

City of Perris
Housing Authority

Perris, California

Basic Financial Statements
and Independent Auditor's Report

For the Year Ended June 30, 2022

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ROGERS, ANDERSON, MALODY & SCOTT, LLP
CERTIFIED PUBLIC ACCOUNTANTS, SINCE 1948

Independent Auditor's Report

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

Report on the Financial Statements

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Opinions

We have audited the accompanying financial statements of the governmental activities and the major fund of the City of Perris Housing Authority (the Housing Authority), a component unit of the City of Perris, California (the City) 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 governmental activities and the major fund of the Housing Authority as of June 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 Housing 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 opinions.

Responsibilities of Management for the Financial Statements

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

Respectfully,

Rogers, Anderson, Malody & Scott, LLP.

San Bernardino, California
June 30, 2023

City of Perris Housing Authority

**Statement of Net Position
June 30, 2022**

| | Governmental Activities |
|---|------------------------------------|
| Assets | |
| Current assets | |
| Cash and investments | \$ 667,596 |
| Receivables (net): | |
| Accounts | 21,761 |
| Interest | 832 |
| Due from other governments | 30 |
| Total current assets | <u>690,219</u> |
| Noncurrent assets: | |
| Notes and loans | 3,087,409 |
| Net pension asset | 246,736 |
| Land | 500,902 |
| Total noncurrent assets | <u>3,835,047</u> |
| Total Assets | <u>4,525,266</u> |
| Deferred Outflow of Resources | |
| Pension related | 467,999 |
| OPEB related | 159,327 |
| Total deferred outflows of resources | <u>627,326</u> |
| Liabilities | |
| Current liabilities | |
| Accounts payable | 4,702 |
| Payroll payable | 7,947 |
| Compensated absences, due in one year | 20,962 |
| Total current liabilities | <u>33,611</u> |
| Noncurrent liabilities | |
| Compensated absences, due in more than one year | 62,884 |
| Total other postemployment benefits liability | 750,502 |
| Total noncurrent liabilities | <u>813,386</u> |
| Total liabilities | <u>846,997</u> |
| Deferred Inflows of Resources | |
| Pension related | 219,101 |
| OPEB related | 164,921 |
| Total deferred inflows of resources | <u>384,022</u> |
| Net Position | |
| Investment in capital assets | 500,902 |
| Unrestricted | 3,420,671 |
| Total net position | <u>\$ 3,921,573</u> |

See accompanying Notes to the Basic Financial Statements.

City of Perris Housing Authority

**Statement of Activities
For the Fiscal Year Ended June 30, 2022**

| Functions/Programs | Expenses | Program Revenues | Net (Expense) Revenue and Changes in Net Position |
|---|-------------------|-----------------------------|--|
| | <u>Expenses</u> | <u>Changes for Services</u> | <u>Governmental Activities</u> |
| Governmental activities | | | |
| Community development | \$ 655,614 | \$ 71,096 | \$ (584,518) |
| Total Governmental Activities | <u>\$ 655,614</u> | <u>\$ 71,096</u> | <u>\$ (584,518)</u> |
| General Revenues | | | |
| Investment income | | | 294,163 |
| Total General Revenues | | | <u>294,163</u> |
| Change in net position | | | (290,355) |
| Net position - beginning of year, as restated | | | 4,211,928 |
| Net position - end of year | | | <u>\$ 3,921,573</u> |

See accompanying Notes to the Basic Financial Statements.

City of Perris Housing Authority

Balance Sheet
Governmental Fund
June 30, 2022

| | <u>General Fund</u> |
|---|---------------------|
| Assets | |
| Cash and investments | \$ 667,596 |
| Accounts receivable | 21,761 |
| Interest receivable | 832 |
| Notes and loans | 3,087,409 |
| Due from other governments | 30 |
| Total Assets | <u>\$ 3,777,628</u> |
| Liabilities and Fund Balances | |
| Liabilities | |
| Accounts payable | \$ 4,702 |
| Payroll payable | 7,947 |
| Total Liabilities | <u>12,649</u> |
| Fund Balance | |
| Nonspendable | 3,087,409 |
| Unassigned | 677,570 |
| Total Fund Balance | <u>3,764,979</u> |
| Total Liabilities and Fund Balance | <u>\$ 3,777,628</u> |

See accompanying Notes to the Basic Financial Statements.

