover the bond indenture reserve requirement. The outstanding balance at June 30, 2019 was $4,880,000.

2014 Revenue Bonds, Series A

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, 2019, the Authority has a cash reserve balance for debt service of $950,249 which is sufficient to cover the bond indenture reserve requirement. The outstanding balance at June 30, 2019 was $9,700,000.

Note 3 – Long-Term Liabilities (Continued)

2014 Revenue Bonds, Series B

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, 2019, the Authority has a cash reserve balance for debt service of $217,636 which is sufficient to cover the bond indenture reserve requirement. The outstanding balance at June 30, 2019 was $2,420,000.

2014 Revenue Bonds, Series C

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, 2019, the Authority has a cash reserve balance for debt service of $621,711 which is sufficient to cover the bond indenture reserve requirement. The outstanding balance at June 30, 2019 was $6,765,000.

2014 Revenue Bonds, Series D

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, 2019, the Authority has a cash reserve balance for debt service of $340,718 which is sufficient to cover the bond indenture reserve requirement. The outstanding balance at June 30, 2019 was $3,910,000.

2014 Revenue Bonds, Series E

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, 2019, the Authority has a cash reserve balance for debt service of $924,474 which is sufficient to cover the bond indenture reserve requirement. The outstanding balance at June 30, 2019 was $12,175,000.

2014 Revenue Bonds, Series F

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, 2019, the Authority has a cash reserve balance for debt service of $175,866 which is sufficient to cover the bond indenture reserve requirement. The outstanding balance at June 30, 2019 was $2,045,000.

Note 3 – Long-Term Liabilities (Continued)

2014 Revenue Bonds, Series G

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, 2019, the Authority has a cash reserve balance for debt service of $303,889 which is sufficient to cover the bond indenture reserve requirement. The outstanding balance at June 30, 2019 was $2,965,000.

2015 Revenue Bonds, Series A

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, 2019, the Authority has a cash reserve balance for debt service of $930,388 which is sufficient to cover the bond indenture reserve requirement. The outstanding balance at June 30, 2019 was $11,690,000.

2015 Revenue Bonds, Series B

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, 2019, the Authority has a cash reserve balance for debt service of $760,489 which is sufficient to cover the bond indenture reserve requirement. The outstanding balance at June 30, 2019 was $8,780,000.

2015 Revenue Bonds, Series C

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, 2019, the Authority has a cash reserve balance for debt service of $751,033 which is sufficient to cover the bond indenture reserve requirement. The outstanding balance at June 30, 2019 was $7,620,000.

2015 Revenue Bonds, Series D

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, 2019, the Authority has a cash reserve balance for debt service of $155,166 which is sufficient to cover the bond indenture reserve requirement. The outstanding balance at June 30, 2019 was $795,000.

Note 3 – Long-Term Liabilities (Continued)

2015 Revenue Bonds, Series E

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, 2019, the Authority has a cash reserve balance for debt service of $309,193 which is sufficient to cover the bond indenture reserve requirement. The outstanding balance at June 30, 2019 was $4,105,000.

2015 Revenue Bonds, Series F

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, 2019, the Authority has a cash reserve balance for debt service of $353,254 which is sufficient to cover the bond indenture reserve requirement. The outstanding balance at June 30, 2019 was $4,770,000.

2015 Revenue Bonds, Series G

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, 2019, the Authority has a cash reserve balance for debt service of $203,404 which is sufficient to cover the bond indenture reserve requirement. The outstanding balance at June 30, 2019 was $2,850,000.

2017 Revenue Bonds, Series A

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, 20147. At June 30, 2019, the Authority has a cash reserve balance for debt service of $333,593 which is sufficient to the bond indenture reserve requirement. The outstanding balance at June 30, 2019 was $4,515,000.

2017 Revenue Bonds, Series B

On September 12, 2017, the Authority issued $22,175,000 2017 Local Agency Revenue Bonds, Series B, to acquire CFD 2001-1 (May Farms IA 4&5) and CFD 2005-1 (Perris Valley Vistas 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. The related CFD bonds have individual reserve requirements, under the Bond Indenture, but the Authority is not required to have a cash reserve balance. The outstanding balance at June 30, 2019 was $21,325,000.

Note 3 – Long-Term Liabilities (Continued)

2017 Revenue Bonds, Series C

On December 14, 2017, the Authority issued $4,060,000 2017 Local Agency Revenue Bonds, Series C, to acquire CFD 93-1 (May Ranch) and CFD 2004-5 (Amber Oaks II) 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. The related CFD bonds have individual reserve requirements, under the bond indenture, but the Authority is not required to have a cash reserve balance. The outstanding balance at June 30, 2019 was $3,465,000.

2018 Revenue Bonds, Series A, IA 2

On April 10, 2018, the Authority issued $4,410,000 2018 Local Agency Revenue Bonds, Series A, to acquire CFD 2014-1 (Avelina 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 4.00% per annum. Principal on serial bonds is payable in annual installments ranging from $30,000 to $330,000 commencing September 1, 2018 through September 1, 2048. At June 30, 2019, the Authority has a cash reserve balance for debt service of $330,387 which is sufficient to cover the bond indenture reserve requirement. The outstanding balance at June 30, 2019 was $4,340,000.

2018 Revenue Bonds, Series A, IA 2

On November 29, 2018, the Authority issued $4,980,000 2018 Local Agency Revenue Bonds, Series A, to acquire CFD 2014-1 (Avelina) 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 3.00% to 5.00% per annum. Principal on serial bonds is payable in annual installments ranging from $15,000 to $395,000, commencing September 1, 2019 through September 1, 2037. At June 30, 2019, the Authority has a cash reserve balance for debt service of $394,161 which is sufficient to cover the bond indenture reserve requirement. The outstanding balance at June 30, 2019 was $4,980,000.

Future Debt Requirement

Total revenue bonds outstanding balances was in the amount of $124,095,000. The future debt requirements are as follows:

Year Ending June 30,	Principal	Interest	Total
2020	$ 4,870,000	$ 4,807,098	$ 9,677,098
2021	5,075,000	4,731,616	9,806,616
2022	5,240,000	4,585,985	9,825,985
2023	5,165,000	4,427,432	9,592,432
2024	5,155,000	5,025,111	10,180,111
2025-2029	28,265,000	18,153,562	46,418,562
2030-2034	36,100,000	11,485,305	47,585,305
2035-2039	21,830,000	4,724,556	26,554,556
2040-2044	6,235,000	2,105,275	8,340,275
2045-2049	5,765,000	649,213	6,414,213
2050	395,000	18,250	413,250
Total	$ 124,095,000	$ 60,713,403	$ 184,808,403

Note 4 – 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 claimscosts.

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.

Perris
Community Economic
Development Corporation

Perris, California

Independent Auditors' Report
and Financial Statements

For the Year Ended June 30, 2019

THE PUN GROUP
ACCOUNTANTS & ADVISORS

Perris Community Economic Development Corporation
Financial Statements
For the Year Ended June 30, 2019

Table of Contents

This page intentionally left blank.

THE PUN GROUP
ACCOUNTANTS & ADVISORS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
of the Perris Community Economic Development Corporation
Perris, California

We have audited the accompanying financial statements of the Perris Community Economic Development Corporation (the "Corporation"), a California not-for-profit organization, which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, and cash flows for the year then ended, the related the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Corporation as of June 30, 2019, the changes in its net assets, and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

The Pun Group, LLP

Santa Ana, California
December 23, 2019

200 E. Sandpointe Avenue, Suite 600, Santa Ana, California 92707
Tel: 949-777-8800 • Fax: 949-777-8850 • www.pungroup.com

This page intentionally left blank.

FINANCIAL STATEMENTS

This page intentionally left blank.

Perris Community Economic Development Corporation
Statement of Financial Position
June 30, 2019

ASSETS		
Cash and cash equivalents	$	3,111,689
Receivable from the City of Perris		47,044
Unconditional promise to give, net		1,050,131
Interest receivable		5,703
Total assets	$	4,214,567
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	$	11,864
Total liabilities		11,864
Net Assets:		
With donor restrictions - time restrictions		1,050,131
Without donor restrictions		3,152,572
Total net assets		4,202,703
Total liabilities and net assets	$	4,214,567

See accompanying Notes to the Financial Statements.

