

*City of Perris*  
*Public Utility Authority*

Perris, California

**Independent Auditor's Report  
and Financial Statements**

**For the Year Ended June 30, 2022**

# *City of Perris Public Utility Authority*

## **Financial Statements For the Year Ended June 30, 2022**

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ROGERS, ANDERSON, MALODY & SCOTT, LLP  
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## *Independent Auditor's Report*

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

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### **MANAGERS / STAFF**

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Quality Center*

California Society of  
Certified Public Accountants



## **Report on the Financial Statements**

### ***Opinions***

We have audited the accompanying financial statements of the Enterprise Fund 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, 2022, and the related notes to the financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority as of June 30, 2022, and the respective 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.

### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Perris Public Utility Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Responsibilities of Management for the Financial Statements***

The City of Perris Public Utility Authority's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about City of Perris Public Utility Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City of Perris Public Utility Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about City of Perris Public Utility Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2023 on our consideration of the City of Perris Public Utility 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 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 City of Perris Public Utility Authority's internal control over financial reporting and compliance.

Respectfully,

*Rogers, Anderson, Malody & Scott, LLP.*

San Bernardino, California  
June 30, 2023

## **BASIC FINANCIAL STATEMENTS**

# City of Perris Public Utility Authority

## Statement of Net Position June 30, 2022

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### ASSETS

#### Current assets:

Cash and cash equivalents	\$ 276,504
Accounts receivable, net	566,789
Deposits	<u>1,196</u>
Total Current Assets	<u>844,489</u>

#### Noncurrent assets:

Net pension asset	49,284
Capital assets, not being depreciated	300,564
Capital assets, net of depreciation	<u>6,754,406</u>
Total Noncurrent Assets	<u>7,104,254</u>

Total Assets	<u>7,948,743</u>
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### DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows of resources related to pensions	93,480
Deferred outflows of resources related to other postemployment benefits	<u>31,825</u>
Total Deferred Outflows of Resources	<u>125,305</u>

### LIABILITIES

#### Current liabilities:

Accounts payable and accrued liabilities	612,385
Deposits payable	103,363
Compensated absences - current	<u>2,042</u>
Total Current Liabilities	<u>717,790</u>

#### Noncurrent liabilities:

Compensated absences, due in more than one year	6,126
Net other postemployment benefits liability	<u>149,909</u>
Total Noncurrent Liabilities	<u>156,035</u>

Total Liabilities	<u>873,825</u>
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### DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources related to pensions	43,764
Deferred inflows of resources related to other postemployment benefits	<u>32,942</u>
Total Deferred Inflows of Resources	<u>76,706</u>

### NET POSITION

Investment in capital assets	7,054,970
Unrestricted	<u>68,547</u>
Total Net Position	<u>\$ 7,123,517</u>

The accompanying notes are an integral part of these financial statements.

# *City of Perris Public Utility Authority*

## **Statement of Revenues, Expenses and Changes in Net Position For the Year Ended June 30, 2022**

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### **OPERATING REVENUES**

Charges for services	\$	924,483
Miscellaneous		1,203
		<hr/>
Total Operating Revenues		925,686

### **OPERATING EXPENSES**

Salaries and benefits		30,894
Contractual services		444,641
Materials and supplies		36,567
Miscellaneous expense		149
Depreciation		320,359
		<hr/>
Total Operating Expenses		832,610
Operating Income		93,076

### **TRANSFERS**

Transfers out		<hr/> (362,107)
Change in Net Position		(269,031)

### **NET POSITIION**

Beginning of year, as restated		<hr/> 7,392,548
End of year	\$	<hr/> <hr/> 7,123,517

The accompanying notes are an integral part of these financial statements.



