

City of Perris
Public Financing Authority

Perris, California

Basic Financial Statements
and Independent Auditors' Reports

For the Year Ended June 30, 2020



City of Perris Public Financing Authority
For the Year Ended June 30, 2020

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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, 2020, 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, 2020, 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.

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To the Board of Directors
of the City of Perris Public Financing Authority
Perris, California
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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 April 2, 2021, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

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

Santa Ana, California
April 2, 2021



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, 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated April 2, 2021.

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") as a basis for designing 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 financial statement. 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*.

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

Santa Ana, California
April 2, 2021

BASIC FINANCIAL STATEMENTS

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City of Perris Public Financing Authority
Statement of Net Position
June 30, 2020

	Governmental Activities
ASSETS	
Current assets:	
Cash and investments	\$ 2,819,483
Interest receivable	645
Interest receivable from other agencies	361,339
Total current assets	3,181,467
Noncurrent assets:	
Loan receivable from other agencies	37,620,000
Restricted cash and investments with fiscal agent	3,920,409
Total noncurrent assets	41,540,409
Total Assets	44,721,876
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charge on refunding	675,543
Total Deferred Outflows of Resources	675,543
LIABILITIES	
Deposits	3,905,316
Interest payable	361,339
Noncurrent liabilities:	
Due within one year	1,865,000
Due in more than one year	36,669,391
Total liabilities	42,801,046
NET POSITION	
Unrestricted	2,596,373
Total Net Position	\$ 2,596,373

City of Perris Public Financing Authority
Statement of Activities
For the Year Ended June 30, 2020

Functions/Programs	Expenses	Program Revenues	Net (Expenses) Revenue and Change in Net Position
		Operating Grants and Contributions	Governmental Activities
Governmental Activities:			
Program Expenses:			
Interest and fiscal charges	\$ 1,342,529	\$ 1,342,529	\$ -
Total	\$ 1,342,529	\$ 1,342,529	-
General Revenues:			
Interest earnings			2,886,960
Other			5,540
Total General Revenues			2,892,500
Change in Net Position			2,892,500
Net Position:			
Beginning of year			(296,127)
End of year			\$ 2,596,373

GOVERNMENTAL FUND FINANCIAL STATEMENTS

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City of Perris Public Financing Authority
Balance Sheet
Governmental Fund
June 30, 2020

	General Fund
ASSETS	
Cash and investments	\$ 2,819,483
Cash and investments with fiscal agent	3,920,409
Interest receivable	645
Loans receivable	37,620,000
Total assets	\$ 44,360,537
LIABILITIES AND FUND BALANCE	
Liabilities:	
Deposits	\$ 3,905,316
Total liabilities	3,905,316
Fund Balances:	
Nonspendable:	
Noncurrent loans receivable	35,755,000
Restricted for:	
Debt service	4,700,221
Total Fund Balances	40,455,221
Total liabilities and fund balance	\$ 44,360,537

City of Perris Public Financing Authority
Reconciliation of the Governmental Fund Balance Sheet
to the Government-Wide Statement of Net Position
June 30, 2020

Total Fund Balances - Governmental Fund		\$ 40,455,221
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.		361,339
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	(38,534,391)	
Deferred losses on refunding	675,543	(37,858,848)
Accrued interest payable for the current portion of interest due on bonds has not been reported in the governmental funds.		(361,339)
Net position of governmental activities		\$ 2,596,373

City of Perris Public Financing Authority
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Fund
For the Year Ended June 30, 2020

	General Fund
REVENUES:	
Investment earnings	\$ 4,343,988
Other	5,540
Total Revenues	4,349,528
EXPENDITURES:	
Debt service:	
Principal retirement	8,765,000
Interest and fiscal charges	1,462,808
Total Expenditures	10,227,808
Net Changes in Fund Balance	(5,878,280)
FUND BALANCE:	
Beginning of year	46,333,501
End of Year	\$ 40,455,221

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, 2020

Net change in fund balance - governmental fund:		\$ (5,878,280)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Accrued interest on advances receivable does not provide current financial resource. Therefore, accrued interest is not reported as revenue in the governmental fund. This is the net change in accrued interest receivable for the current period.		(114,499)
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	8,765,000	
Amortization of premium/discount and deferred charges	<u>5,780</u>	8,770,780
Accrued interest for long-term liabilities. This is the net change in accrued interest for the current period.		<u>114,499</u>
Change in net position of governmental activities		<u><u>\$ 2,892,500</u></u>

NOTES TO THE BASIC FINANCIAL STATEMENTS

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City of Perris Public Financing Authority
Notes to the Basic Financial Statements
For the Year Ended June 30, 2020

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.