Perris Community Economic Development Corporation
Statement of Activities
For the Year Ended June 30, 2019

CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS:		
Revenues and gains:		
Rental and lease revenue	$	106,834
Investment earnings		74,185
Contribution		93,458
Miscellaneous		260
Net assets released from donor restriction		127,406
Total revenues and gains without donor restrictions		402,143
Expenses:		
General administrative		31,458
Program services:		
Professional fees		184,900
Rent		127,406
Property taxes		19,342
Economic development programs		10,163
Community sponsorships		15,000
Education programs		85,171
Total program services		441,982
Total expenses		473,440
Decrease in net assets without donor restrictions		(71,297)
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS:		
Contribution revenue with donor restrictions		195,088
Net assets released from restrictions		(127,406)
Increase in net assets with donor restriction		67,682
INCREASE IN TOTAL NET ASSETS		(3,615)
NET ASSETS:		
Beginning of year, as restated (Note 10)		4,206,318
End of year		4,202,703

Perris Community Economic Development Corporation
Statement of Cash Flows
For the Year Ended June 30, 2019

CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$	(3,615)
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Changes in operating assets and liabilities:		
(Increase) Decrease in accounts receivable		28,350
(Increase) Decrease in receivables from the City of Perris		(47,044)
(Increase) Decrease in unconditional promise to give		(67,682)
(Increase) Decrease in interest receivable		(437)
Increase (Decrease) in accounts payable and accrued expenses		(324,791)
Increase (Decrease) in unearned revenue		(28,350)
Net cash used in operating activities		(443,569)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(443,569)
CASH AND CASH EQUIVALENTS:		
Beginning of year		3,555,258
End of year	$	3,111,689

See accompanying Notes to the Financial Statements.

This page intentionally left blank.

NOTES TO THE FINANCIAL STATEMENTS

This page intentionally left blank.

Perris Community Economic Development Corporation
Notes to the Financial Statements
For the Year Ended June 30, 2019

Note 1 – Organization

The Perris Community Economic Development Corporation (the "Corporation") was formed on April 16, 2014 as a nonprofit public benefit corporation under Section 501(c)(3) of the Internal Revenue Code by the City of Perris (the "City"). The specific and primary purpose of this corporation is to provide physical, economic, and educational development and revitalization efforts resulting in expanded employment, economic prosperity and, business and housing opportunities, for businesses and residents to provide such services that are associated with such specific purpose as allowed by the law. The Corporation's office and records are located at City Hall, 101 North "D" Street, Perris, California, telephone number (951) 943-6100. The City Council of the City is the governing board of the Corporation and exercises control over the operations of the Corporation. Upon dissolution, any assets or liabilities remaining shall be distributed to the City or a designated nonprofit fund, foundation or corporation by the governing body. Only the funds of the Corporation are included herein, therefore, these financial statements do not purport to represent the financial position or results of operations of the City.

Note 2 – Summary of Significant Accounting Policies

A. Basis of Presentation

The financial statements of the Corporation have been prepared based on the accrual basis of accounting. Financial statement presentation follows the guidance of the Financial Accounting Standards Board ("FASB") in its Accounting Standards Codification ("ASC") Topic 958, Presentation of Financial Statements of Not-For-Profit Organizations as updated in August 2016. Under this pronouncement, the Corporation is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions, and net assets with donor restrictions. The significant accounting policies with respect to these two classes of net assets are described below. The Corporation has only net assets without donor restrictions at June 30, 2019.

B. Basis of Accounting

The Corporation prepares its financial statements in accordance with U.S. GAAP, which are presented on the accrual basis of accounting. Under the accrual basis of accounting, revenues and gains are recognized as earned and expenses and losses are recognized as incurred.

C. Cash and Cash Equivalent

Cash is pooled with the City's internal investment pool and is considered to be cash and cash equivalent due to the funds can be withdrawn upon request.

D. Uncollectible Accounts Receivable

The Corporation uses the allowance method for uncollectible accounts receivable but deemed no allowance is necessary based on prior experience.

E. Promise to Give

Unconditional promises to give are recognized as revenues in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Note 2 – Summary of Significant Accounting Policies (Continued)

F. Net Assets

Net assets without donor restrictions – Utilized to record fees and other forms of unrestricted revenue and expenses related to the general operations of the Corporation which are not subject to donor-imposed restrictions (donors include other types of contributions, including makers of certain grants).

Net assets with donor restrictions – Utilized to account for donor-imposed restrictions (donors include other types of contributions, including makers of certain grants).

G. Income Taxes

The Corporation submitted its application to the Internal Revenue Service (the "IRS") in recognizing the Corporation as a not-for-profit corporation as described in §501(c)(3) of the Internal Revenue Code ("IRC") and received the exempt status from the IRS on December 7, 2015; effective April 29, 2014. The Corporation is exempt from federal and state income taxes on related income pursuant to §501(a) and §170(b)(1)(A)(i) of the IRC and California Revenue Taxation Code §23701d as a public charity.

The Corporation utilizes a two-step approach to recognizing and measuring uncertain tax positions (tax contingencies). The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes. The second step is to measure the tax benefit as the largest amount, which is more than 50% likely of being realized upon ultimate settlement.

The Corporation has determined that its major tax jurisdictions are Federal and California. At June 30, 2019, management believed that there were no uncertain tax positions.

H. Functional Allocation of Expenses

The financial statements report categories of expenses that are attributable only one program or supporting function. The general and administrative function of the Corporation is carried out through shared employees from the City. Only direct charges are paid for by the Corporation. The costs of providing the programs and the activities have been summarized on a functional basis in the Statement of Activities for the year ended June 30, 2019. Accordingly, only actual charges are reported for the program services.

I. Implementation of New Accounting Standards

On August 18, 2016, the FASB completed Phase I of its Presentation of Financial Statements of Not-for-Profit Entities project by issuing Accounting Standards Update ("ASU") No. 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. The new guidance simplifies and improves how not-for-profit entities classify net assets as well as the information presented in financial statements and notes about liquidity, financial performance, and cash flows. ASU No. 2016-14 is effective for annual financial statements issued for fiscal years beginning after December 15, 2017. The Corporation has adopted this accounting policy in the current year. The effect of the implementation was to restate the beginning net assets and to report net assets without donor restrictions and net assets with donor restrictions – time restrictions in the amounts of $3,223,869 and $982,449, respectively (Note 6 and 10).

Perris Community Economic Development Corporation
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 2 – Summary of Significant Accounting Policies (Continued)

J. Use of Estimates

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

Note 3 – Cash and Cash Equivalents

Cash and cash equivalents at June 30, 2019 was in the amount of $3,111,689. The Corporation does not own specifically identifiable securities in the City's pool. Interest income is allocated based on average cash balances. Investment policies and associated risk factors applicable to the Corporation are those of the City and are included in the City's basic financial statements.

Note 4 – Unconditional Promise to Give

Effective February 12, 2014, the City entered into a master lease agreement with a California limited liability company for a 9,978 square feet space at $1.00 per annum for 180 months, with five option terms of 60 months each. The leased space is a portion of a larger affordable multifamily residential project and the lease was subsequently assigned to the Corporation. As part of the lease agreement, the Corporation is obligated to pay the real property taxes allocated to the leased space. The Corporation subleased the space to other entities and generated rent revenue to provide program services.

Unconditional promise to give at June 30, 2019 was in the amount of $1,323,885, net of unamortized discount in the amount of $273,754.The effective interest rate for the contribution receivable is 5% annum. The contribution receivable amounts are as follows:

For the year ending June 30,	Amount
2020	$ 138,145
2021	138,145
2022	138,145
2023	138,145
2024	138,145
2025-2029	633,160
Total	$ 1,323,885

Note 5 – Liquidity and Availability of Financial Assets

The Corporation had of financial assets in the amount of $3,164,436 available within one year of the balance sheet date to meet cash needs for general expenditures consisting of cash and cash equivalents in the amount of $3,111,689, receivable from the City of Perris in the amount of $47,044, and interest receivables in the amount of $5,703 at June 30, 2019. It is sufficient to meet cash needs for general expenditure within one year.

The Corporation has a goal to maintain financial assets, which consist of cash and cash equivalents to meet one year of normal operating expense, which are, on average, approximately $300,000. The Corporation has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due by keeping the surplus cash with the City's internal investment pool that can be withdrawn upon request.

Perris Community Economic Development Corporation
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 6 – Net Assets With Donor Restriction – Time Restrictions

For the year ended June 30, 2019, changes in net assets with donor restriction – time restrictions were as follows:

	July 1, 2018 (As Restated)	Addition	Deletion	June 30, 2019
Free use of facilities	$ 982,449	$ 195,088	$ (127,406)	$ 1,050,131

The Corporation received free use of the facilities (see Note 4) and reported $127,406 rent expense and net assets released from donor restriction for the year ended June 30, 2019. The time restrictions are released based upon the lease terms through the free use of facilities.

Note 7 – Related Party Transactions

Receivables

The receivable from the City in the amount of $47,044 was to provide contribution to the Corporation for professional services.