# City of Perris Public Utility Authority

## Statement of Cash Flows For the Year Ended June 30, 2022

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<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from customers and user	\$ 829,472
Other receipts	1,203
Cash paid for employee services	(127,992)
Cash paid to suppliers for goods and services	<u>(287,590)</u>
Net Cash Provided by (Used for) Operating Activities	<u>415,093</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Cash paid to other City of Perris funds	<u>(362,107)</u>
Net Cash Provided by (Used for) Noncapital Financing Activities	<u>(362,107)</u>
Net Increase in Cash and Cash Equivalents	52,986
<b>CASH AND CASH EQUIVALENT</b>	
Beginning of year	<u>223,518</u>
End of year	<u><u>\$ 276,504</u></u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	
Operating income	<u>\$ 93,076</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	320,359
Increase (decrease) in:	
Accounts receivables, net	(89,972)
Deposits	(1,196)
Net pension asset	(49,284)
Deferred outflows of resources related to pensions	(28,865)
Deferred outflows of resources related to other postemployment benefits	11,015
Increase (decrease) in:	
Accounts payable and accrued liabilities	193,767
Deposits payable	(3,843)
Compensated absences	(6,674)
Net pension liability	(551)
Net other postemployment benefits liability	(45,646)
Deferred inflows of resources related to pensions	(9,990)
Deferred inflows of resources related to other postemployment benefits	<u>32,897</u>
Total Adjustments	<u>322,017</u>
Net cash provided by operating activities	<u><u>\$ 415,093</u></u>

The accompanying notes are an integral part of these financial statements.

# *City of Perris Public Utility Authority*

## **Notes to the Basic Financial Statements For the Year Ended June 30, 2022**

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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.

# *City of Perris Public Utility Authority*

## **Notes to the Basic Financial Statements For the Year Ended June 30, 2022**

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### **Note 1 - Summary of Significant Accounting Policies (Continued)**

#### ***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.

#### ***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.

# City of Perris Public Utility Authority

## Notes to the Basic Financial Statements For the Year Ended June 30, 2022

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### Note 1 - Summary of Significant Accounting Policies (Continued)

#### E. Capital Assets (Continued)

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:

Assets	Years
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

#### 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 assets) 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 assets) that apply to future periods; therefore, are not recognized as a revenue until that time.

# *City of Perris Public Utility Authority*

## **Notes to the Basic Financial Statements For the Year Ended June 30, 2022**

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### **Note 1 - Summary of Significant Accounting Policies (Continued)**

#### **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, 2020
Measurement Date	June 30, 2021
Measurement Period	June 30, 2020 to June 30, 2021

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

#### **I. *Other Postemployment Benefits ("OPEB")***

For the purpose of measuring the total 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, 2021
Measurement Date	June 30, 2022
Measurement Period	July 1, 2021 to June 30, 2022

# *City of Perris Public Utility Authority*

## **Notes to the Basic Financial Statements For the Year Ended June 30, 2022**

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### **Note 1 - Summary of Significant Accounting Policies (Continued)**

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

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:

**Investment in Capital Assets** - This amount consists of capital assets net of accumulated depreciation.

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

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

When expenses are incurred for purposes for which both restricted 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.

### **Note 2 - Cash and Cash Equivalent**

Cash and cash equivalent at June 30, 2022 was in the amount of \$276,504 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 Annual Comprehensive Financial Report for related cash and investment disclosures.

# City of Perris Public Utility Authority

## Notes to the Basic Financial Statements For the Year Ended June 30, 2022

### Note 3 - Capital Assets

The summary of changes in capital assets for the year ended June 30, 2022 was as follows:

	Balance July 1, 2021	Additions	Deletions	Balance June 30, 2022
Capital assets, not being depreciated:				
Land	\$ 300,564	\$ -	\$ -	\$ 300,564
Total capital assets, not being depreciated	300,564	-	-	300,564
Capital assets, being depreciated:				
Major equipment	396,481	-	-	396,481
Structures and improvements	244,829	-	-	244,829
Reservoirs	1,608,367	-	-	1,608,367
Mains	5,641,405	-	-	5,641,405
Services	1,335,421	-	-	1,335,421
Meters	204,327	-	-	204,327
Hydrants	656,884	-	-	656,884
Wells	996,070	-	-	996,070
Total capital assets, being depreciated	11,083,784	-	-	11,083,784
Less accumulated depreciation:				
Major equipment	(247,801)	(19,823)	-	(267,624)
Structures and improvements	(72,232)	(5,779)	-	(78,011)
Reservoirs	(446,767)	(35,740)	-	(482,507)
Mains	(2,011,188)	(160,464)	-	(2,171,652)
Services	(556,425)	(44,514)	-	(600,939)
Meters	(85,137)	(6,810)	-	(91,947)
Hydrants	(234,600)	(18,769)	-	(253,369)
Wells	(354,869)	(28,460)	-	(383,329)
Total accumulated depreciation	(4,009,019)	(320,359)	-	(4,329,378)
Total capital assets being depreciated, net	7,074,765	(320,359)	-	6,754,406
Capital assets, net of depreciation	\$ 7,375,329	\$ (320,359)	\$ -	\$ 7,054,970