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.

City of Perris Public Financing Authority
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

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

B. Basis of Presentation (Continued)

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.

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

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 judgments, are recorded only when payment is due.

Interest associated with the current fiscal period is considered to be susceptible to accrual, and is therefore recognized as revenues of the current fiscal 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.

City of Perris Public Financing Authority
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

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 of resources.

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 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.

City of Perris Public Financing Authority
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

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 residual fund 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, 2020, the Authority had the following:

Cash and investments pooled with the City of Perris	\$	2,819,483
Restricted investments		3,920,409
Total		\$ 6,739,892

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.

City of Perris Public Financing Authority
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

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, 2020, the Authority’s investments with fiscal agent in money market fund in the amount of \$3,920,409 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, 2020	Minimum Legal Rating	AAA
Investments with fiscal agent:			
Money market mutual funds	\$ 3,920,409	AA	\$ 3,920,409

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, 2020, the Successor Agency repaid the loans funded through 2010 Series A Revenue Bonds.

City of Perris Public Financing Authority
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

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
2010 Series A Loan	\$ 7,180,000	\$ 6,935,000	\$ (6,935,000)	\$ -
2015 Series A Loan	21,590,000	18,670,000	(1,015,000)	17,655,000
2015 Series B Loan	23,120,000	20,780,000	(815,000)	19,965,000
Total	<u>\$ 51,890,000</u>	<u>\$ 46,385,000</u>	<u>\$ (8,765,000)</u>	<u>\$ 37,620,000</u>

Note 4 – Deposits

At June 30, 2020, deposits in the amount of \$3,905,316 reflect the amount held by fiscal agent for the repayment of 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, 2020:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
2010 Revenue Bonds, Series A	\$ 6,935,000	\$ -	\$ (6,935,000)	\$ -	\$ -
2015 Revenue Refunding Bonds, Series A	18,670,000	-	(1,015,000)	17,655,000	1,035,000
2015 Revenue Refunding Bonds, Series B	20,780,000	-	(815,000)	19,965,000	830,000
Subtotal	<u>46,385,000</u>	<u>-</u>	<u>(8,765,000)</u>	<u>37,620,000</u>	<u>1,865,000</u>
Add (less) Deferred Amounts:					
Bond Premiums	1,218,704	-	(85,523)	1,133,181	-
Bond Discounts	(232,254)	-	13,464	(218,790)	-
Total	<u>\$ 47,371,450</u>	<u>\$ -</u>	<u>\$ (8,837,059)</u>	<u>\$ 38,534,391</u>	<u>\$ 1,865,000</u>

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, 2020, the bonds were fully redeemed early.

City of Perris Public Financing Authority
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 5 – Long-Term Liabilities (Continued)

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, 2020, the Authority has a cash reserve balance for debt service of \$1,798,934 which is sufficient to cover the reserve requirement. The outstanding balance at June 30, 2020 was \$17,655,000.

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, 2020, the Authority has a cash reserve balance for debt service of \$2,105,400 which is sufficient to cover the reserve requirement. The outstanding balance at June 30, 2020 was \$19,965,000.

Future Debt Requirement

Total revenue bonds outstanding balances was in the amount of \$37,620,000. The future debt requirements are as follows:

Year Ending June 30,	Principal	Interest	Total
2021	\$ 1,865,000	\$ 1,411,182	\$ 3,276,182
2022	1,925,000	1,340,432	3,265,432
2023	2,005,000	1,264,607	3,269,607
2024	2,080,000	1,183,807	3,263,807
2025	2,170,000	1,098,243	3,268,243
2026-2030	12,040,000	4,249,347	16,289,347
2031-2035	12,710,000	1,753,219	14,463,219
2036-2037	2,825,000	114,100	2,939,100
Total	<u>\$ 37,620,000</u>	<u>\$ 12,414,937</u>	<u>\$ 50,034,937</u>

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 \$5,344,605 and the debt service payments on the bonds was \$3,504,353.

City of Perris Public Financing Authority
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 5 – Long-Term Liabilities (Continued)

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, 2020, the Authority had redeemed all prior year bonds that are considered defeased.

Note 6 – Risk Management

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

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

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

Under the liability programs risk-sharing pool, each member's share of total claims liabilities, including IBNR's, is determined by the application of risk factors to specific characteristics of each member which provides the relative share of each member in total losses of PERMA. These losses are paid from premiums charged to the members which are established at levels to fund all claims costs. There were no claims filed against the PFA as of June 30, 2020.

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. The PFA has no employees and does not report any workers' compensation liabilities.

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.