Conditional Promise to Give

On March 27, 2018, the Corporation entered into a master lease agreement with the City where the City will build the Perris Downtown Skills Training and Job Placement Center and lease the building to the Corporation under the condition of substantial completion of the building. The term of the lease is for 55 years at $1.00 per annum, upon completion of the construction. The free use of facilities upon completion of the construction is considered a conditional promise to give in the amount of $16,196,491. The Corporation will sublease the building to subtenants for commercial and education uses related to skill training and job placement at market rate. As part of the lease agreement, the Corporation is obligated to pay the real property taxes allocated to the leased space.

Note 8 – Commitment and Contingencies

The Corporation did not have any major contractual commitments or contingencies as of June 30, 2019.

Note 9 – Subsequent Events

Management has evaluated subsequent events to determine if events or transactions occurring through December 23, 2019, the date the financial statements were available to be issued, required adjustment to, or disclosure in the financial statements. No such events or transactions were identified.

Note 10 – Prior Period Adjustment

Net assets at July 1, 2018 was restated to $4,206,318 to report net assets without donor restriction in the amount of $3,223,869 and net assets with donor restriction for the free use of facilities in the amount of $982,449 and related unconditional promise to give and unamortized discount in the amount of $1,267,206 and $284,757, respectively.

City of Perris Housing Authority

Perris, California

Basic Financial Statements and Independent Auditors' Report

For the Year Ended June 30, 2019

THE PUN GROUP
ACCOUNTANTS & ADVISORS

City of Perris Housing Authority
For the Year Ended June 30, 2019

Table of Contents

This page intentionally left blank.

THE PUN GROUP
ACCOUNTANTS & ADVISORS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
of the City of Perris Housing Authority
Perris, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the City of Perris Housing Authority (the "Housing Authority"), a component unit of the City of Perris, California (the "City"), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Housing Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express 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 Audit 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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 each major fund of the Housing Authority, as of June 30, 2019, 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.

To the Board of Directors
of the City of Perris Housing Authority
Perris, California
Page 2

Emphasis of Matter

Prior Period Adjustments

As described in Note 9 to the Financial Statements, the net position at July 1, 2018 for the Housing Authority was restated as a result of allocating net pension liabilities and net other postemployment benefit liabilities and related deferral amounts and presenting the Housing Authority's operating fund (General Fund) as governmental fund. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedule, the Schedule of Proportionate Share of Net Pension Liability and Related Ratios, the Schedule of Contributions – Pensions, the Schedule of Proportionate Share of Net OPEB Liability and Related Ratios, and the Schedule of Contributions – Other Postemployment Benefits on pages 41 to 46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Required Supplementary Information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the 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 the 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 report dated December 20, 2019, on our consideration of the Housing Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Housing Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Housing Authority's internal control over financial reporting and compliance.

The Pun Group, LLP

Santa Ana, California
December 20, 2019

THE PUN GROUP
ACCOUNTANTS & ADVISORS

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

Independent Auditors' Report

To the Board of Directors
of the City of Perris Housing Authority
Perris, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the City of Perris Housing Authority (the "Housing Authority"), a component unit of the City of Perris, California (the "City"), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Housing Authority's basic financial statements, and have issued our report thereon dated December 20, 2019.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

200 E. Sandpointe Avenue, Suite 600, Santa Ana, California 92707
Tel: 949-777-8800 • Fax: 949-777-8850 • www.pungroup.com

To the Board of Directors
of the City of Perris Housing Authority
Perris, California
Page 2

Purpose of this Report

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

The Pun Group, LLP

Santa Ana, California
December 20, 2019

BASIC FINANCIAL STATEMENTS

This page intentionally left blank.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

This page intentionally left blank.

City of Perris Housing Authority
Statement of Net Position
June 30, 2019

ASSETS	Governmental Activities
Current assets:	
Cash and investments	$ 1,864,630
Interest receivable	2,976
Total current assets	1,867,606
Noncurrent assets:	
Notes and loans	3,842,080
Land	500,902
Total noncurrent assets	4,342,982
Total Assets	6,210,588
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources related to pensions	141,382
Deferred outflows of resources related to other postemployment benefits	3,389
Total deferred outflows of resources	144,771
LIABILITIES	
Current liabilities:	
Accounts payable and accrued liabilities	11,779
Due to City of Perris	1,334
Total current liabilities	13,113
Noncurrent liabilities:	
Compensated absences, due in more than one year	75,218
Net pension liability	461,612
Net other postemployment benefits liability	273,561
Total noncurrent liabilities	810,391
Total liabilities	823,504
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to pensions	38,687
Deferred inflows of resources related to other postemployment benefits	228
Total deferred inflows of resources	38,915
NET POSITION	
Investment in Capital Assets	500,902
Restricted:	
Low and moderate housing	4,992,038
Total net position	$ 5,492,940

See accompanying Notes to the Basic Financial Statements.

This page intentionally left blank.

City of Perris Housing Authority
Statement of Activities
For the Year Ended June 30, 2019

		Program Revenues		Net (Expense) Revenue and Changes in Net Position
Functions/Programs:	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Governmental Activities**
Governmental activities:				
Community development	$ 525,171	$ 168,800	$ 267,212	$ (89,159)
Total Governmental Activities	$ 525,171	$ 168,800	$ 267,212	(89,159)
General Revenues:				
Investment income				39,415
Total General Revenues				39,415
Change in net position				(49,744)
Net position - beginning of year, as restated (Note 9)				5,542,684
Net position - end of year				$ 5,492,940

See accompanying Notes to the Basic Financial Statements.

This page intentionally left blank.

FUND FINANCIAL STATEMENTS

This page intentionally left blank.

GOVERNMENTAL FUND FINANCIAL STATEMENTS

This page intentionally left blank.

City of Perris Housing Authority
Balance Sheet
Governmental Fund
June 30, 2019

		General Fund
ASSETS		
Cash and investments	$	1,864,630
Interest receivable		2,976
Notes and loans		3,842,080
Total Assets		5,709,686
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable and accrued liabilities	$	11,779
Due to City of Perris		1,334
Total Liabilities		13,113
Fund Balances:		
Restricted		
Low and moderate housing		5,696,573
Total Liabilities and Fund Balances	$	5,709,686

See accompanying Notes to the Basic Financial Statements.

City of Perris Housing Authority
Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position
June 30, 2019

Total Fund Balances - Total Governmental Funds		$ 5,696,573
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets net of depreciation have not been included as financial resources. Therefore, they are not reported in governmental funds. Those assets consist of amount reported in the Statement of Net Position:		
Land		500,902
Compensated absences that have not been included in the governmental fund activity.		(75,218)
Net pension liability and related deferred outflows and inflows of resources are not due and payable in the current period; therefore, are not reported as government funds' liabilities. They are reported in the Statement of Net Position:		
Deferred outflows related to pensions	141,382	
Net pension liability	(461,612)	
Deferred inflows related to pensions	(38,687)	(358,917)
Net other postemployment benefits liability and related deferred outflows of resources are not due and payable in the current period; therefore, are not reported as government funds' liabilities. They are reported in the Statement of Net Position:		
Deferred outflows related to other postemployment benefits	3,389	
Net other postemployment benefits liability	(273,561)	
Deferred inflows related to other postemployment benefits	(228)	(270,400)
Net position of governmental activities		$ 5,492,940

City of Perris Housing Authority
Statement of Revenues, Expenditures, and Change in Fund Balance
Governmental Fund
For the Year Ended June 30, 2019

		General Fund
REVENUES:		
Charges for services	$	168,800
Investment earnings		39,415
Contributions		267,212
Total Revenues		475,427
EXPENDITURES:		
Current:		
Community development		667,615
Total Expenditures		667,615
NET CHANGE IN FUND BALANCE		(192,188)
FUND BALANCE:		
Beginning of year, as restated (Note 9)		5,888,761
End of year	$	5,696,573

See accompanying Notes to the Basic Financial Statements.

City of Perris Housing Authority
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Change in Fund Balance to the Government-Wide Statement of Activities
For the Year Ended June 30, 2019

Net change in fund balances - total governmental funds:	$	(192,188)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Compensated absences expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		43,024
Pension expenses is an expenditure in the governmental funds, but reduce the net pension liability in the Statement of Net Position, net of pension contribution made after measurement date in the amount of $51,624.		107,247
Other postemployment benefits expense net of $10,609 other postemployment benefits contribution during fiscal year, and measurement period.		(7,827)
Change in net position of governmental activities	$	(49,744)

NOTES TO THE BASIC FINANCIAL STATEMENTS

This page intentionally left blank.