### Note 4 - Compensated Absences

The summary of changes in compensated absences for the year ended June 30, 2022 was as follows:

	Balance June 30, 2021	Additions	Deletions	Balance June 30, 2022	Due Within One Year	Due in More Than One Year
Compensated absences	\$ 14,842	\$ 5,078	\$(11,752)	\$ 8,168	\$ 2,042	\$ 6,126

# City of Perris Public Utility Authority

## Notes to the Basic Financial Statements For the Year Ended June 30, 2022

### Note 5 - Pensions

#### A. General Information about the Pension Plan

##### Plan Description

The Public Utility Authority participates in the City of Perris's miscellaneous plan, Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (Plan or PERF C) administered by the California Public Employees' Retirement System (CalPERS.). 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 service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time 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 5 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.

The Plan operates under the provisions of the California Public Employees' Retirement Law (PERL), the California Public Employees' Pension Reform Act of 2013 (PEPRA), and the regulations, procedures and policies adopted by the CalPERS Board of Administration. The Plan's authority to establish and amend the benefit terms are set by the PERL and PEPRA, and may be amended by the California state legislature and in some cases require approval by the CalPERS Board.

The Plan's provisions and benefits in effect at June 30, 2022 are summarized as follows:

	Plans		
	Classic	Miscellaneous Tier II	PEPRA
Hire date	Prior to January 1, 2013	January 1, 2010 but prior to January 1, 2013	January 1, 2013 and after
Benefit formula	2.7%@55	2.0%@60	2%@62
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	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%	6.750%
Employer contribution rate	14.020%	8.650%	7.590%



# *City of Perris Public Utility Authority*

## **Notes to the Basic Financial Statements For the Year Ended June 30, 2022**

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### **Note 5 – Pensions (Continued)**

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

##### Contributions

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers are 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. Employer contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements are classified as plan member contributions. Employer Contributions from the Authority to the Plan for the fiscal year ended June 30, 2022 were \$6,759. The actual employer payments of \$6,931 made to CalPERS by the Authority during the measurement period ended June 30, 2021 differed from the Authority's proportionate share of the employer's contributions of \$59 by \$6,872, which is being amortized over the expected average remaining service lifetime in the Public Agency Cost-Sharing Multiple Employer Plan.

#### **B. Net Pension Liability**

The Authority's share of the City or Periss's net pension liability for the Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of the Plan is measured as of June 30, 2021, using an annual actuarial valuation as of June 30, 2020 rolled forward to June 30, 2021 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is as follows.

##### Actuarial Methods and Assumptions Used to Determine Total Pension Liability

For measurement period ended June 30, 2021, the total pension liability was determined by rolling forward the June 30, 2020 total pension liability. The June 30, 2020 valuation was rolled forward to determine the June 30, 2021 total pension liability, based on following actuarial methods and assumptions:

# *City of Perris Public Utility Authority*

## **Notes to the Basic Financial Statements For the Year Ended June 30, 2022**

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### **Note 5 - Pensions (Continued)**

#### ***B. Net Pension Liability (Continued)***

##### *Actuarial Methods and Assumptions Used to Determine Total Pension Liability (Continued)*

Valuation Date	June 30, 2020
Measurement Date	June 30, 2021
Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB 68
Asset Valuation Method	Market Value of Assets
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table <sup>1</sup>	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 151 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. 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.

##### *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 For the Year Ended June 30, 2022

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### Note 5 - Pensions (Continued)

#### B. Net Pension Liability (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' ACFR, 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

##### Change of Assumptions

There were no change of assumptions for measurement date June 30, 2021.

##### Discount Rate

The discount rate used to measure the total pension liability for PERF C 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.

