

**City of Perris**  
**Public Financing Authority**

Perris, California

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

*For the Year Ended June 30, 2021*





**City of Perris Public Financing Authority**  
**For the Year Ended June 30, 2021**

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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, 2021, 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 Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and major fund of the Authority as of June 30, 2021, and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

***Other Matters***

*Required Supplementary Information*

Management has omitted the Management's Discussion and Analysis and the General Fund 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 March 17, 2022, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

*The PwC Group, LLP*

Santa Ana, California  
March 17, 2022



**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 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, 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated March 17, 2022.

**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 statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

To the Board of Directors  
of the City of Perris Public 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 Authority'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*The PwC Group, LLP*

Santa Ana, California  
March 17, 2022



## **BASIC FINANCIAL STATEMENTS**

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**City of Perris Public Financing Authority**  
**Statement of Net Position**  
**June 30, 2021**

|   | <b>Governmental<br/>Activities</b> |
|---|------------------------------------|
| <b>ASSETS</b>                                     |                                    |
| Current assets:                                   |                                    |
| Cash and investments                              | \$ 2,750,359                       |
| Interest receivable                               | 956                                |
| Interest receivable from other agency             | 344,252                            |
| <b>Total current assets</b>                       | <b>3,095,567</b>                   |
| Noncurrent assets:                                |                                    |
| Loan receivable from other agency                 | 35,755,000                         |
| Restricted cash and investments with fiscal agent | 3,920,850                          |
| <b>Total noncurrent assets</b>                    | <b>39,675,850</b>                  |
| <b>Total Assets</b>                               | <b>42,771,417</b>                  |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>             |                                    |
| Deferred charge on refunding                      | 609,264                            |
| <b>Total Deferred Outflows of Resources</b>       | <b>609,264</b>                     |
| <b>LIABILITIES</b>                                |                                    |
| Accounts payable                                  | 3,450                              |
| Deposits  | 3,903,421                          |
| Interest payable                                  | 344,252                            |
| Noncurrent liabilities:                           |                                    |
| Due within one year                               | 1,925,000                          |
| Due in more than one year                         | 34,672,331                         |
| <b>Total liabilities</b>                          | <b>40,848,454</b>                  |
| <b>NET POSITION</b>                               |                                    |
| Unrestricted                                      | 2,532,227                          |
| <b>Total Net Position</b>                         | <b>\$ 2,532,227</b>                |

**City of Perris Public Financing Authority**  
**Statement of Activities**  
**For the Year Ended June 30, 2021**

| <b>Functions/Programs</b>       | <b>Expenses</b>     | <b>Program Revenues</b>                       | <b>Net (Expenses)<br/>Revenue and Change<br/>in Net Position</b> |
|---------------------------------|---------------------|---|--|
|                                 |                     | <b>Operating Grants<br/>and Contributions</b> | <b>Governmental<br/>Activities</b>                               |
| <b>Governmental Activities:</b> |                     |   |  |
| <b>Program Expenses:</b>        |                     |   |  |
| Interest and fiscal charges     | \$ 1,399,868        | \$ 1,328,392                                  | \$ (71,476)  |
| <b>Total</b>                    | <b>\$ 1,399,868</b> | <b>\$ 1,328,392</b>                           | <b>(71,476)</b>  |
| <b>General Revenues:</b>        |                     |   |  |
| Interest earnings               |                     |   | 7,330  |
| Total General Revenues          |                     |   | 7,330  |
| <b>Change in Net Position</b>   |                     |   | <b>(64,146)</b>  |
| <b>Net Position:</b>            |                     |   |  |
| Beginning of year               |                     |   | 2,596,373  |
| End of year                     |                     |   | <b>\$ 2,532,227</b>  |

**GOVERNMENTAL FUND FINANCIAL STATEMENTS**

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**City of Perris Public Financing Authority**  
**Balance Sheet**  
**Governmental Fund**  
**June 30, 2021**

