

**City of Perris  
Public Utility Authority**

Perris, California

**Basic Financial Statements  
and Independent Auditors' Reports**

*For the Year Ended June 30, 2020*





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

**Table of Contents**

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	<u>Page</u>
<b>Independent Auditors' Reports:</b>	
<b>Report on the Financial Statements</b> .....	1
<b>Report on Internal Control Over Financial Reporting and on Compliance and     Other Matters Based on an Audit of Financial Statements     Performed in Accordance with <i>Government Auditing Standards</i></b> .....	3
<b>Basic Financial Statements:</b>	
Statement of Net Position .....	7
Statement of Revenues, Expenses, and Changes in Net Position .....	8
Statement of Cash Flows.....	9
Notes to the Basic Financial Statements .....	11
<b>Required Supplementary Information (Unaudited):</b>	
Schedule of Proportionate Share of Net Pension Liability and Related Ratios .....	30
Schedule of Contributions – Pensions.....	32
Schedule of Proportionate Share of Net Other Postemployment Benefits Liability and Related Ratios.....	34
Schedule of Contributions – Other Postemployment Benefits Plan.....	35

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## 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, 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 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, 2020, 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.

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***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 30 to 35 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 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.



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 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, 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 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 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 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.

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



## **BASIC FINANCIAL STATEMENTS**

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

<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 293,657
Accounts receivable, net	526,671
<b>Total current assets</b>	<u>820,328</u>
Noncurrent assets:	
Capital assets, not being depreciated	300,564
Capital assets, net of depreciation	7,395,124
<b>Total noncurrent assets</b>	<u>7,695,688</u>
<b>Total assets</b>	<u>8,516,016</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows of resources related to pensions	123,249
Deferred outflows of resources related to other postemployment benefits	31,423
<b>Total deferred outflows of resources</b>	<u>154,672</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable and accrued liabilities	\$ 528,173
Due to the City of Perris	3,476,013
Deposits payable	111,410
Compensated absences, due in one year	1,721
Loans payable to the City of Perris, due within one year	195,988
<b>Total current liabilities</b>	<u>4,313,305</u>
Noncurrent liabilities:	
Compensated absences, due in more than one year	6,882
Loans payable to the City of Perris, due in more than one year	4,507,719
Net pension liability	92,156
Net other postemployment benefits liability	183,067
<b>Total noncurrent liabilities</b>	<u>4,789,824</u>
<b>Total liabilities</b>	<u>9,103,129</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows of resources related to pensions	7,313
Deferred inflows of resources related to other postemployment benefits	83
<b>Total deferred inflows of resources</b>	<u>7,396</u>
<b>NET POSITION</b>	
Net investment in capital assets	2,991,981
Unrestricted (deficit)	(3,431,818)
<b>Total net position</b>	<u>\$ (439,837)</u>

**City of Perris Public Utility Authority**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**For the Year Ended June 30, 2020**

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**Operating Revenues**

Charges for services	\$ 848,934
Total operating revenues	<u>848,934</u>

**Operating Expenses**

Maintenance and operations	157,240
Contractual services	291,595
Administrative and general	67,331
Depreciation	<u>320,359</u>
Total Operating Expenses	<u>836,525</u>

Operating income	<u>12,409</u>
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**Nonoperating Expenses**

Interest expense	<u>(293,982)</u>
Total nonoperating expenses	<u>(293,982)</u>

**Change in net position**

	<u>(281,573)</u>
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**Net Position:**

Beginning of year	<u>(158,264)</u>
End of year	<u><u>\$ (439,837)</u></u>

**City of Perris Public Utility Authority**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2020**

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Cash received from customers and user	\$ 601,224
Cash paid for employee services	(215,279)
Cash paid to suppliers for goods and services	(242,227)
<b>Net cash provided by operating activities</b>	<b>143,718</b>

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:**

Cash received from the City of Perris	423,230
<b>Net cash provided by noncapital financing activities</b>	<b>423,230</b>

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:**

Principal payments on capital debt	(195,988)
Interest payments on capital debt	(293,982)
<b>Net cash (used in) capital and related financing activities</b>	<b>(489,970)</b>
<b>Net increase in cash and cash equivalents</b>	<b>76,978</b>