City of Perris Housing Authority

Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position June 30, 2022

Total fund balances - total governmental funds \$ 3,764,979

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets net of depreciation have not been included as financial resources. Therefore, they are not reported in governmental funds. Those assets consist of amount reported in the Statement of Net Position:

Land 500,902

Compensated absences that have not been included in the governmental fund activity (83,846)

Net pension liability/asset and related deferred outflows and inflows of resources are not due and payable in the current period; therefore, are not reported as government funds' liabilities. They are reported in the Statement of Net Position:

| | | |
|--|------------------|---------|
| Net pension asset | \$ 246,736 | |
| Deferred outflows of resources related to pensions | 467,999 | |
| Deferred inflows of resources related to pensions | <u>(219,101)</u> | 495,634 |

Total net other postemployment benefits liability and related deferred outflows and inflows of resources are not due and payable in the current period; therefore, are not reported as government funds' liabilities. They are reported in the Statement of Net Position:

| | | |
|---|------------------|------------------|
| Deferred outflows of resources related to other postemployment benefits | \$ 159,327 | |
| Total net other postemployment benefits liability | (750,502) | |
| Deferred inflows of resources related to other postemployment benefits | <u>(164,921)</u> | <u>(756,096)</u> |

Net position of governmental activities \$ 3,921,573

See accompanying Notes to the Basic Financial Statements.

City of Perris Housing Authority

**Statement of Revenues, Expenditures, and Change in Fund Balance
Governmental Fund
For the Fiscal Year Ended June 30, 2022**

| | <u>General Fund</u> |
|-----------------------------------|----------------------------|
| Revenues | |
| Charges for services | \$ 71,096 |
| Investment earnings | <u>294,163</u> |
| Total Revenues | <u>365,259</u> |
| Expenditures | |
| Current: | |
| Community development | <u>543,338</u> |
| Total Expenditures | <u>543,338</u> |
| Net Change in fund balance | <u>(178,079)</u> |
| Fund Balance | |
| Beginning of year, as restated | <u>3,943,058</u> |
| End of year | <u><u>\$ 3,764,979</u></u> |

See accompanying Notes to the Basic Financial Statements.

City of Perris Housing Authority

**Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and
Change in Fund Balance to the Government-Wide Statement of Activities
For the Fiscal Year Ended June 30, 2022**

Net change in fund balances - total governmental funds \$ (178,079)

Amounts reported for governmental activities in the Statement of Activities are different because:

Compensated absences expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. (2,531)

Pension expenses is an expenditure in the governmental funds but reduce the net pension liability in the Statement of Net Position, net of pension contribution made after measurement date. 442,670

Other postemployment expenses is an expenditure in the governmental funds, but reduce the net other postemployment benefits liability in the Statement of Net Position, net of other postemployment benefits contribution made during the measurement period. (552,415)

Change in net position of governmental activities \$ (290,355)

See accompanying Notes to the Basic Financial Statements.

NOTES TO THE BASIC FINANCIAL STATEMENTS

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Note 1 - Summary of Significant Accounting Policies

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

a. Description of the Reporting Entity

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

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

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

b. Basis of Accounting and Measurement Focus

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

c. Government-Wide Financial Statements

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

Note 1 - Summary of Significant Accounting Policies (Continued)

c. Government-Wide Financial Statements (Continued)

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

d. Government Fund Financial Statements

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

The Housing Authority reports the following major governmental fund:

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

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

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

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

Note 1 - Summary of Significant Accounting Policies (Continued)

e. Cash and Investments

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

f. Capital Assets

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

g. Deferred Outflows and Inflows of Resources

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

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

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

h. Compensated Absences

Accumulated vacation and sick leave benefits and compensatory time payable in future years when used by the Housing Authority employees amounted to \$83,846 on June 30, 2022. These amounts are payable from future resources and therefore have been recorded in long-term liabilities in the financial statements. Vacation benefits, sick leave, and compensatory time are recorded as expenses when used.