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|   | General Fund         |
|---|----------------------|
| <b>ASSETS</b>   |                      |
| Cash and investments  | \$ 2,750,359         |
| Cash and investments with fiscal agent  | 3,920,850            |
| Interest receivable   | 956                  |
| Interest receivable from other agency   | 344,252              |
| Loans receivable from other agency  | 35,755,000           |
| <b>Total assets</b>   | <b>\$ 42,771,417</b> |
| <b>LIABILITIES, DEFERRED INFLOWS<br/>OF RESOURCES, AND FUND BALANCE</b>       |                      |
| <b>Liabilities:</b>   |                      |
| Accounts Payable  | \$ 3,450             |
| Deposits  | 3,903,421            |
| <b>Total liabilities</b>  | <b>3,906,871</b>     |
| <b>Deferred inflows of resources:</b>   |                      |
| Unavailable revenue   | 344,252              |
| <b>Fund Balance:</b>  |                      |
| <b>Nonspendable:</b>  |                      |
| Noncurrent loans receivable   | 33,830,000           |
| <b>Restricted for:</b>  |                      |
| Debt service  | 4,690,294            |
| <b>Total Fund Balance</b>   | <b>38,520,294</b>    |
| <b>Total liabilities, deferred inflows<br/>of resources, and fund balance</b> | <b>\$ 42,771,417</b> |

**City of Perris Public Financing Authority**  
**Reconciliation of the Governmental Fund Balance Sheet**  
**to the Government-Wide Statement of Net Position**  
**June 30, 2021**

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|   |                |                            |
|---|----------------|----------------------------|
| <b>Total Fund Balances - Governmental Fund</b>  |                | \$ 38,520,294              |
| Amounts reported for governmental activities in the statement of net position are different because:  |                |                            |
| Revenues reported as unavailable revenue in the governmental fund and recognized in the statement of activities. They are reported as revenues in the governmental activities.  |                | 344,252                    |
| 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   | (36,597,331)   |                            |
| Deferred losses on refunding  | <u>609,264</u> | (35,988,067)               |
| Accrued interest payable for the current portion of interest due on bonds has not been reported in the governmental funds.  |                | <u>(344,252)</u>           |
| <b>Net position of governmental activities</b>  |                | <u><u>\$ 2,532,227</u></u> |



**City of Perris Public Financing Authority**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Governmental Fund**  
**For the Year Ended June 30, 2021**

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|                                    | General Fund  |
|------------------------------------|---------------|
| <b>REVENUES:</b>                   |               |
| Investment earnings                | \$ 1,352,809  |
| <b>Total Revenues</b>              | 1,352,809     |
| <b>EXPENDITURES:</b>               |               |
| Debt service:                      |               |
| Principal retirement               | 1,865,000     |
| Interest and fiscal charges        | 1,422,736     |
| <b>Total Expenditures</b>          | 3,287,736     |
| <b>Net Changes in Fund Balance</b> | (1,934,927)   |
| <b>FUND BALANCE:</b>               |               |
| Beginning of year                  | 40,455,221    |
| End of Year                        | \$ 38,520,294 |

**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, 2021**

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|  |              |                           |
|--|--------------|---------------------------|
| <b>Net change in fund balance - governmental fund:</b>   |              | \$ (1,934,927)            |
| Amounts reported for governmental activities in the Statement of Activities are different because:   |              |                           |
| Revenues reported as unavailable revenue in the governmental fund and recognized in the statement of activities. These are included in the revenues for the governmental activities. |              | (17,087)                  |
| 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  | 1,865,000    |                           |
| Amortization of premium/discount and deferred charges  | <u>5,781</u> | 1,870,781                 |
| Accrued interest for long-term liabilities. This is the net change in accrued interest for the current period.   |              | <u>17,087</u>             |
| <b>Change in net position of governmental activities</b>   |              | <u><u>\$ (64,146)</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, 2021**

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**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, 2021**

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**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.

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, 2021**

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**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, 2021**

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**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, 2021, the Authority had the following:

|   |    |                     |
|---|----|---------------------|
| Cash and investments pooled with the City of Perris | \$ | 2,750,359           |
| Restricted investments                              |    | 3,920,850           |
| <b>Total</b>  |    | <b>\$ 6,671,209</b> |

**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 annual comprehensive financial report for more detail.



**City of Perris Public Financing Authority**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2021**

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**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 short-term and long-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, 2021, the Authority’s investments with a fiscal agent in a money market fund in the amount of \$3,920,850 had a 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.

| <u>Investment Type</u>         | <u>Fair Value at<br/>June 30, 2021</u> | <u>Minimum<br/>Legal<br/>Rating</u> | <u>AAA</u>          |
|--------------------------------|--|-------------------------------------|---------------------|
| Investments with fiscal agent: |  |                                     |                     |
| Money market mutual funds      | <u>\$ 3,920,850</u>                    | AA                                  | <u>\$ 3,920,850</u> |

**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 entered into 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. Interest on the loans receivable is payable October 1 and April 1 of each year at rates varying from 2.000% to 5.000% per annum. The annual loan repayment ranging from \$795,000 to \$1,645,000 commencing October 1, 2016 through October 1, 2033.