##### Subsequent Events

On July 12, 2021, CalPERS reported a preliminary 21.3% net return on investments for fiscal year 2020-21. Based on the thresholds specified in CalPERS Funding Risk Mitigation policy, the excess return of 14.3% prescribes a reduction in investment volatility that corresponds to a reduction in the discount rate used for funding purposes of 0.20%, from 7.00% to 6.80%. Since CalPERS was in the final stages of the four-year Asset Liability Management (ALM) cycle, the board elected to defer any changes to the asset allocation until the ALM process concluded, and the board could make its final decision on the asset allocation in November 2021.

# City of Perris Public Utility Authority

## Notes to the Basic Financial Statements For the Year Ended June 30, 2022

### Note 5 – Pensions (Continued)

#### B. Net Pension Liability (Continued)

##### Subsequent Events (Continued)

On November 17, 2021, the board adopted a new strategic asset allocation. The new asset allocation along with the new capital market assumptions, economic assumptions and administrative expense assumption support a discount rate of 6.90% (net of investment expense but without a reduction for administrative expense) for financial reporting purposes. This includes a reduction in the price inflation assumption from 2.50% to 2.30% as recommended in the November 2021 CalPERS Experience Study and Review of Actuarial Assumptions. This study also recommended modifications to retirement rates, termination rates, mortality rates and rates of salary increases that were adopted by the board. These new assumptions will be reflected in the GASB 68 accounting valuation reports for the June 30, 2022, measurement date.

##### Pension Plan Fiduciary Net Position

Information about the pension plan's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position are presented in CalPERS' audited financial statements, which are publicly available reports that can be obtained at CalPERS' website, at [www.calpers.ca.gov](http://www.calpers.ca.gov). The plan's fiduciary net position and additions to/deductions from the plan's fiduciary net position have been determined on the same basis used by the pension plan, which is the economic resources measurement focus and the accrual basis of accounting. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value.

#### C. Proportionate Share of Net Pension Liability

The following table shows the Authority's proportionate share of the City's Miscellaneous Plan's proportionate share of the net pension liability over the measurement period.

	Miscellaneous Plan		
	Total Pension Liability (a)	Increase (Decrease)	
		Plan Fiduciary Net Position (b)	Net Pension Liability/(Asset) (c) = (a) - (b)
Balance at June 30, 2020 (Valuation Date)	\$ 340,381	\$ 339,830	\$ 551
Balance at June 30, 2021 (Measurement Date)	341,407	390,691	(49,284)
Net Changes during 2020-21	\$ 1,026	\$ 50,861	\$ (49,835)

The City of Perris's proportion of the net pension liability was determined by CalPERS using the output from the Actuarial Valuation System and the fiduciary net position, as provided in the CalPERS Public Agency Cost-Sharing Allocation Methodology Report, which is a publicly available report that can be obtained at CalPERS' website, at [www.calpers.ca.gov](http://www.calpers.ca.gov).

# City of Perris Public Utility Authority

## Notes to the Basic Financial Statements For the Year Ended June 30, 2022

### Note 5 Pensions (Continued)

#### C. Proportionate Share of Net Pension Liability (Continued)

The Authority's proportionate share of the net pension liability for the City of Perris's miscellaneous Plan as of the June 30, 2020 and 2021 measurement dates was as follows:

Proportionate Share - June 30, 2020	0.00001%
Proportionate Share - June 30, 2021	-0.00260%
Change - Increase (Decrease)	<u>0.00261%</u>

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

The Authority proportionate share of net pension liability of the City's miscellaneous plan as of the measurement date, calculated using the discount rate of 7.15 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.15 percent) or 1 percentage-point higher (8.15 percent) than the current rate:

	Plan's Aggregate Net Pension Liability		
	Discount Rate -1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate + 1%(8.15%)
City of Perris Public Utility Authority's Proportion of the City's Net Pension Liability/(Asset)	\$ (4,208)	\$ (49,284)	\$ (86,548)

#### Amortization of Deferred Outflows and Deferred Inflows of Resources

Under GASB 68, 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 deferred inflows of resources related to pensions and are to be recognized in future pension expense.

The amortization period differs depending on the source of the gain or loss:

Net difference between projected and actual earnings on pension plan investments	5-year straight-line amortization
All other amounts	Straight-line amortization over the expected average remaining service lives (EARSL) of all members that are provided with benefits (active, inactive and retired) as of the beginning of the measurement period

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) in the Public Agency Cost-Sharing Multiple-Employer Plan (PERF C).