Note 1 - Summary of Significant Accounting Policies (Continued)

i. Pensions

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

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used.

| | |
|--------------------|-------------------------------|
| Valuation Date | June 30, 2020 |
| Measurement Date | June 30, 2021 |
| Measurement Period | July 1, 2020 to June 30, 2021 |

j. Other Postemployment Benefits ("OPEB")

For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expense, information about the City's OPEB plan have been determined by an independent actuary. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Total OPEB liabilities are generally liquidated by the City's General Fund.

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

| | |
|--------------------|-------------------------------|
| Valuation Date | June 30, 2021 |
| Measurement Date | June 30, 2022 |
| Measurement Period | July 1, 2021 to June 30, 2022 |

Note 1 - Summary of Significant Accounting Policies (Continued)

k. Net Position

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

Investment in Capital Assets - This amount consists of investment in land.

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 Housing Authority's policy is to apply restricted net position first, then unrestricted net position as they are needed.

l. Fund Balance

Fund balance in the governmental fund is reported in classifications that comprise a hierarchy based primarily on the extent to which the Housing Authority is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The Housing 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 Housing Authority considers committed amounts to be reduced first, followed by assigned amounts and then unassigned amounts. 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 (ordinance) by the government's highest level of decision-making authority. The Board of Directors of the Housing Authority is the highest level of decision-making authority for the Housing Authority that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance.

City of Perris Housing Authority

Notes to the Basic Financial Statements June 30, 2022

Note 1 - Summary of Significant Accounting Policies (Continued)

l. Fund Balance (Continued)

Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken to remove or revise the limitation.

Assigned Fund Balance - Amounts that are constrained by the Housing 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 Housing Authority has been given. The Board of Directors of the Housing Authority has by resolution authorized the Finance Director to assign fund balance. The Board of Directors of the Housing Authority may also assign fund balance, however, unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment.

Unassigned Fund Balance - These are either residual positive net resources of the General Fund in excess of what can properly be classified in one of the other categories, or negative balances in all other funds.

m. Use of Estimates

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

Note 2 - Cash and Investments

Cash and investments of the Housing Authority on June 30, 2022 was in the amount of \$667,596. Cash is deposited in the City's internal investment pool, which is reported at amortized cost. The Housing Authority does not own specifically identifiable securities in the City's pool. Interest income is allocated based on average cash balances. Investment policies and associated risk factors applicable to the Housing Authority are those of the City and are included in the City's basic financial statements.

Note 3 - Notes and Loans Receivable

The former Redevelopment Agency for the City made long-term rehabilitation and acquisition loans to owner- occupants of substandard homes who would otherwise be unable to obtain sufficient public or private financing to rehabilitate or acquire their homes. These loans were transferred to the Housing Authority subsequently to the dissolution of the redevelopment agency in accordance with Assembly Bill IX 26. The loans are payable upon the sale or change in ownership of the property. Included in a portion of these loans are provisions for forgiving the balances if certain criteria are met. The amounts forgiven are reflected as loan amortizations on the financial statements. No loans were forgiven in the current year. The receivable balance of \$3,087,409 is not expected to be collected within one year.

City of Perris Housing Authority

**Notes to the Basic Financial Statements
June 30, 2022**

Note 4 - Capital Assets

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

| | Balance July 1, 2021 | Additions | Deletions | Balance June 30, 2022 |
|------|---------------------------------|------------------|------------------|----------------------------------|
| Land | \$ 500,902 | \$ - | \$ - | \$ 500,902 |

Note 5 - Compensated Absences

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

| | Balance July 1, 2021 | Additions | Deletions | Balance June 30, 2022 | Due within One Year | Due in More Than One Year |
|----------------------|---------------------------------|------------------|------------------|----------------------------------|--------------------------------|--------------------------------------|
| Compensated absences | \$ 81,315 | \$ 44,795 | \$ (42,264) | \$ 83,846 | \$ 20,962 | \$ 62,884 |