Note 1 – Summary of Significant Accounting Policies

The financial statements of the City of Perris Housing Authority (the "Housing Authority"), a component unit of the City of Perris, California (the "City"), have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") as applied to governmental agencies. The Governmental Accounting Standards Boards ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The Housing Authority's significant accounting policies are described below.

A. Description of the Reporting Entity

The Housing Authority was formed on March 29, 2011 and operates as a public authority whose primary goal is to provide decent, safe and sanitary housing in a suitable living environment for families that cannot afford private housing that comply with housing quality standards.

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

The Authority is a component unit of the City 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. The funds of the Authority have been blended within the financial statements of the City because the City Council of the City is the governing board of the Housing Authority and exercise control over the operations of the Housing Authority. Only the funds of the Housing Authority are included herein, therefore, these financial statements do not purport to represent the financial position or results of operations of the City.

B. Basis of Accounting and Measurement Focus

The accounts of the Housing Authority are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

C. Government-Wide Financial Statements

The Housing Authority's government-wide financial statements include a Statement of Net Position and a Statement of Activities. These financial statements present summaries of activities for the Housing Authority.

These financial statements are presented on an *"economic resources"* measurement focus and the accrual basis of accounting. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

D. Government Fund Financial Statements

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all governmental funds. All governmental funds are accounted for using the *"current financial resources"* measurement focus and modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the balance sheets. The Statement of Revenues, Expenditures and Changes in Fund Balance presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

Note 1 – Summary of Significant Accounting Policies (Continued)

D. Government Fund Financial Statements (Continued)

The Housing Authority reports the following major governmental fund:

- The General Fund is the main operating fund for the Housing Authority and accounts for aids to low-income families in obtaining decent, safe and sanitary housing through federal assistance programs and low/moderate income housing programs.

Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are reported when received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized when due. Expenditures are reported in the accounting period in which the related fund liability is incurred.

Unavailable revenue arises when potential revenues do not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenue arises when the government receives resources before it has a legal claim to them, as when grant monies are received prior to incurring qualifying expenditures. In subsequent periods when both revenue recognition criteria are met or when the government has a legal claim to the resources, the unavailable revenue and unearned revenue are removed from the balance sheet and revenue is recognized.

Reconciliations of the Fund Financial Statements to the Government-Wide Financial Statements are provided to explain the differences.

E. Cash and Investments

The Housing Authority's cash and investments consist of cash and investments pooled with the City. The Housing Authority cash balance is pooled with various other City funds for deposit and investment purposes. The share of each fund in the pooled cash is separately maintained and interest income is apportioned to the participating funds based on the relationships of their average quarter-end cash balances to the total of the pooled cash and investments.

F. Uncollectible Accounts Receivable

The Authority uses the allowance method for uncollectible accounts receivable but deemed no allowance is necessary based on prior experience.

G. Capital Assets

The Housing Authority's capital assets include land, and are reported in the government-wide financial statements. Capital assets are recorded at cost where historical records are available and at an estimated historical cost where no historical records exist. Capital assets purchased in excess of $5,000.

Note 1 – Summary of Significant Accounting Policies (Continued)

H. Deferred Outflows and Inflows of Resources

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

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

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

I. Compensated Absences

Accumulated vacation and sick leave benefits and compensatory time payable in future years when used by the Housing Authority employees amounted to $75,218 at June 30, 2019. These amounts are payable from future resources and therefore have been recorded in long-term liabilities in the financial statements. Vacation benefits, sick leave, and compensatory time are recorded as expenses when used.

J. Pensions

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

The following timeframes are used for pension reporting:

CalPERS	
Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Measurement Period	July 1, 2017 to June 30, 2018

Gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time. The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and inflows of sources related to pensions and are to be recognized in further pension expense. The amortization period differs depending on the source of the gain or loss. The difference between projected and actual earnings is amortized over five years. All other amounts are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period.

K. Other Postemployment Benefits ("OPEB")

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the City's OPEB plan and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

Note 1 – Summary of Significant Accounting Policies (Continued)

K. Other Postemployment Benefits ("OPEB") (Continued)

Generally accepted accounting principles require that the reported results must pertain to lability and asset information within certain defined timeframes. For this report, the following timeframes are used.

Other Postemployment Benefits	
Valuation Date	July 1, 2017
Measurement Date	June 30, 2019
Measurement Period	July 1, 2018 to June 30, 2019

Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time. The first amortized amounts are recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense. The gains and losses are amortized on a straight-line basis over the average expected remaining service lives of all members.

L. Net Position

In the Government-Wide Financial Statements, net position are classified as follows:

Investment in Capital Assets – This amount consists of capital assets.

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

Unrestricted – This amount is all net position that does not meet the definition of "investment in capital assets" or "restricted net position."

When expenses are incurred for purposes for which both restricted an unrestricted net position are available, the Housing Authority's policy is to apply restricted net position first, then unrestricted net position as they are needed.

M. Use of Estimates

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

Note 2 – Cash and Investments

Cash and investments of the Housing Authority at June 30, 2019 was in the amount of $1,864,630. Cash is deposited in the City's internal investment pool, which is reported at amortized cost. The Housing Authority does not own specifically identifiable securities in the City pool. Interest income is allocated based on average cash balances. Investment policies and associated risk factors applicable to the Housing Authority are those of the City and are included in the City's basic financial statements.

Note 3 – Notes and Loans Receivable

The former Redevelopment Agency for the City of Perris made long-term rehabilitation and acquisition loans to owner-occupants of substandard homes who would otherwise be unable to obtain sufficient public or private financing to rehabilitate or acquire their homes. These loans were transferred to the Housing Authority subsequently to the dissolution of the redevelopment agency in accordance with Assembly Bill 1X 26. The loans are payable upon the sale or change in ownership of the property. Included in a portion of these loans are provisions for forgiving the balances if certain criteria is met. The amounts forgiven are reflected as loan amortizations on the financial statements which amounted to $34,580 in the current year. The receivable balance of $3,842,080 is not expected to be collected within one year.

Note 4 – Capital Assets

The summary of change in capital asset for the year ended June 30, 2019 was as follows:

	Balance July 1, 2018 (As restated)	Additions	Deletions	Balance June 30, 2019
Land	$ 500,902	$ -	$ -	$ 500,902

Note 5 – Compensated Absences

The summary of changes in compensated absences for the year ended June 30, 2019 was a follows:

	Balance July 1, 2018 (As restated)	Additions	Deletions	Balance June 30, 2019	Due within One Year	Due in More Than One Year
Compensated absences	$ 118,242	$ 10,071	$ (53,095)	$ 75,218	$ -	$ 75,218

Note 6 – Net Pension Liabilities

A. General Information about the Pension Plan

Plan Description

The Housing Authority participates in the City's miscellaneous plan, a cost-sharing multiple-employer defined benefit pension plan for miscellaneous employees. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statue and City ordinance. A full description of the pension plan regarding number of employees covered, benefit provisions, assumptions (for funding, but not accounting purposes), and membership information are listed in annual actuarial valuation report. This report and CalPERS' audited financial statements are publicly available reports that can be obtained at CalPERS' website under Forms and Publications.

Note 6 – Net Pension Liabilities (Continued)

A. *General Information about the Pension Plan (Continued)*

Benefits Provided

CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefits are based on years of credited service, equal to one year of fulltime employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

Below is the summary of the plans' provisions and benefits in effect at June 30, 2019:

	Plans		
	Miscellaneous		
	Classic	Tire II	PEPRA
Hire date	Prior to January 1, 2013	January 1, 2010 but prior to January 1, 2013	January 1, 2013 and after
Benefit formula	2.7% @ 55	2.0% @ 60	2% @ 62
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	Monhtly for life	Monhtly for life	Monhtly for life
Retirement age	Minimum 50 yrs	Minimum 50 yrs	Minimum 52 yrs
Monthly benefits, as a % of eligbile compension	2.0% to 2.7%	1.092% to 2.418%	1.0% to 2.5%
Employee contribution rate	8.00%	7.00%	6.25%
Employer contribution rate (Measurement period)	11.68%	7.20%	6.53%
Employer contribution rate (current fiscal year)	12.21%	7.63%	6.84%

Participant is eligible for non-industrial disability retirement if he/she becomes disabled and has at least 5 years of credited service. There is no special age requirement. The standard non-industrial disability retirement benefit is a monthly allowance equal to 1.8 percent of final compensation, multiplied by service. Industrial disability benefits are not offered.

An employee's beneficiary may receive the basic death benefit if the employee dies while actively employed. A member's survivor who is eligible for any other pre-retirement death benefit may choose to receive that death benefit instead of this basic death benefit. The basic death benefit is a lump sum in the amount of the employee's accumulated contributions, where interest is currently credited at 7.5 percent per year, plus a lump sum in the amount of one month salary for each completed year of current service, up to a maximum of six months' salary. For purposes of this benefit, one month's salary is defined as the member's average monthly full-time rate of compensation during the 12 or 36 months preceding death.