**CASH AND CASH EQUIVALENT:**

Beginning of year	216,679
End of year	<b>\$ 293,657</b>

**RECONCILIATION OF OPERATING INCOME TO  
NET CASH PROVIDED BY OPERATING ACTIVITIES:**

Operating income	\$ 12,409
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	320,359
(Increase) decrease in accounts receivable	(249,115)
Increase (decrease) in pension related deferred outflows of resources	(100,267)
(Increase) decrease in deferred outflows of resources related to other postemployment benefits	(29,697)
(Increase) decrease in accounts payable and accrued liabilities	128,009
Increase (decrease) in deposit payable	1,405
(Increase) decrease in compensated absences	(1,265)
(Increase) decrease in net pension liability	17,120
Increase (decrease) in net other postemployment benefits liabilities	43,769
(Increase) decrease in pension related deferred inflows of resources	1,024
Increase (decrease) in deferred inflows of resources related to other postemployment benefits	(33)
Total adjustment	131,309
<b>Net cash provided by (used in) operating activities</b>	<b>\$ 143,718</b>

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

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**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.

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

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

**C. Cash and Cash Equivalent**

The Authority's cash and cash equivalent 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 \$52,837.

**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



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

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**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, 2018
Measurement Date	June 30, 2019
Measurement Period	June 30, 2018 to June 30, 2019

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.

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

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

**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.

The following timeframes are reported OPEB reporting:

Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
Measurement Period	July 1, 2019 to June 30, 2020

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 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.

**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.

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

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

***L. Implementation of New GASB Pronouncement***

Guidance (GASB Statement No. 95), to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. This objective is accomplished by postponing the effective dates of provisions in certain GASB Statements and Implementation Guides which became effective or were scheduled to become effective for periods beginning after June 15, 2018, and later. The Authority implemented GASB Statement No. 95 in the fiscal year ended June 30, 2020 and postponed the effective dates of the following GASB Statements:

- GASB Statement No. 84, Fiduciary Activities
- GASB Statement No. 87, Leases
- GASB Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period
- GASB Statement No. 90, Majority Equity Interests
- GASB Statement No. 91, Conduit Debt Obligations
- GASB Statement No. 92, Omnibus 2020
- GASB Statement No. 93, Replacement of Interbank Offered

**Note 2 – Cash and Cash Equivalent**

Cash and cash equivalent at June 30, 2020 was in the amount of \$293,657 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.

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

**Note 3 – Capital Assets**

The summary of changes in capital assets for the year ended June 30, 2020 was as follows:

	Balance July 1, 2019	Additions	Deletions	Reclassification	Balance June 30, 2020
<b>Capital assets, not being depreciated:</b>					
Land	\$ 300,564	\$ -	\$ -	\$ -	\$ 300,564
<b>Total capital assets, not being depreciated</b>	<b>300,564</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>300,564</b>
<b>Capital assets, being depreciated:</b>					
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
<b>Total capital assets, being depreciated</b>	<b>11,083,784</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>11,083,784</b>
<b>Less accumulated depreciation:</b>					
Major equipment	(208,153)	(19,824)	-	-	(227,977)
Structures and improvements	(60,676)	(5,778)	-	-	(66,454)
Reservoirs	(375,283)	(35,742)	-	-	(411,025)
Mains	(1,690,262)	(160,463)	-	-	(1,850,725)
Services	(467,397)	(44,514)	-	-	(511,911)
Meters	(71,515)	(6,811)	-	-	(78,326)
Hydrants	(197,064)	(18,768)	-	-	(215,832)
Wells	(297,951)	(28,459)	-	-	(326,410)
<b>Total accumulated depreciation</b>	<b>(3,368,301)</b>	<b>(320,359)</b>	<b>-</b>	<b>-</b>	<b>(3,688,660)</b>
<b>Total capital assets being depreciated, net</b>	<b>7,715,483</b>	<b>(320,359)</b>	<b>-</b>	<b>-</b>	<b>7,395,124</b>
<b>Capital assets, net of depreciation</b>	<b>\$ 8,016,047</b>	<b>\$ (320,359)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 7,695,688</b>

**Note 4 – Compensated Absences**

The summary of changes in compensated absences for the year ended June 30, 2020 was as follows:

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020	Due within One Year	Due in More Than One Year
Compensated absences	\$ 9,868	\$ -	\$ (1,265)	\$ 8,603	\$ 1,721	\$ 6,882

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

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**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 \$4,703,707 at June 30, 2020.