Note 6 - Net Pension Liability

a. General Information about the Pension Plan

Plan Description

All qualified permanent and probationary employees are eligible to participate in the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (Plan or PERF C) administered by the California Public Employees' Retirement System (CalPERS.) The Plan consists of a miscellaneous pool and a safety pool (also referred to as "risk pools"), which are comprised of individual employer miscellaneous and safety rate plans, respectively. Plan assets may be used to pay benefits for any employer rate plan of the safety and miscellaneous pools. Accordingly, rate plans within the safety or miscellaneous pools are not separate plans under generally accepted accounting principles. Individual employers may sponsor more than one rate plan in the miscellaneous or safety risk pools. The Housing Authority participates in the City's three miscellaneous rate plans. Benefit provisions under the Plan are established by State statute and Local Government resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS' website, at www.calpers.ca.gov.

Notes to the Basic Financial Statements
June 30, 2022

Note 6 - Net Pension Liability (Continued)

a. General Information about the Pension Plan (Continued)

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 on June 30, 2022 are summarized as follows:

| | Plans | | |
|---|-----------------------------|--|------------------------------|
| | Classic | Miscellaneous | |
| | | Tire II | PEPRA |
| Hire date | Prior to January 1, 2013 | January 1, 2010 but prior to January 1, 2013 | January 1, 2013 and after |
| Benefit formula | 2.7%@ 55 | 2.0%@60 | 2%@62 |
| Benefit vesting schedule | 5 years service | 5 years service | 5 years service |
| Benefit payments | 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% |

Note 6 - Net Pension Liability (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.

b. Net Pension Liability/(Asset)

The Housing Authority'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

All other actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period from 1997 to 2015, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website, at www.calpers.ca.gov.

| | |
|-----------------------------------|--|
| 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 ¹ | 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 |

⁽¹⁾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.

Note 6 - Net Pension Liability (Continued)

b. Net Pension Liability/(Asset) (Continued)

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.

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

| Asset Class ¹ | Assumed Assets Allocation | Real Return Years 1 - 10 ² | Real Return Years 11+ ³ |
|--------------------------|------------------------------|--|---------------------------------------|
| Public equity | 50.00% | 4.80% | 5.98% |
| Fixed income | 28.00% | 1.00% | 2.62% |
| Inflation assets | 0.00% | 0.77% | 1.81% |
| Private equity | 8.00% | 6.30% | 7.23% |
| Real assets | 13.00% | 3.75% | 4.93% |
| | | | |
| Liquidity | 1.00% | 0.00% | -0.92% |
| | 100.00% | | |

¹ In the System's 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

² An expected inflation of 2.00% used for this period

³ An expected inflation of 2.92% used for this period

Change of Assumptions

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

Note 6 - Net Pension Liability (Continued)

b. Net Pension Liability/(Asset) (Continued)

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.

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. 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.

City of Perris Housing Authority

**Notes to the Basic Financial Statements
June 30, 2022**

Note 6 - Net Pension Liability (Continued)

c. Proportionate Share of Net Pension Liability/(Asset)

The following table shows the Housing Authority's portion of the Plan's proportionate share of the net pension liability/(asset) over the measurement period.

| | Increase (Decrease) | | |
|-------------------------------|----------------------------|--------------------------------|----------------------------------|
| | Total Pension Liability | Plan Fiduciary Net Position | Net Pension Liability/(Asset) |
| | (a) | (b) | (c) = (a) - (b) |
| Balance at June 30, 2020 (VD) | \$ 1,748,532 | \$ 1,745,703 | \$ 2,829 |
| Balance at June 30, 2021 (MD) | 1,709,220 | 1,955,956 | (246,736) |
| Net Changes during 2020-2021 | <u>\$ 39,312</u> | <u>\$ (210,253)</u> | <u>\$ 249,565</u> |

Valuation Date (VD), Measurement Date (MD).