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

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

Note 6 – Net Pension Liabilities (Continued)

A. General Information about the Pension Plan (Continued)

Employees Covered by Benefit Terms

Please refer to the City's Comprehensive Annual Financial Report for numbers of employees covered by benefit terms at June 30, 2017, the valuation date.

Contribution Description

Section 20814(c) of the California Public Employees' Retirement Law ("PERL") requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

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

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

For measurement period ended June 30, 2018, the total pension liability was determined by rolling forward the June 30, 2017 total pension liability. The June 30, 2017 valuation was rolled forward to determine the June 30, 2018 total pension liability, based on following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table[1]	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.00% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.50% thereafter

[1]The mortality table used in 2018 was developed based on CalPERS' specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to December 2017 Experience Study Report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website at www.calpers.ca.gov under Forms and Publications.

Change of Assumptions

In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate.

Long-Term Expected Rate of Return

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

Note 6 – Net Pension Liabilities (Continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Long-Term Expected Rate of Return (Continued)

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

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

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

[1] In the CalPERS' CAFR, Fisced Income is included in Global Debt Securities; Liquity is included in Short-term Investment Inflation Assets are included in both Global Equity Securities and Global Debt Securities.
[2] An expected inflation of 2.00% used for this period
[3] An expected inflation of 2.92% used for this period

Discount Rate

The discount rate used to measure the 2018 total pension liabilities was 7.15 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Note 6 – Net Pension Liabilities (Continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

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

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

	Plan's Net Pension Liability		
	Discount Rate - 1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate + 1% (8.15%)
Measurement Date June 30, 2018	$ 731	$ 461,612	$ 227

Pension Plan Fiduciary Net Position

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

Proportionate Share of Net Pension Liability and Pension Expense

The Housing Authority proportionate share of net pension liability of the City's miscellaneous plan is determined by the City's CalPERS fiscal year 2017-2018 contribution made by the Housing Authority over the total miscellaneous plan contribution. The following table shows the Housing Authority's proportionate share of the City's miscellaneous plan net pension liability over the measurement periods ended June 30, 2018.

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (c) = (a) - (b)
Balance at June 30, 2017 (Valuation Date)	$ 2,569,861	$ 1,919,957	$ 649,904
Balance at June 30, 2018 (Measurement Date)	1,930,288	1,468,676	461,612
Net Changes during 2017-2018	$ (639,573)	$ (451,281)	$ (188,292)

The following is the approach established by the plan actuary to allocate the net pension liability and pension expense to the individual employers within the risk pool.

(1) In determining a cost-sharing plan's proportionate share, total amounts of liabilities and assets are first calculated for the risk pool as a whole on the valuation date (June 30, 2017). The risk pool's fiduciary net position ("FNP") subtracted from its total pension liability ("TPL") determines the net pension liability ("NPL") at the valuation date.

(2) Using standard actuarial roll forward methods, the risk pool TPL is then computed at the measurement date (June 30, 2018). Risk pool FNP at the measurement date is then subtracted from this number to compute the NPL for the risk pool at the measurement date. For purposes of FNP in this step and any later reference thereto, the risk pool's FNP at the measurement date denotes the aggregate risk pool's FNP at June 30, 2018 less the sum of all additional side fund (or unfunded liability) contributions made by all employers during the measurement period (2017-18).

Note 6 – Net Pension Liabilities (Continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

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

(3) The individual plan's TPL, FNP and NPL are also calculated at the valuation date.

(4) Two ratios are created by dividing the plan's individual TPL and FNP as of the valuation date from (3) by the amounts in step (1), the risk pool's total TPL and FNP, respectively

(5) The plan's TPL as of the measurement date is equal to the risk pool TPL generated in (2) multiplied by the TPL ratio generated in (4). The plan's FNP as of the Measurement Date is equal to the FNP generated in (2) multiplied by the FNP ratio generated in (4) plus any additional side fund (or unfunded liability) contributions made by the employer on behalf of the plan during the measurement period.

(6) The plan's NPL at the Measurement Date is the difference between the TPL and FNP calculated in (5).

Deferred outflows of resources, deferred inflows of resources, and pension expense is allocated based on the City's share of net pension liability at the measurement date.

The Housing Authority's proportionate shares of the net pension liabilities are as follows:

June 30, 2017	0.0066%
June 30, 2018	0.0048%
Change - Increase (Decrease)	-0.0018%

For the year ended June 30, 2019, the Housing Authority recognized pension credit in the amounts of $55,623.

The expected average remaining service lifetime ("EARSL") is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired). The EARSL for the miscellaneous plan for the 2017-18 measurement period is 3.8 years, which was obtained by dividing the total service years of 516,147 (the sum of remaining service lifetimes of the active employees) by 135,474 (the total number of participants: active, inactive, and retired).

As of measurement date of June 30, 2018, the Housing Authority reported deferred outflows and deferred inflows of resources related to pensions as follows:

	Deferred outflows of Resources	Deferred inflows of Resources
Contribution made after the measurement date	$ 51,624	$ -
Changes of assumptions	52,625	(12,897)
Difference between expected and actual experience	17,711	(6,027)
Net difference between projected and actual earning on pension plan investments	2,282	-
Adjustment due to differences in proportions	17,140	-
Difference between the City's contributions and proportionate share of contributions	-	(19,763)
Total	$ 141,382	$ (38,687)

Note 6 – Net Pension Liabilities (Continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

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

The amounts above are net of deferred outflows and inflows of resources recognized in the 2017-18 measurement period expense.

$51,624 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the collective net pension liability in the year ending June 30, 2020. Other amounts reported as deferred outflows or deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ending June 30,	Deferred Outflows/(Inflows) of Resources Miscellaneous Plan	
2020	$	45,009
2021		24,587
2022		(14,373)
2023		(4,152)
2024		-
Thereafter		-
	$	51,071

Note 7 – Other Postemployment Benefits ("OPEB")

A. General Information about the OPEB Plan

Plan Description

The Housing Authority participates in the City of Perris Retiree Healthcare Plan ("CPRHP"). The City provides medical benefits to eligible retired employees and qualified dependents. CPRHP is part of the Public Agency portion of the California Employers' Retiree Benefit Trust Fund ("CERBT"), an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California. A menue of benefit provisions as well as other requirements is established by State statute within the Public Employees' Retirement Law. CPRHP selects optional benefit provisions from the benefit menu by contract with CalPERS. CalPERS issues a Comprehensive Annual Financial Report ("CAFR"). The CAFR is issued in aggregate and includes the sum of all CalPERS plans. Copies of the CalPERS CAFR may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814.

Note 7 – Other Postemployment Benefits ("OPEB") (Continued)

A. General Information about the OPEB Plan (Continued)

Funding Policy

The contribution requirements of plan members and the City are established and may be amended by the City Council. Retirees hired prior to June 26, 2007 are covered by an "equal contribution method" resolution. The City contributes 100% of the retiree and dependent premiums up to the average of the family premiums for the two median-cost plans.

Retirees hired after June 25, 2008 are covered under a "vesting" resolution. A summary of the vesting resolution is as follows:

Contribution (Maximum)		
Employee Only	Employee and 1 dependent	Employee and 2+ dependent
$ 907	$ 1,815	$ 1,676

Years of Service	Vesting %
Less than 10	0%
10	50%
11	55%
12	60%
13	65%
14	70%
15	75%
16	80%
17	85%
18	90%
19	95%
20 or more	100%

Contributions

The City currently finances benefits on a pay-as-you-go basis

Employee Covered

Please refer to the City's Comprehensive Annual Financial Report for numbers of employees covered by the plan at June 30, 2019.

Note 7 – Other Postemployment Benefits ("OPEB") (Continued)

B. Net OPEB Liability

Actuarial Assumptions

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

Valuation Date	July 1, 2017
Actuarial Cost Method	Entry Age Normal, Level of Percentage of Pay
Amortization Method	Straight-line amortization over a closed period equal to the average expected remaining service lives of all members (4.5124
Actuarial Assumptions:	
Discount Rate	3.50%, net of investment expense, including inflation
Inflation	2.25% per annum
Salary Increases	3.0% per annum, in aggregate
Healthcare cost tread rates	8.00% for 2017-18, decreasing to 5.00% for 2020-21 and after
Retiree's share of cost	Retirees pay the balance of the premium after City contribution which varies by calendar year and date of hire.
Mortality[1]	Mortality rates were based on the RP-2014 Employee and Healthy Annuitant Mortality Tables for Males or Females, as appropriate, projected using a generational projection based on 100% of scale MP-2016 for years 2014 through 2029, 50% of MP-2016 for years 2030 through 2049, and 20% of MP-2016 for

Change of Assumptions

The discount rate decreased from 3.6% at June 30, 2018 to 3.5% at June 30, 2019.