# City of Perris Public Utility Authority

## Notes to the Basic Financial Statements For the Year Ended June 30, 2022

### Note 5 - Pensions (Continued)

#### C. Proportionate Share of Net Pension Liability (Continued)

##### Amortization of Deferred Outflows and Deferred Inflows of Resources (Continued)

The EARSL for PERF C for the measurement period ending June 30, 2021 is 3.7 years, which was obtained by dividing the total service years of 561,622 (the sum of remaining service lifetimes of the active employees) by 150,648 (the total number of participants: active, inactive, and retired) in PERF C. Inactive employees and retirees have remaining service lifetimes equal to 0. Total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

#### D. Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions

As of the start of the measurement period (July 1, 2020), the Authority's share of the City of Perris's net pension liability was \$551. For the measurement period ending June 30, 2021 (the measurement date), the Authority's portion of the City of Perris's pension expense/(income) was \$(99,110).

As of June 30, 2022, the Authority's portion of the City of Perris's deferred outflows and deferred inflows of resources related to pensions as follows:

	Miscellaneous Plan	
	Deferred outflows of Resources	Deferred inflows of Resources
Contribution made after the measurement date	\$ 6,759	\$ -
Difference between expected and actual experience	-	(5,526)
Net difference between projected and actual earning on pension plan investments	43,022	-
Adjustment due to differences in proportions	10,242	(31,311)
Difference between the City's contributions and proportionate share of contributions	33,457	(6,927)
Total	<u>\$ 93,480</u>	<u>\$ (43,764)</u>

The amounts above are net of outflows and inflows recognized in the 2020-21 measurement period expense. Contributions subsequent to the measurement date of \$6,759 reported with deferred outflows of resources will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in future pension expense as follows:

Measurement Period Ending June 30,	Outflows/(Inflows) of Resources Miscellaneous Plan
2023	\$ 10,280
2024	10,473
2025	10,315
2026	11,889
2027	-
Thereafter	-

# City of Perris Public Utility Authority

## Notes to the Basic Financial Statements For the Year Ended June 30, 2022

### Note 5 - Pensions (Continued)

#### E. Payable to the Pension Plan

At June 30, 2022, the Authority reported a payable of \$0 for the outstanding amount of contributions to the pension plan required for the year then ended.

### Note 6 - Other Postemployment Benefits ("OPEB")

#### A. General Information about the OPEB Plan

##### Plan Description

The Authority participates in the City of Perris's 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 CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California. A menu of benefit provisions as well as other requirements is established by State statute within the Public Employees' Retirement Law. CPRHP selects optional benefit provisions from the benefit menu by contract with CalPERS. CalPERS issues an Annual Comprehensive Financial Report (ACFR). The ACFR is issued in aggregate and includes the sum of all CalPERS plans. Copies of the CalPERS ACFR may be obtained from the CalPERS website.

##### 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. The maximum contribution for the 2022 calendar year is as follows:

Contribution (Maximum)		
Employee Only	Employee and 1 dependent	Employee and 2+ dependents
\$ 816	\$ 1,548	\$ 1,983

Retirees hired after June 25, 2007 are covered under a "vesting" resolution. A summary of the "vesting" resolution is as follows:

Years of Service	Vesting <sup>3/4</sup>
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%

# *City of Perris Public Utility Authority*

## **Notes to the Basic Financial Statements For the Year Ended June 30, 2022**

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### **Note 6 - Other Postemployment Benefits ("OPEB") (Continued)**

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

##### Contributions

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

##### Employee Covered

Please refer to the City of Perris's Annual Comprehensive Financial Report for numbers of employees covered by the plan at June 30, 2022.

#### **B. Total OPEB Liability**

##### Actuarial Assumptions

The total OPEB liability as of June 30, 2022 was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

<u>Actuarial Assumptions:</u>	<u>June 30, 2022 Measurement Date</u>
Valuation Date	June 30, 2021
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).
Actuarial Assumptions:	
Discount Rate	3.54%, net of investment expense, including inflation
Inflation	2.50%
Salary Increases	2.75% per year
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 98.8% 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

##### Change of Assumptions

The discount rate increased from 2.16% at June 30, 2021 to 3.54% at June 30, 2022.