The City's proportion of the net pension liability/(asset) 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. The Housing Authority's liability/(asset) is a percentage of the City's total net pension liability for the miscellaneous plans. The Housing Authority's proportionate share of the City's portion of the net pension liability for the miscellaneous Plan as of the June 30, 2020 and 2021 measurement dates was as follows:

| | |
|------------------------------|------------------|
| June 30, 2020 | 0.00003% |
| June 30, 2021 | -0.01299% |
| Change - Increase (Decrease) | <u>-0.01302%</u> |

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

The following presents the Local Government's proportionate share of the net pension liability of the 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:

| | Discount Rate -1% (6.15%) | Current Discount Rate (7.15%) | Discount Rate + 1%(8.15%) |
|---|------------------------------|----------------------------------|------------------------------|
| Housing Authority's Proportion of the City's Net Pension Liability/(Asset) | <u>\$ (21,066)</u> | <u>\$ (246,736)</u> | <u>\$ (433,294)</u> |

Note 6 - Net Pension Liability (Continued)

c. Proportionate Share of Net Pension Liability/(Asset) (Continued)

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).

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.

City of Perris Housing Authority

**Notes to the Basic Financial Statements
June 30, 2022**

Note 6 - Net Pension Liability (Continued)

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 Housing Authority's portion of the City's net pension liability was \$2,829. For the measurement period ending June 30, 2021 (the measurement date), the Housing Authority incurred a pension expense/(income) of \$(496,185).

As of June 30, 2022, the Housing Authority has deferred outflows and deferred inflows of resources related to City's net pensions allocation as follows:

| | <u>Deferred outflows of Resources</u> | <u>Deferred inflows of Resources</u> |
|--|---|--|
| Difference between expected and actual experience | \$ - | \$ (27,669) |
| Net difference between projected and actual earning on pension plan investments | 215,387 | |
| Changes in proportions | 51,278 | (156,754) |
| Difference between the City's contributions and proportionate share of contributions | 167,497 | (34,678) |
| Contribution made after the measurement date | 33,837 | - |
| Total | <u>\$ 467,999</u> | <u>\$ (219,101)</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 \$33,837 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:

| <u>Year Ending June 30,</u> | <u>Deferred Outflows/(Inflows) of Resources Miscellaneous Plan</u> |
|-------------------------------------|--|
| 2023 | \$ 51,467 |
| 2024 | 52,431 |
| 2025 | 51,642 |
| 2026 | 59,521 |
| 2027 | - |
| Thereafter | - |

e. Payable to the Pension Plan

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

City of Perris Housing Authority

**Notes to the Basic Financial Statements
June 30, 2022**

Note 7 - Other Postemployment Benefits ("OPEB")

Plan Description

The Housing Authority participates in the City of Perris Retiree Healthcare Plan ("CPRHP"). The City provides medical benefits to eligible retired employees and qualified dependents. CPRHP is part of the Public Agency portion of the California Employers' Retiree Benefit Trust Fund ("CERBT"), an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California. A 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 Headquarters, 400 Q Street, Sacramento, CA 95811.

Contributions and Funding Policy

The City currently finances benefits on a pay-as-you-go basis. 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. There is not a trust established that meets the criteria of GASB 75 to pay related benefits.

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 |

The City's vesting policy is as follows:

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

City of Perris Housing Authority

**Notes to the Basic Financial Statements
June 30, 2022**

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

Employee Covered

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

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 Straight-line amortization over a closed period equal to the average expected remaining service lives of all members (6.5 years) |
| Amortization Method | |
| 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 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. |
| Retiree's share of cost | 2017 CalPERS Mortality for Miscellaneous and Schools Employees |
| Mortality | |

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.

Change in the Total OPEB Liability

The following table shows the Housing Authority's proportionate share of the City's total OPEB liability is a follows:

| | <u>Increase (Decrease)</u> |
|--------------------------|-----------------------------|
| | <u>Total OPEB Liability</u> |
| Balance at June 30, 2021 | \$ 260,740 |
| Balance at June 30, 2022 | 750,502 |
| Net Change | <u>\$ 489,762</u> |

City of Perris Housing Authority

**Notes to the Basic Financial Statements
June 30, 2022**

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

Housing Authority's Share of the Total OPEB Liability

The Housing Authority's proportionate share of the total OPEB liability is as follows:

| | |
|------------------------------|---------------------|
| June 30, 2021 | 1.00% |
| June 30, 2022 | <u>3.51%</u> |
| Change - Increase (Decrease) | <u><u>2.51%</u></u> |