The future debt requirements are as follows:

Year Ending June 30,	Principal	Interest	Total
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	195,988	235,185	431,173
2026-2030	979,940	999,537	1,979,477
2031-2035	979,940	705,556	1,685,496
2036-2040	979,940	411,573	1,391,513
2041-2044	783,947	117,592	901,539
Total	<u>\$ 4,703,707</u>	<u>\$ 3,527,777</u>	<u>\$ 8,231,484</u>

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

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**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 statute 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, 2020, for which the City of Perris has contracted:

	Classic	Tire II	PEPRA
	Prior to	January 1, 2010 but prior to	January 1, 2013 and after
Hire date	January 1, 2013	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	Monthly for life	Monthly for life	Monthly for life
Retirement age	Minimum 50 yrs	Minimum 50 yrs	Minimum 52 yrs
Monthly benefits, as a % of eligible compensation	2.0% to 2.7%	1.092% to 2.418%	1.0% to 2.5%
Employee contribution rate	8.000%	7.000%	6.250%
Employer contribution rate (Measurement period)	12.212%	7.634%	6.842%
Employer contribution rate (current fiscal year)	13.182%	8.081%	6.985%

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

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**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, 2018 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.

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

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**Note 6 – Pensions (Continued)**

***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, 2019, the total pension liability was determined by rolling forward the June 30, 2018 total pension liability. The June 30, 2018 valuation was rolled forward to determine the June 30, 2019 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
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	The lesser of contract COLA or 2.50% until Purchasing Power Protection Allowance floor on purchasing power applies, 2.50% thereafter

<sup>1</sup>The mortality table used was developed based on CalPERS-specific data. The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement and Post-retirement mortality rates include 15 years of projected mortality improvement using 90% of Scale MP-2016 published by the Society of Actuaries. For more details on this table, please refer to the CalPERS Experience Study and Review of Actuarial Assumptions report from December 2017 that can be found on the CalPERS website.

*Change of Assumptions*

There were no change of assumptions in 2019.

*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.



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

**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 <sup>1</sup>	Assumed Assets Allocation	Real Return Years 1 - 10 <sup>2</sup>	Real Return Years 11+ <sup>3</sup>
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%
	<u>100.00%</u>		

<sup>1</sup> In the CalPERS' CAFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments  
Inflation Assets are included in both Global Equity Securities and Global Debt Securities.

<sup>2</sup> An expected inflation of 2.00% used for this period

<sup>3</sup> An expected inflation of 2.92% used for this period

Discount Rate

The discount rate used to measure the total pension liability was 7.15%. 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:

	<b>Plan's Net Pension Liability</b>		
	<b>Discount Rate</b>	<b>Current Discount</b>	<b>Discount Rate</b>
	<b>- 1% (6.15%)</b>	<b>Rate (7.15%)</b>	<b>+ 1% (8.15%)</b>
Measurement Date June 30, 2019	\$ 147,824	\$ 92,156	\$ 46,207

Pension Plan Fiduciary Net Position

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

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

**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 2018-2019 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, 2019.

	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability/(Asset) (c) = (a) - (b)</b>
Balance at June 30, 2018 (Valuation Date)	\$ 313,771	\$ 238,735	\$ 75,036
Balance at June 30, 2019 (Measurement Date)	377,387	285,231	92,156
Net Changes during 2018-2019	\$ 63,616	\$ 46,496	\$ 17,120

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, 2018). 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, 2019). 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, 2019 less the sum of all additional side fund (or unfunded liability) contributions made by all employers during the measurement period (2018-19).
- (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.

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

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**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, 2018	0.00078%
June 30, 2019	<u>0.00090%</u>
Change - Increase (Decrease)	<u><u>0.00012%</u></u>

For the year ended June 30, 2020, the Authority recognized pension expense in the amounts of \$82,123.

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 2018-19 measurement period is 3.8 years, which was obtained by dividing the total service years of 530,470 (the sum of remaining service lifetimes of the active employees) by 140,593 (the total number of participants: active, inactive, and retired).

As of measurement date of June 30, 2019, the Authority reported deferred outflows and deferred inflows of resources related to pensions as follows:

	<b>Deferred outflows of Resources</b>	<b>Deferred inflows of Resources</b>
Contribution made after the measurement date	\$ 108,460	\$ -
Changes of assumptions	4,394	(1,558)
Difference between expected and actual experience	6,401	(496)
Net difference between projected and actual earning on pension plan investments	-	(1,611)
Adjustment due to differences in proportions	3,994	
Difference between the City's contributions and proportionate share of contributions	-	(3,648)
Total	\$ 123,249	\$ (7,313)

The amounts above are net of deferred outflows and inflows of resources recognized in the 2018-2019 measurement period expense.