##### Discount Rate

The discount rate used to measure the total OPEB liability was 3.54%. The discount rate was based on the Bond Buyer 20-bond General Obligation Index.



# City of Perris Public Utility Authority

## Notes to the Basic Financial Statements For the Year Ended June 30, 2022

### Note 6 - Other Postemployment Benefits ("OPEB") (Continued)

#### C. Change in the Net OPEB Liability

##### Proportionate Share of Total OPEB Liability

The following table shows the Authority's proportionate share of the City's CPRHP total OPEB liability over the measurement period ended June 30, 2022.

	Increase (Decrease)
	Total OPEB Liability
Balance at June 30, 2021	\$ 195,555
Balance at June 30, 2022	149,909
Net Changes	<u>\$ 45,646</u>

The Authority's proportionate shares of the net OPEB liabilities is 0.68% at the measurement date of June 30, 2022.

June 30, 2021	0.75%
June 30, 2022	<u>0.68%</u>
Change - Increase (Decrease)	<u>0.07%</u>

##### Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the Authority's proportionate share of the total OPEB liability of the City, as well as what the Authority's proportionate share of total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.54 percent) or 1-percentage-point higher (3.54 percent) than the current discount rate:

	Plan's Net OPEB Liability		
	Discount Rate - 1%(2.54%)	Current Discount Rate (3.54%)	Discount Rate +1%(4.54%)
Measurement Date June 30, 2022	<u>\$ 175,791</u>	<u>\$ 149,909</u>	<u>\$ 131,314</u>

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

The following presents the Authority's proportionate share of the total OPEB liability of the City, as well as what the Authority's proportionate share of the total 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		
	1% Current Rate (3.00%)	Current Healthcare Cost Trend Rates (4.00%)	Current Rate +1% (5.00%)
Measurement Date June 30, 2022	<u>\$ 124,536</u>	<u>\$ 149,909</u>	<u>\$ 181,264</u>

*City of Perris Public Utility Authority*

**Notes to the Basic Financial Statements  
For the Year Ended June 30, 2022**

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**Note 6 - Other Postemployment Benefits ("OPEB") (Continued)**

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

For the fiscal year ended June 30, 2022, the Authority recognized OPEB expenses in the amount of \$1,734. At June 30, 2022, the Authority reported deferred outflows of resources related to OPEB from the following sources:

	Deferred outflows of Resources	Deferred inflows of Resources
Changes of assumptions	\$ 15,115	\$ (32,928)
Difference between expected and actual experience	16,710	(14)
Total	<u>\$ 31,825</u>	<u>\$ (32,942)</u>

The amounts above are net of outflows recognized in the 2022 measurement period expense.

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

Year Ending June 30,	Deferred Outflows/(Inflows) of Resources
2023	\$ 2,933
2024	2,740
2025	2,740
2026	492
2027	(1,757)
Thereafter	(8,265)

**Note 9 - Commitments and Contingencies**

The Authority did not have material outstanding commitments as of June 30, 2022.

**Note 10 – Prior Period Adjustment**

In fiscal year 2022, a prior period adjustment was made due to the correction of an error.

As previously stated	\$ 7,286,110
Prior period adjustment	<u>106,438</u>
As restated	<u>\$ 7,392,548</u>

**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 Last Ten Fiscal Years\*

Measurement period	Authority's Proportion of the Net Pension Liability <sup>1</sup>	Authority's Proportionate Share of the Net Pension Liability	Authority's Covered Payroll	Authority's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	Authority's Proportionate Share of the Fiduciary Net Position as a Percentage of the Total Pension Liability
June 30, 2014	0.00097%	\$ 60,159	\$ 89,836	66.97%	86.36%
June 30, 2015	0.00116%	79,463	85,815	92.60%	80.34%
June 30, 2016	0.00900%	78,308	72,332	108.26%	75.87%
June 30, 2017	0.00091%	90,399	54,762	165.08%	74.71%
June 30, 2018	0.00080%	75,036	54,449	137.81%	76.09%
June 30, 2019	0.00090%	92,156	92,215	99.94%	75.58%
June 30, 2020	0.00001%	551	85,933	0.64%	99.84%
June 30, 2021	-0.00261%	(49,284)	79,080	-62.32%	114.44%

\* 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.