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

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

| | <u>Discount Rate -1% (2.54%)</u> | <u>Current Discount Rate (3.54%)</u> | <u>Discount Rate + 1%(4.54%)</u> |
|--|--------------------------------------|--|--------------------------------------|
| Housing Authority's proportionate share of the City's Total OPEB Liability | <u>\$ 880,080</u> | <u>\$ 750,502</u> | <u>\$ 657,408</u> |

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

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

| | <u>1%Decrease (3.00%)</u> | <u>Current Healthcare Cost Trend Rates 4.00%</u> | <u>1% Increase (5.00%)</u> |
|--|-------------------------------|--|--------------------------------|
| Housing Authority's proportionate share of the City's Total OPEB Liability | <u>\$ 623,478</u> | <u>\$ 750,502</u> | <u>\$ 907,480</u> |

City of Perris Housing Authority

**Notes to the Basic Financial Statements
June 30, 2022**

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

OPEB Expense and Deferred Outflows of Resources Related to OPEB

For the fiscal year ended June 30, 2022, the Housing Authority recognized OPEB credit in the amount of \$88,386. For a detailed breakdown of the City's total OPEB expense, see the City's ACFR.

As of the fiscal year ended June 30, 2022, the Housing Authority reported deferred inflows and deferred outflows of resources related to City's total OPEB allocation as follows:

| | Deferred outflows of Resources | Deferred inflows of Resources |
|---|---|--|
| Changes of assumptions | \$ 75,673 | \$ (164,852) |
| Difference between expected and actual experience | 83,654 | (69) |
| Total | <u>\$ 159,327</u> | <u>\$ (164,921)</u> |

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

| Year Ending June 30, | Deferred Outflows/(Inflows) of Resources |
|---------------------------------|---|
| 2023 | \$ 14,682 |
| 2024 | 13,719 |
| 2025 | 13,719 |
| 2026 | 2,462 |
| 2027 | (8,794) |
| Thereafter | (41,382) |

Note 8 - Commitments and Contingencies

As of June 30, 2022, there was no outstanding matters that would have a significant effect on the financial position of the Housing Authority

Note 9 - Prior Period Adjustments

As of June 30, 2022, there was a prior period adjustment for both the beginning fund balance of the governmental funds and the beginning net position for governmental activities of \$13,433 due to the correction of an error.

Required Supplementary Information (Unaudited)

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City of Perris Housing Authority

**Notes to Required Supplementary Information
For the Fiscal Year Ended June 30, 2022**

Note 1 - Budget and Budgetary Accounting

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

City of Perris Housing Authority

**Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2022**

| | Budget amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|---|---------------------|---------------------|---------------------|---|
| | Original | Final | | |
| Revenues | | | | |
| Charges for services | \$ 14,890 | \$ 14,890 | \$ 71,096 | \$ 56,206 |
| Investment earnings | 104,846 | 104,846 | 294,163 | 189,317 |
| Total revenues | <u>119,736</u> | <u>119,736</u> | <u>365,259</u> | <u>245,523</u> |
| Expenditures | | | | |
| Current: | | | | |
| Community development | 610,631 | 615,131 | 543,338 | 71,793 |
| Revenues Over (Under) Expenditures | (490,895) | (495,395) | (178,079) | 317,316 |
| Other Financing Sources (Uses) | | | | |
| Transfers in | 205,000 | 205,000 | - | (205,000) |
| Net change in fund balance | <u>\$ (285,895)</u> | <u>\$ (290,395)</u> | (178,079) | <u>\$ 112,316</u> |
| Fund balance | | | | |
| Beginning of year, as restated | | | 3,943,058 | |
| End of year | | | <u>\$ 3,764,979</u> | |