Discount Rate

The discount rate used to measure the total OPEB liability was 3.5 percent. The discount rate was based on the Bond Buyer 20-bond General Obligation Index. Currently, the City contributes based on a pay-as-you-go method.

C. Change in the Net OPEB Liability

Proportionate Share of Net OPEB Liability

The following table shows the Housing Authority's proportionate share of the City's CPRHP net OPEB liability over the measurement period ended June 30, 2019.

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (c) = (a) - (b)
Balance at June 30, 2018	$ 262,573	$ -	$ 262,573
Balance at June 30, 2019 (Measurement Date)	273,561	-	273,561
Net Changes	$ 10,988	$ -	$ 10,988

Note 7 – Other Postemployment Benefits ("OPEB") (Continued)

C. Change in the Net OPEB Liability (Continued)

Proportionate Share of Net OPEB Liability (Continued)

The Housing Authority's proportionate shares of the net OPEB liabilities is 1.63% at the measurement date of June 30, 2019.

June 30, 2018	1.63%
June 30, 2019	1.63%
Change - Increase (Decrease)	0.00%

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

The following presents the Housing Authority's proportionate share of the net OPEB liability of the City, as well as what the Housing Authority's proportionate share of net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.50 percent) or 1-percentage- point higher (4.50 percent) than the current discount rate:

	Plan's Net OPEB Liability		
	Discount Rate - 1% (2.50%)	Current Discount Rate (3.50%)	Discount Rate + 1% (4.50%)
Measurement Date June 30, 2019	$ 321,168	$ 273,561	$ 235,796

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

The following presents the Housing Authority's proportionate share of the net OPEB liability of the City, as well as what the Housing Authority's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	Plan's Net OPEB Liability		
	1% Decrease (7.0% decreasing to 4.0%)	Current Healthcare Cost Trend Rates 8.00% decreasing to 5.0%	1% Increase (9.0% decreasing to 6.0%)
Measurement Date June 30, 2019	$ 230,131	$ 273,561	$ 328,972

D. OPEB Expense and Deferred Outflows of Resources Related to OPEB

For the fiscal year ended June 30, 2019, the Housing Authority recognized OPEB expenses in the amount of $18,436. At June 30, 2019, the Housing Authority reported deferred outflows of resources related to OPEB from the following sources:

	Deferred outflows of Resources	Deferred inflows of Resources
Changes of assumptions	$ 3,389	$ -
Difference between expected and actual experience	-	(228)
Total	$ 3,389	$ (228)

Note 7 – Other Postemployment Benefits ("OPEB") (Continued)

D. OPEB Expense and Deferred Outflows of Resources Related to OPEB (Continued)

The amounts above are net of outflows recognized in the 2018-19 measurement period.

The amounts reported as deferred outflows of resources related to OPEB will be recognized in future OPEB expense as follows:

Year Ending June 30	Deferred Outflows/(Inflows) of Resources OPEB Plan
2020	$ 900
2021	900
2022	900
2023	461
2024	-
Thereafter	-
Total	$ 3,161

Note 8 – Commitments and Contingencies

As of June 30, 2019, in the opinion of Housing Authority management, there was no outstanding matter that would have a significant effect on the financial position of the Housing Authority.

Note 9 - Prior Period Adjustments

A. Government-Wide Financial Statements

The net position at July 1, 2018 for the government-wide financial statements was restated as following:

	Governmental Activities	Business-Type Activities
Net position at July 1, 2018		
as previously reported	$ -	$ 6,271,421
Fund type correction	5,888,761	(5,888,761)
Land	500,902	(500,902)
Compensated absences	(118,242)	118,242
Deferred outflows of resources related to pensions	232,442	-
Net pension liability	(649,904)	-
Deferred inflows of resources related to pensions	(48,702)	-
Other postemployment benefits liabilities	(262,573)	-
Net Position at July 1, 2018,		
as restated	$ 5,542,684	$ -

Note 9 - Prior Period Adjustments (Continued)

B. Fund Financial Statements

	Governmental Fund	Proprietary Fund
Fund Balance/Net position at July 1, 2018		
as previously reported	$ -	$ 6,271,421
Fund type correction	5,888,761	(5,888,761)
Land	-	(500,902)
Compensated absences	-	118,242
Fund Balance/Net position at July 1, 2018,		
as restated	$ 5,888,761	$ -

The fund type correction was to present the Housing Authority's operating fund as a governmental fund instead of an enterprise fund. It was determined that the Housing Authority did not meet the criteria as an enterprise to correct pensions and other postemployment benefits amounts.

REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)

This page intentionally left blank.

City of Perris Housing Authority
Required Supplementary Information (Unaudited)
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2019

	Budget Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
REVENUES:				
Charges for services	23,500	23,500	$ 168,800	$ 145,300
Investment earnings	0	0	39,415	39,415
Contributions	711,463	711,463	267,212	(444,251)
Total revenues	734,963	734,963	475,427	(259,536)
EXPENDITURES:				
Current:				
Community development	1,029,959	1,029,959	667,615	362,344
NET CHANGES IN FUND BALANCE	$ (294,996)	$ (294,996)	(192,188)	$ 102,808
FUND BALANCE:				
Beginning of year, as restated (Note 9)			5,888,761	
End of year			$ 5,696,573	

City of Perris Housing Authority
Required Supplementary Information (Unaudited)
Notes to the Budgetary Comparison Schedule
For the Year Ended June 30, 2019

Budget and Budgetary Accounting

The Housing Authority adopts an annual budget on a basis consistent with generally accepted accounting principles in the United States and utilizes an encumbrance system as a management control technique to assist in controlling expenditures and enforcing revenue provisions.

City of Perris Housing Authority
Required Supplementary Information (Unaudited)
Schedule of Proportionate Share of Net Pension Liability and Related Ratios
For the Year Ended June 30, 2019

Last Ten Fiscal Years

California Public Employees' Retirement System

Measurement period	June 30, 2017[1]	June 30, 2018
Housing Authority's Proportion of the Net Pension Liability	0.0066%	0.0048%
Housing Authority's Proportionate Share of the Net Pension Liability	$ 649,904	$ 461,612
Housing Authority's Covered Payroll	$ 421,740	$ 334,965
Housing Authority's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	154.10%	137.81%
Housing Authority's Proportionate Share of the Fiduciary Net Position as a Percentage of the Total Pension Liability	74.71%	76.09%

[1] Historical information is presented only for measurement periods for which GASB 68 is available. The City started allocating net pension liabilities to the Housing Authority during measurement period ended June 30, 2017. Additional years of information will be presented as it becomes available.

Notes to Schedule:

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

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

City of Perris Housing Authority
Required Supplementary Information (Unaudited) (Continued)
Schedule of Contributions - Pensions
For the Year Ended June 30, 2019

Last Ten Fiscal Years

California Public Employees' Retirement System

Fiscal year	2017-2018	2018-2019[1]
Actuarially determined contribution	$ 59,536	$ 51,624
Contributions in relation to the actuarially determined contribution	(59,536)	(51,624)
Contribution deficiency (excess)	$ -	$ -
Covered payroll[2]	$ 334,965	$ 345,014
Contributions as a percentage of covered payroll	17.77%	14.96%

[1] Historical information is presented only for measurement periods for which GASB 68 is available. The City started allocating net pension liabilities to the Housing Authority during measurement period ended June 30, 2017. Additional years of information will be presented as it becomes available.

[2] Includes one year's payroll growth using 3.00 percent payroll assumption from 2017-18 to 2018-19.

Notes to Schedule:

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

Changes of Assumptions: In 2017, the accounting discount rate reduced from 7.65 percent to 7.15 percent. In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense.) In 2014, amounts reported were based on the 7.5 percent discount rate.

City of Perris Housing Authority
Required Supplementary Information (Unaudited)
Schedule of Proportionate Share of Net OPEB Liability and Related Ratios
For the Year Ended June 30, 2019

Last Ten Fiscal Years

Measurement period	June 30, 2018	June 30, 2019[1]
Housing Authority's Proportion of the Net OPEB Liability	1.6300%	1.6300%
Housing Authority's Proportionate Share of the Net OPEB Liability	$ 262,573	$ 273,561
Housing Authority's Covered Payroll[2]	$ 334,965	$ 345,014
Housing Authority's Proportionate Share of the Net OPEB Liability as a Percentage of Its Covered Payroll	78.39%	79.29%
Housing Authority's Proportionate Share of the Fiduciary Net Position as a Percentage of the Total OPEB Liability	0.00%	0.00%

[1] Historical information is presented only for measurement periods for which GASB 75 is available. Additional years of information will be presented as it becomes available.