\$108,460 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, 2021. Other amounts reported as deferred outflows or deferred inflows of resources related to pensions will be recognized as pension expense as follows:

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

**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 <u>Miscellaneous Plan</u>
2020	\$ 6,751
2021	(579)
2022	978
2023	326
2024	-
Thereafter	-
	\$ 7,476

**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
\$ 931	\$ 1,862	\$ 1,733

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

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**Note 7 – Other Postemployment Benefits (“OPEB”) (Continued)**

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

Funding Policy (Continued)

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 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, 2020.

**B. Net OPEB Liability**

Actuarial Assumptions

The total OPEB liability as of June 30, 2020 was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Valuation Date	June 30, 2019
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 (6.5 years).
<b>Actuarial Assumptions:</b>	
Discount Rate	2.20% per annum, net of investment expenses
Inflation	2.75% per annum
Salary Increases	2.75% per annum
Healthcare cost trend rates	4.00%
Retiree's share of cost	Retiree liabilities are based on actual retiree premium plus an implicit rate subsidy of 93.4% of non-Medicare medical premium. Liabilities for active participants are based on the first year costs shown below, which include the implicit rate subsidy. Subsequent years’ costs are based on first year costs adjusted for trend and limited by any City contribution caps.
Mortality	2017 CalPERS Mortality for Miscellaneous and Schools Employees

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

**Note 7 – Other Postemployment Benefits (“OPEB”) (Continued)**

**B. Net OPEB Liability (Continued)**

Change of Assumptions

The discount rate decreased from 3.5% at June 30, 2019 to 2.2% at June 30, 2020.

Discount Rate

The discount rate used to measure the total OPEB liability was 2.2%. 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, 2020.

	<b>Increase (Decrease)</b>		
	<b>Total OPEB Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net OPEB Liability/(Asset) (c) = (a) - (b)</b>
Balance at June 30, 2019	\$ 139,298	\$ -	\$ 139,298
Balance at June 30, 2020 (Measurement Date)	183,067	-	183,067
Net Changes	\$ 43,769	\$ -	\$ 43,769

The Authority’s proportionate shares of the net OPEB liabilities is 0.83% at the measurement date of June 30, 2020.

June 30, 2019	0.83%
June 30, 2020	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 (1.20 percent) or 1-percentage-point higher (3.20 percent) than the current discount rate:

	<b>Plan's Net OPEB Liability</b>		
	<b>Discount Rate - 1% (1.20%)</b>	<b>Current Discount Rate (2.20%)</b>	<b>Discount Rate + 1% (3.20%)</b>
Measurement Date June 30, 2020	\$ 215,618	\$ 183,067	\$ 157,361

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

**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 OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (3.00 percent) or 1-percentage-point higher (5.00 percent) than the current healthcare cost trend rates:

	Plan's Net OPEB Liability		
	Current Rate -1%	Current Healthcare Cost Trend Rates	Current Rate +1%
	3.00%	4.00%	5.00%
	\$	\$	\$
Measurement Date June 30, 2020	154,133	183,067	220,862

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

For the fiscal year ended June 30, 2020, the Authority recognized OPEB expenses in the amount of \$14,039. At June 30, 2020, the Authority reported deferred outflows of resources related to OPEB from the following sources:

	of Resources	of Resources
Changes of assumptions	\$ 18,523	\$ -
Difference between expected and actual experience	12,900	(83)
Total	\$ 31,423	\$ (83)

The amounts above are net of outflows recognized in the 2020 measurement period expense.

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

Year Ending June 30	Outflows/(Inflows) of Resources OPEB Plan
2021	\$ 5,947
2022	6,182
2023	5,489
2024	5,489
2025	5,489
Thereafter	2,744
	\$ 31,340

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

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**Note 8 – Commitments and Contingencies**

The Authority did not have material outstanding commitments as of June 30, 2020.

**Note 9 - 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 was denied by the California Public Utilities Commission (the “CPUC”).

**Note 10 – Other Required Disclosure**

The Agency had deficit net position of \$(3,431,818) at June 30, 2020. The deficit balances are mainly due to the loans payable to the City of Perris. Refer to Note 5 for details.



**REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)**

**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, 2020**

**Last Ten Fiscal Years**

**California Public Employees' Retirement System**

Measurement period	June 30, 2014 <sup>1</sup>	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%	0.0008%
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%

<sup>1</sup> Historical information is presented only for measurement periods for which GASB 68 is implemented. 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, there were no changes of assumption. 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 Pension Liability and Related Ratios (Continued)**  
**For the Year Ended June 30, 2020**

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Last Ten Fiscal Years

**California Public Employees' Retirement System**

	June 30, 2019
Measurement period	
Authority's Proportion of the Net Pension Liability	0.0009%
Authority's Proportionate Share of the Net Pension Liability	\$ 92,156
Authority's Covered Payroll	\$ 92,215
Authority's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	99.94%
Authority's Proportionate Share of the Fiduciary Net Position as a Percentage of the Total Pension Liability	75.58%

**City of Perris Public Utility Authority**  
**Required Supplementary Information (Unaudited)**  
**Schedule of Contributions – Pensions**  
**For the Year Ended June 30, 2020**

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**Last Ten Fiscal Years**

**California Public Employees' Retirement System**

Fiscal year	2014-2015 <sup>1</sup>	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	<u>(7,797)</u>	<u>(7,878)</u>	<u>(8,391)</u>	<u>(8,515)</u>	<u>(8,392)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll <sup>2</sup>	\$ 85,815	\$ 72,332	\$ 54,762	\$ 54,449	\$ 92,215
Contributions as a percentage of covered payroll	9.09%	10.89%	15.32%	15.64%	9.10%

<sup>1</sup> Historical information is presented only for measurement periods for which GASB 68 is implemented. 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 – Pensions (Continued)  
For the Year Ended June 30, 2020**

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**Last Ten Fiscal Years**

**California Public Employees' Retirement System**

Fiscal year	<u>2019-2020</u>
Actuarially determined contribution	\$ 108,460
Contributions in relation to the actuarially determined contribution	<u>(108,460)</u>
Contribution deficiency (excess)	<u>\$ -</u>
Covered payroll	\$ 90,926
Contributions as a percentage of covered payroll	119.28%

**City of Perris Public Utility Authority**  
**Required Supplementary Information (Unaudited)**  
**Schedule of Proportionate Share of Net Other Postemployment Benefits Liability and Related Ratios**  
**For the Year Ended June 30, 2020**

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**Last Ten Fiscal Years**

**Other Postemployment Benefits**

Measurement period	June 30, 2018 <sup>1</sup>	June 30, 2019	June 30, 2020
Authority's Proportion of the Net OPEB Liability	0.83000%	0.8300%	0.8300%
Authority's Proportionate Share of the Net OPEB Liability	\$ 133,703	\$ 139,298	\$ 183,067
Authority's Covered Payroll	\$ 54,449	\$ 92,215	\$ 90,926
Authority's Proportionate Share of the Net OPEB Liability as a Percentage of Its Covered Employee Payroll	245.56%	151.06%	201.34%
Authority's Proportionate Share of the Fiduciary Net Position as a Percentage of the Total OPEB Liability	0.00%	0.00%	0.00%

<sup>1</sup> Historical information is presented only for measurement periods for which GASB 75 is implemented. 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 2020, the discount rate reduced from 3.5 percent to 2.2 percent. In 2019, the 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, 2020**

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**Last Ten Fiscal Years**

**Other Postemployment Benefits**

Fiscal year	2017-2018 <sup>1</sup>	2018-2019	2019-2020
Actuarially determined contribution	\$ 4,249	\$ 4,368	N/A
Contributions in relation to the actuarially determined contribution	(5,229)	(5,402)	(5,888)
Contribution deficiency (excess)	<u>\$ (980)</u>	<u>\$ (1,034)</u>	<u>\$ (5,888)</u>
Covered employee payroll	\$ 54,449	\$ 92,215	\$ 90,926
Contributions as a percentage of covered employee payroll	9.60%	5.86%	6.48%

<sup>1</sup> Historical information is presented only for measurement periods for which GASB 75 is implemented. 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, 2020 were derived from the June 30, 2019 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	2.45% per annum
Discount rate	2.20%
Payroll Growth	2.75% per annum, in aggregate
Individual salary growth	N/A
Medical Trend Rates	4.00%

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