City of Perris Housing Authority

**Schedule of Proportionate Share of Net Pension Liability and Related Ratios as of the Measurement Date
Last Ten Years***

| Measurement period | Housing Authority's Proportion of the Net Pension Liability/(Asset) ¹ | Housing Authority's Proportionate Share of the Net Pension Liability/(Asset) | Housing Authority's Covered Payroll | Housing Authority's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of Its Covered Payroll | Housing Authority's Proportionate Share of the Fiduciary Net Position as a Percentage of the Total Pension Liability/(Asset) |
|--------------------|--|--|-------------------------------------|---|--|
| June 30, 2017 | 0.00660% | \$ 649,904 | \$ 421,740 | 154.10% | 74.71% |
| June 30, 2018 | 0.00480% | 461,612 | 344,965 | 133.81% | 76.09% |
| June 30, 2019 | 0.00520% | 537,050 | 354,265 | 151.60% | 75.58% |
| June 30, 2020 | 0.00003% | 2,829 | 302,126 | 0.94% | 99.84% |
| June 30, 2021 | -0.01299% | (246,736) | 319,248 | -77.29% | 114.44% |

*Historical information is presented only for measurement periods for which GASB 68 is implemented for the period ended June 30, 2017. Additional years of information will be presented as it becomes available.

¹ 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 Housing Authority

**Schedule of Contributions - Pensions
Last Ten Years***

| <u>Fiscal year</u> | <u>Actuarially determined contribution</u> | <u>Contributions in relation to the actuarially determined contribution</u> | <u>Contribution deficiency (excess)</u> | <u>Covered payroll</u> | <u>Contributions as a percentage of covered payroll</u> |
|--------------------|--|---|---|------------------------|---|
| 2017-2018 | \$ 59,536 | \$ (59,536) | \$ - | \$ 344,965 | 17.26% |
| 2018-2019 | 51,624 | (51,624) | - | 354,265 | 14.57% |
| 2019-2020 | 632,065 | (632,065) | - | 302,126 | 209.21% |
| 2020-2021 | 35,601 | (35,601) | - | 319,248 | 11.15% |
| 2021-2022 | 33,837 | (33,837) | - | 311,271 | 10.87% |

*Historical information is presented only for measurement periods for which GASB 68 is implemented for the period ended June 30, 2017. Additional years of information will be presented as it becomes available.

Notes to Schedule:

Change in Benefit Terms: There were no changes 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 of 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 with 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 Housing Authority

**Schedule of Changes in Total OPEB Liability and Related Ratios
Last Ten Years***

| <u>Measurement period</u> | <u>Housing Authority's Proportion of the Total OPEB Liability</u> | <u>Housing Authority's Proportionate Share of the Total OPEB Liability</u> | <u>Housing Authority's Covered Employee Payroll</u> | <u>Housing Authority's Proportionate Share of the Total OPEB Liability as a Percentage of Its Covered Employee Payroll</u> | <u>Housing Authority's Proportionate Share of the Fiduciary Net Position as a Percentage of the Total OPEB Liability</u> |
|---------------------------|---|--|---|--|--|
| June 30, 2018 | 1.6300% | \$ 262,573 | \$ 253,909 | 103.41% | 0.00% |
| June 30, 2019 | 1.6300% | 273,561 | 282,451 | 96.85% | 0.00% |
| June 30, 2020 | 1.6300% | 359,516 | 321,356 | 111.87% | 0.00% |
| June 30, 2021 | 1.0000% | 260,740 | 329,720 | 79.08% | 0.00% |
| June 30, 2022 | 3.5100% | 750,502 | 395,787 | 189.62% | 0.00% |

*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:

Contributions to the OPEB plan are not based on a measure of pay, therefore covered employee payroll is used.

No assets are accumulated in a trust that meets the criteria of GASB 75 to pay related benefits.

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



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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**

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Independent Auditor's Report

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

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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 governmental activities and the major fund of the City of Perris Housing Authority (the Housing 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 Housing 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 Housing 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 Housing Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Housing 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 material weaknesses and significant deficiencies.

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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 deficiencies described in the accompanying Schedule of Findings and Responses as item 2022-002 to be significant deficiencies.

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 City's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Responses. The City'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

2022-001 – Bank Reconciliations
Material Deficiency

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

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.

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

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.