[2] Includes one year's payroll growth using 3.00 percent payroll assumption from 2017-18 to 2018-19.

Notes to Schedule:

Changes of Assumptions: In 2019, the discount rate reduced from 3.6 percent to 3.5 percent.

City of Perris Housing Authority
Required Supplementary Information (Unaudited) (Continued)
Schedule of Contributions - Other Postemployment Benefits
For the Year Ended June 30, 2019

Last Ten Fiscal Years

Other Postemployment Benefits Plan

Fiscal year	2017-18	2018-19[1]
Actuarially determined contribution	$ 8,344	$ 8,579
Contributions in relation to the actuarially determined contribution	(10,269)	(10,610)
Contribution deficiency (excess)	$ (1,924)	$ (2,031)
Covered payroll	$ 334,965	$ 345,014
Contributions as a percentage of covered payroll	3.07%	3.08%

[1] Historical information is presented only for measurement periods for which GASB 75 is available. Additional years of information will be presented as it becomes available.

Notes to Schedule:

Methods and assumptions used to determine contribution rates:

Valuation date	July 1, 2017
Actuarial cost method	Entry Age Normal Cost Method
Amortization method	Level Percent Payroll
Asset valuation method	Market Value
Inflation	2.25% per annum
Discount rate	3.50%
Payroll Growth	3.0% per annum, in aggregate
Individual salary growth	N/A
Medical Trend Rates	8.00% for 2017-18, decreasing to 5.00% for 2020-21 and after

THE PUN GROUP
ACCOUNTANTS & ADVISORS

December 20, 2019

To the Honorable Mayor and the Members of the City Council
of the City of Perris
Perris, California

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Perris, California (the "City") for the year ended June 30, 2019.

Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 31, 2019. Professional standards also require that we communicate the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note 1 to the basic financial statements. As described in Note 1 to the financial statements, the City implemented the following accounting standards:

New Accounting Standards

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* (GASB 88). The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. See Note 6 of the City's basic financial statements for the City's long-term debt disclosure.

No other new accounting policies were adopted and the application of existing policies was not changed during 2019. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the City's financial statements were:

200 E. Sandpointe Avenue, Suite 600, Santa Ana, California 92707
Tel: 949-777-8800 • Fax: 949-777-8850 • www.pungroup.com

- Management's estimate of the investment fair market value is based on institutional bond quotes or matrix pricing for the City's investment in U.S. government sponsored enterprise securities, commercial paper, negotiable certificates of deposit, and local obligation bonds. We evaluated the key factors and assumptions used to develop the investment fair market value in determining that it is reasonable in relation to the financial statements taken as a whole.
- Management's estimate of the depreciation on capital assets is based on the industry standard and past experience on actual useful life of the asset groups. We evaluated the key factors and assumptions used to develop the depreciation on capital assets in determining that it is reasonable in relation to the financial statements taken as a whole.
- Management's estimate of the net pension liabilities is based on the actuarial valuation on total pension liability and based on financial statements on fiduciary net position for CalPERS plans. We evaluated the key factors and assumptions used to develop the net pension liability in determining that it is reasonable in relation to the financial statements taken as a whole.
- Management's estimate of the net other post employment benefit ("OPEB") liability is based on the actuarial valuation on total OPEB liability. We evaluated the key factors and assumptions used to develop the OPEB liability in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

- Note 1 – Reporting Entity and Summary of Significant Accounting Policies
- Note 8 – City Employees' Retirement Plan (Defined Benefits Pension Plan)
- Note 9 – Other Postemployment Benefits (OPEB) Plan
- Note 15 – Commitments and Contingencies
- Note 17 – Subsequent Events
- Note 18 – Prior Period Adjustments

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 20, 2019.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the Management's Discussion and Analysis ('MD&A"), Budgetary Comparison Schedules, the Schedule of the City's Proportionate Share of Net Pension Liability and Related Ratios, the Schedule of Plan Contributions – Pensions, the Schedule of Changes in Net OPEB Liability and Related Ratios, and the Schedule of Contributions – Other Postemployment Benefits Plan, which are Required Supplementary Information ("RSI") that supplement the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the Combining and Individual Fund Financial, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were not engaged to report on the Introductory and the Statistical Sections, which accompany the financial statements but are not RSI. We did not audit or perform other procedures on this other information and we do not express an opinion or provide any assurance on it.

Restriction on Use

This information is intended solely for the use of the City Council and management of the City and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

The Pun Group, LLP

Santa Ana, California

THE PUN GROUP
ACCOUNTANTS & ADVISORS

December 20, 2019

To the Board of Directors
of the City of Perris Public Utility
Perris, California

We have audited the financial statements of the City of Perris Public Utility Authority (the "Authority"), a component unit of the City of Perris, California (the "City") for the year ended June 30, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 31, 2019 as part of the communication letter to the City. Professional standards also require that we communicate the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Authority are described in Note 1 to the basic financial statements.

New Accounting Standards

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* (GASB 88). The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established.

No other new accounting policies were adopted and the application of existing policies was not changed during 2019. We noted no transactions entered into by the Authority during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the Authority's financial statements were

- Management's estimate of the depreciation on capital assets is based on the industry standard and past experience on actual useful life of the asset groups. We evaluated the key factors and assumptions used to develop the depreciation on capital assets in determining that it is reasonable in relation to the financial statements taken as a whole.

200 E. Sandpointe Avenue, Suite 600, Santa Ana, California 92707
Tel: 949-777-8800 • Fax: 949-777-8850 • www.pungroup.com

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

- Note 1 – Summary of Significant Accounting Policies
- Note 8 – Commitments & Contingencies
- Note 9 – Prior Period Adjustment
- Note 10 – Going Concern

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 20, 2019.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Authority's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Authority's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the Schedule of the Proportionate Share of Net Pension Liability and Related Ratios, the Schedules of Plan Contributions – Pension, the Schedules of the Proportionate Share of Net Other Postemployment Benefits Liability and Related Ratios, and the Schedule of Contributions – Other Postemployment Benefits, which are Required Supplementary Information ("RSI") that supplement the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restriction on Use

This information is intended solely for the use of the Board of Directors and management of the Authority and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

The Pun Group, LLP

Santa Ana, California

THE
PUN GROUP
ACCOUNTANTS & ADVISORS

December 20, 2019

To the Board of Directors
of the City of Perris Public Financing Authority
Perris, California

We have audited the financial statements of the governmental activities and the major fund of the City of Perris Public Financing Authority (the "Authority), a component unit of the City of Perris, California (the "City") for the year ended June 30, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 31, 2019. Professional standards also require that we communicate the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Authority are described in Note 1 to the basic financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2019. We noted no transactions entered into by the Authority during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

- Note 1 – Reporting Entity and Summary of Significant Accounting Policies
- Note 4 – Long-Term Liabilities

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

200 E. Sandpointe Avenue, Suite 600, Santa Ana, California 92707
Tel: 949-777-8800 • Fax: 949-777-8850 • www.pungroup.com

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 20, 2019.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Authority's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Authority's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Restriction on Use

This information is intended solely for the use of the Board of Directors and management of the Authority and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

The Pun Group, LLP

Santa Ana, California

THE
PUN GROUP
ACCOUNTANTS & ADVISORS

December 20, 2019

To the Board of Directors
of the City of Perris Joint Powers Authority
Perris, California

We have audited the financial statements of the governmental activities and the major fund of the Perris Joint Powers Authority (the "Authority), a component unit of the City of Perris, California (the "City") for the year ended June 30, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 31, 2019. Professional standards also require that we communicate the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Authority are described in Note 1 to the basic financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2019. We noted no transactions entered into by the Authority during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

- Management's estimate of the investment fair market value is based on institutional bond quotes or matrix pricing for the Authority's investment in local obligation bonds. We evaluated the key factors and assumptions used to develop the investment fair market value in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

- Note 1 – Reporting Entity and Summary of Significant Accounting Policies
- Note 3 – Long-Term Liabilities

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

200 E. Sandpointe Avenue, Suite 600, Santa Ana, California 92707
Tel: 949-777-8800 • Fax: 949-777-8850 • www.pungroup.com

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 20, 2019.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Authority's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Authority's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Restriction on Use

This information is intended solely for the use of the Board of Directors and management of the Authority and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

The Pun Group, LLP

Santa Ana, California

THE
PUN GROUP
ACCOUNTANTS & ADVISORS

December 23, 2019

To the Board of Directors
of the Perris Community Economic Development Corporation
Perris, California

We have audited the financial statements of the Perris Community Economic Development Corporation (the "Corporation") for the years ended June 30, 2019, and we will issue our report thereon dated December 23, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 31, 2019. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Corporation are described in Note 2 to the financial statements. As described in Note 2 to the financial statements, the Corporation implemented the following accounting standard:

> On August 18, 2016, the FASB completed Phase I of its Presentation of Financial Statements of Not-for-Profit Entities project by issuing Accounting Standards Update ("ASU") No. 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. The new guidance simplifies and improves how not-for-profit entities classify net assets as well as the information presented in financial statements and notes about liquidity, financial performance, and cash flows. ASU No. 2016-14 is effective for annual financial statements issued for fiscal years beginning after December 15, 2017. The Corporation has adopted this accounting policy in the current year. The effect of the implementation was to restate the beginning net assets and to report net assets without donor restrictions and net assets with donor restrictions – time restrictions in the amounts of $3,223,869 and $982,449, respectively (Note 6 and 10 of the Corporation's Financial Statements).