<sup>1</sup> Proportion of the net pension liability represents the plan's proportion of PERF C, which includes both the Miscellaneous and Safety Risk Pools excluding the 1959 Survivors Risk Pool.

# City of Perris Public Utility Authority

## Required Supplementary Information (Unaudited) Schedule of Contributions – Pensions Last Ten Fiscal Years\*

Fiscal year	Actuarially determined contribution	Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
2014-2015	\$ 7,797	\$ (7,797)	\$ -	\$ 85,815	9.09%
2015-2016	7,878	(7,878)	-	72,332	10.89%
2016-2017	8,391	(8,391)	-	54,762	15.32%
2017-2018	8,515	(8,515)	-	54,449	15.64%
2018-2019	8,392	(8,392)	-	92,215	9.10%
2019-2020	8,178	(108,460)	(100,282)	85,933	9.52%
2020-2021	6,931	(6,931)	-	79,080	8.76%
2021-2022	6,759	(6,759)	-	62,175	10.87%

\* 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:

**Changes in Benefit Terms:** There were no changes to benefit terms that applied to all members of the Public Agency Pool. Additionally, the figures above do not include any liability impact that may have resulted from Golden Handshakes that occurred after the June 30, 2020 valuation date, unless the liability impact is deemed to be material to the Public Agency Pool.

**Changes in Assumptions:** There were no assumption changes for 2021. For 2020, the Plan adopted a new amortization policy effective with the 2019 actuarial valuation. The new amortization policy shortens the period over which actuarial gains and losses are amortized from 30 years to 20 years with the payments computed as a level dollar amount. In addition, the new policy does not utilize a five-year ramp-up and ramp-down on UAL bases attributable to assumption changes and non-investment gains/losses. The new policy also does not utilize a five-year ramp-down on investment gains/losses. These changes apply only to new UAL bases established on or after June 30, 2019. There were no changes in assumptions in 2019. 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 2019. In 2017, the accounting discount rate was reduced from 7.65 percent to 7.15 percent. In 2016, there were no changes in the discount rate. 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 Total OPEB Liability and Related Ratios Last Ten Fiscal Years\*

Measurement period	Authority's Proportion of the Total OPEB Liability	Authority's Proportionate Share of the Total OPEB Liability	Authority's Covered- Employee Payroll	Authority's Proportionate Share of the Total OPEB Liability as a Percentage of Its Covered-Employee Payroll	Authority's Proportionate Share of the Fiduciary Net Position as a Percentage of the Total OPEB Liability
June 30, 2018 <sup>1</sup>	0.83000%	\$ 133,703	\$ 50,717	263.63%	0.00%
June 30, 2019	0.83000%	139,298	56,418	246.90%	0.00%
June 30, 2020	0.83000%	183,067	64,189	285.20%	0.00%
June 30, 2021	0.75000%	195,555	65,860	296.93%	0.00%
June 30, 2022	0.68000%	149,909	79,056	189.62%	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 Trens: There were no changes in benefit terms.

Changes of Assumptions: In 2022, the discount rate increased from 2.16% to 3.54%. In 2021, the discount rate reduced from 2.20% to 2.16%. In 2020, the discount rate reduced from 3.50% to 2.2%. In 2019, the discount rate reduced from 3.6% to 3.5%.



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**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**

**PARTNERS**

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Brianna Schultz, CPA, CGMA  
Brenda L. Odle, CPA, MST (Partner Emeritus)

*Independent Auditor's Report*

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

**MANAGERS / STAFF**

Seong-Hyea Lee, CPA, MBA  
Evelyn Morentin-Barcena, CPA  
Veronica Hernandez, CPA  
Laura Arvizu, CPA  
Xinlu Zoe Zhang, CPA, MSA  
John Maldonado, CPA, MSA  
Julia Rodriguez Fuentes, CPA, MSA  
Demi Hite, CPA  
Jeffrey McKennan, CPA  
Alan D. Garcia, CPA, MSA

**MEMBERS**

American Institute of  
Certified Public Accountants

*PCPS The AICPA Alliance  
for CPA Firms*

*Governmental Audit  
Quality Center*

California Society of  
Certified Public Accountants

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the City of Perris Public Utility Authority (the Authority), a component unit of the City of Perris (the City) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated June 30, 2023.