**City of Perris Public Financing Authority**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2021**

**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<br>Issued     | Beginning<br>Balance | Deletions             | Ending<br>Balance    |
|--------------------|----------------------|----------------------|-----------------------|----------------------|
| 2015 Series A Loan | 21,590,000           | 17,655,000           | (1,035,000)           | 16,620,000           |
| 2015 Series B Loan | 23,120,000           | 19,965,000           | (830,000)             | 19,135,000           |
| Total              | <u>\$ 44,710,000</u> | <u>\$ 37,620,000</u> | <u>\$ (1,865,000)</u> | <u>\$ 35,755,000</u> |

**Note 4 – Deposits**

At June 30, 2021, deposits in the amount of \$3,903,421 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, 2021:

|  | Beginning<br>Balance | Additions   | Deletions             | Ending<br>Balance    | Due Within<br>One Year |
|--|----------------------|-------------|-----------------------|----------------------|------------------------|
| 2015 Revenue Refunding Bonds, Series A | \$ 17,655,000        | \$ -        | \$ (1,035,000)        | \$ 16,620,000        | \$ 1,085,000           |
| 2015 Revenue Refunding Bonds, Series B | 19,965,000           | -           | (830,000)             | 19,135,000           | 840,000                |
| Subtotal                               | <u>37,620,000</u>    | <u>-</u>    | <u>(1,865,000)</u>    | <u>35,755,000</u>    | <u>1,925,000</u>       |
| Add (less) Deferred Amounts:           |                      |             |                       |                      |                        |
| Bond Premiums                          | 1,133,181            | -           | (85,524)              | 1,047,657            | -                      |
| Bond Discounts                         | (218,790)            | -           | 13,464                | (205,326)            | -                      |
| Total                                  | <u>\$ 38,534,391</u> | <u>\$ -</u> | <u>\$ (1,937,060)</u> | <u>\$ 36,597,331</u> | <u>\$ 1,925,000</u>    |

**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, 2021, the Authority has a cash reserve balance for debt service of \$1,797,250 which is sufficient to cover the reserve requirement. The outstanding balance at June 30, 2021 was \$16,620,000.

**City of Perris Public Financing Authority**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2021**

**Note 5 – Long-Term Liabilities (Continued)**

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

On July 9, 2015, the Public Financing Authority issued \$23,120,000 2015 Revenue (Tax Allocation Subordinate) Refunding Bonds, Series B, to refund the 2002 Series C and the 2006 (excluding the housing loan portion) Tax Allocation Revenue Bonds and related Successor Agency loans (see Note 3). Interest on the bond is payable October 1 and April 1 of each year. Interest on the bond accrues at rates varying from 2.000% to 4.150% per annum. Principal on the serial bonds is payable in annual installments ranging from \$765,000 to \$2,190,000 commencing October 1, 2016 through October 1, 2036. At June 30, 2021, the Authority has a cash reserve balance for debt service of \$2,106,176 which is sufficient to cover the reserve requirement. The outstanding balance at June 30, 2021 was \$19,135,000.

**Future Debt Requirement**

Total revenue bonds outstanding balances was in the amount of \$35,755,000. The future debt requirements are as follows:

| Year Ending June 30, | Principal            | Interest             | Total                |
|----------------------|----------------------|----------------------|----------------------|
| 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            | 1,098,244            | 3,268,244            |
| 2026                 | 2,240,000            | 1,007,481            | 3,247,481            |
| 2027-2031            | 12,465,000           | 3,825,991            | 16,290,991           |
| 2032-2036            | 11,430,000           | 1,254,393            | 12,684,393           |
| 2037-2041            | 1,440,000            | 28,800               | 1,468,800            |
| Total                | <u>\$ 35,755,000</u> | <u>\$ 11,003,755</u> | <u>\$ 46,758,755</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 \$4,940,415 and the debt service payments on the bonds was \$3,276,181.

**City of Perris Public Financing Authority**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2021**

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**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 self-insured retention ("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, 2021.

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 for the Authority. 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.