No other new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the Corporation during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Management fee and contribution revenue are based on current year program service costs for the shared employees from the City.

200 E. Sandpointe Avenue, Suite 600, Santa Ana, California 92707
Tel: 949-777-8800 • Fax: 949-777-8850 • www.pungroup.com

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

- Note 2 – Summary of Significant Accounting Policies
- Note 4 – Unconditional Promise to Give
- Note 5 – Liquidity and Availability of Financial Assets
- Note 7 – Related Party Transactions
- Note 10 – Prior Period Adjustments

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 23, 2019.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Corporation's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Corporation's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Directors and management of the Corporation and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

The Pun Group, LLP

Santa Ana, California

THE
PUN GROUP
ACCOUNTANTS & ADVISORS

December 20, 2019

To the Board of Directors
of the City of Perris Housing Authority
Perris, California

We have audited the financial statements of the governmental activities and the major fund of the City of Perris Housing Authority (the "Housing Authority"), a component unit of the City of Perris, California (the "City") for the year ended June 30, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards,* as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 31, 2019 as part of the communication letter to the City. Professional standards also require that we communicate the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Housing Authority are described in Note 1 to the basic financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2019. We noted no transactions entered into by the Housing Authority during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the Housing Authority's financial statements were:

- Management's estimate of the net pension liabilities is based on the actuarial valuation on total pension liability and based on financial statements on fiduciary net position for CalPERS plans and collateral plan. We evaluated the key factors and assumptions used to develop the net pension liability in determining that it is reasonable in relation to the financial statements taken as a whole.
- Management's estimate of the net other post employment benefits ('OPEB") liability is base on the actuarial valuation on total OPEB liability. We evaluated the key factors and assumptions used to develop the OPEB liability in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

- Note 1 – Summary of Significant Accounting Policies
- Note 8 – Commitments and Contingencies
- Note 9 – Prior Period Adjustments

200 E. Sandpointe Avenue, Suite 600, Santa Ana, California 92707
Tel: 949-777-8800 • Fax: 949-777-8850 • www.pungroup.com

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 20, 2019.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Housing Authority's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Housing Authority's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the Budgetary Comparison Schedule, the Schedule of the Proportionate Share of Net Pension Liability and Related Ratios, the Schedule of Contributions – Pensions, the Schedule of the Proportionate Share of Net OPEB Liability and Related Ratios, and the Schedule of Contributions – Other Postemployment Benefits, which are Required Supplementary Information ("RSI") that supplement the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restriction on Use

This information is intended solely for the information and use of the Board of Directors and management of the Housing Authority and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

The Pun Group, LLP

Santa Ana, California

City of Perris

Perris, California

Independent Accountants' Report on Applying Agreed-Upon Procedures to Appropriations Limit Schedule

For the Year Ending June 30, 2020

THE PUN GROUP
ACCOUNTANTS & ADVISORS

THE PUN GROUP
ACCOUNTANTS & ADVISORS

INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES

To the Honorable Mayor and the Members of City Council
of the City of Perris
Perris, California

We have performed the procedures enumerated below, which were agreed to by the City of Perris, California (the "City") and the League of California Cities (as presented in the publication entitled *Agreed-upon Procedures Applied to the Appropriations Limitation Prescribed by Article XIII-B of the California Constitution*) on assisting you in meeting the requirements of Section 1.5 of Article XIII-B of the California Constitution for the year ending June 30, 2020. The City's management is responsible for the Appropriations Limit Schedule. The sufficiency of these procedures is solely the responsibility of the City. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and associated findings are as follows:

1. We obtained the completed worksheets used by the City to calculate its appropriations limit for the year ending June 30, 2020, and determined that the limit and annual calculation factors were adopted by resolution of City Council. We also determined that the population and inflation options were selected by a recorded vote of City Council.

   Finding: No exceptions were noted as a result of our procedures.

2. For the accompanying Appropriations Limit Schedule, we added the prior year's limit to the total adjustments, and agreed the resulting amount to the current year's limit.

   Finding: No exceptions were noted as a result of our procedures.

3. We agreed the current year information presented in the accompanying Appropriations Limit Schedule to corresponding information in worksheets used by the City.

   Finding: No exceptions were noted as a result of our procedures.

4. We agreed the appropriations limit presented in the accompanying Appropriations Limit Schedule to the appropriations limit adopted by the City Council.

   Finding: No exceptions were noted as a result of our procedures.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the accompanying Appropriations Limit Schedule. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you. No procedures have been performed with respect to the determination of the appropriation limit for the base year, as defined by Article XIII-B of the California Constitution.

200 E. Sandpointe Avenue, Suite 600, Santa Ana, California 92707
Tel: 949-777-8800 • Fax: 949-777-8850 • www.pungroup.com

To the Honorable Mayor and the Members of City Council
of the City of Perris
Perris, California
Page 2

This report is intended solely for the information and use of the City Council and the management of the City and is not intended to be and should not be used by anyone other than these specified parties.

The Pun Group, LLP

Santa Ana, California
December 18, 2019

City of Perris
Appropriations Limit Schedule
For the Year Ending June 30, 2020

	Amount	Source
A. Appropriations Limit FY 2018-2019	$ 46,323,290	Prior year appropriations limit adopted by the City
B. Calculation Factors:		
1) Population increase %	1.0117	California Department of Finance
2) Inflation increase %	1.0385	California Department of Finance
3) Total adjustment %	1.0507	(B1 x B2)
C. Annual Adjustment Increase	2,346,295	{(B3 - 1) x A}
D. Other Adjustment Increase		
1) Loss responsibility (-)	-	N/A
2) Transfer to fees (-)	-	N/A
3) Transfer to private (-)	-	N/A
4) Assumed responsibility (+)	-	N/A
E. Total Adjustments	$ 2,346,295	(C+D)
F. Appropriations Limit FY 2019-2020	48,669,585	(A+E)

See Accompanying Notes to the Appropriations Limit Schedule

City of Perris
Notes to Appropriations Limit Schedule
For the Year Ending June 30, 2020

Note 1 – Purpose of Limited Procedures Review

Under Article XIII-B of the California Constitution (the Gann Spending Limitation Initiative), California governmental agencies are restricted as to the amount of annual appropriations from proceeds of taxes. Effective for years beginning on or after July 1, 1990, under Section 1.5 of Article XIIIB, the annual calculation of the appropriations limit is subject to a limited procedures review in connection with the annual financial audit.

Note 2 – Method of Calculation

Under Section 10.5 of Article XIII-B, for fiscal years beginning on or after July 1990, the appropriations limit is required to be calculated based on the limit for the fiscal year 1986-87, adjusted for the inflation and population factors discussed in Notes 3 and 4 below.

Note 3 – Population Factors

A California governmental agency may use as its population factor either the annual percentage change of the jurisdiction's own population or the annual percentage change in population of the county where the jurisdiction is located. The factor adopted by the City for the year ending June 30, 2020, represents the annual percentage change in the population for the County of Riverside.

Note 4 – Inflation Factors

A California governmental agency may use as its inflation factor either the annual percentage change in the 4th quarter per capita personal income (which percentage is supplied by the California Department of Finance) or the percentage change in the local assessment roll from the preceding year due to the change of local nonresidential construction. The factor adopted by the City for the year ending June 30, 2020, represents the annual percentage change for per capita personal income.

Note 5 – Other Adjustments

A California government agency may be required to adjust its appropriations limit when certain events occur, such as the transfer of responsibility for municipal services to, or from, another government agency or private entity. The City had no such adjustments for the year ending June 30, 2020.