***Report on 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying Schedule of Findings and Responses, we did identify certain deficiencies in internal control that we consider to be significant deficiencies.



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. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as item 2022-001 to be material weaknesses.

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. We consider the deficiency described in the accompanying Schedule of Findings and Responses as item 2022-002 to be a significant deficiency.

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the City'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 an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying Schedule of Findings and Responses as item 2022-003.

### ***City's Response to Findings***

The Authority's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Responses. The Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### ***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.

Respectfully,

*Rogers, Anderson, Malody & Scott, LLP.*

San Bernardino, California  
June 30, 2023



**City of Perris  
Schedule of Findings and Responses  
For the Year Ended June 30, 2022**

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**2022-001 – Bank Reconciliations  
*Material Weakness***

Criteria

Bank reconciliations should be prepared, reviewed and approved in a timely manner.

Condition

During our audit of the City, bank reconciliations for a majority of the year had not been prepared in a timely manner.

Cause

Due to the City having multiple cash receipting software, there was a delay in receiving information needed to complete the reconciliations.

Effect

Unauthorized transactions could go through the bank accounts without detection for an extended period of time.

Recommendation

We recommend that the City ensure that all bank reconciliations are prepared, reviewed and approved in a timely manner and documentation of when the preparation and review are completed should be maintained.

Management's Response

The City's implementation of a mandated upgrade to the City-wide Financial System (MUNIS) and the addition of a new MUNIS billing module resulted in the temporary reallocation of experienced staff from the bank reconciliation function to tackle the numerous tasks required in the system upgrade / implementation. The City has hired temporary personnel to assist in the bank reconciliation activities to catch up on the reconciliation. The City requires about four months to catch up on the reconciliation and to become current thereafter.

**City of Perris  
Schedule of Findings and Responses  
For the Year Ended June 30, 2022**

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**2020-002 – Segregation of Duties  
*Significant Deficiency***

Criteria

Having appropriate segregation of duties within the IT environment is important to ensure that physical security and access to programs and data are appropriately controlled to prevent modification, damage or loss of data.

Condition

During our audit of the City, we noted a lack of segregation of duties within the disbursements and billings process. The accounts payable staff has the ability to add/remove vendors along with performing additional functions in the accounts payable process, and the billings staff can edit billing rates along with performing all other functions of the billings process.

Cause

The City does not have appropriate segregation of duties within the disbursements and billings processing function.

Effect

Unauthorized changes in vendors or billing rates could be made without detection of the Finance Department and have the potential of the creation of fictitious vendors or charging lower or higher billing rates to customers.

Recommendation

As stated above, an adequate segregation of duties requires that one individual does not handle a transaction from its inception to its completion. We believe it is important for management and the City Council to be aware that whenever there is a lack of segregation of duties, the system is far more susceptible to errors or other irregularities, either intentional or unintentional, not being discovered.

It is recommended that the City restrict the ability to add/remove vendors to another more appropriate individual and to remove access for changing billing rates from the billing staff and assign to a more appropriate individual.

Management's Response

In May 2023, the City completed the implementation of a new MUNIS billing system with capability to enforce segregation of duties regarding the several tasks under the utility billing functions. The Finance Department commenced performance of the improved internal controls under the new MUNIS billing system in June 2023. The new MUNIS billing system has the capability to print the register for review before the actual printing of the bills.

Working with the software vendor, the City has turned on workflow settings to ensure that the addition or removal of vendors in the system are routed for further approval. The MUNIS software maintains a record of the changes and the necessary electronic approval of the changes.

**City of Perris  
Schedule of Findings and Responses  
For the Year Ended June 30, 2022**

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**2022-003 – Investment Policy Noncompliance  
*Noncompliance***

Criteria

According to the City's investment policy, the City Treasurer is required to submit quarterly reports to City Council within 30 days after the end of the quarter.

Condition

During our audit of the City, we identified that the selected quarterly reports were not presented to the Council.

Cause

Due to changes in the Finance Department, reporting was not completed within the required time frame.

Effect

The City is not in compliance with its policy.

Recommendation

We recommend that the City put procedures in place to ensure that investment reporting is completed in a timely manner.

Management's Response

The City has commenced submission of the quarterly Investment Report to the City Council in compliance with the Investment Policy.