

Perris Joint Powers Authority

Perris, California

Financial Statements and Independent Auditors' Reports

For the Year Ended June 30, 2019



**Perris Joint Powers Authority
For the Year Ended June 30, 2019**

Table of Contents

	<u>Page</u>
Independent Auditors' Reports:	
Report on the Financial Statements	1
Report on Internal Control over Financial Reporting and On Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	7
Statement of Activities	8
Fund Financial Statements:	
Governmental Fund Financial Statements:	
Balance Sheet	13
Reconciliation of the Governmental Fund Balance Sheet to the Government-Wide Statement of Net Position	14
Statement of Revenues, Expenditures, and Changes in Fund Balance	15
Reconciliation of the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances to the Government-Wide Statement of Activities	16
Notes to the Basic Financial Statements	19

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
of the Perris Joint Powers Authority
Perris, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the Perris Joint Powers Authority (the "Authority"), a component unit of the City of Perris, California (the "City") as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Authority, as of June 30, 2019, and the respective changes in financial position for the year then in accordance with accounting principles generally accepted in the United States of America.

To the Board of Directors
of the Perris Joint Powers Authority
Perris, California
Page 2

Other Matters

Required Supplementary Information

Management has omitted the Management’s Discussion and Analysis and Budgetary Comparison Schedule that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2019, on our consideration of the Authority’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on effectiveness of the Authority’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority’s internal control over financial reporting and compliance.

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

Santa Ana, California
December 20, 2019



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE GOVERNMENT AUDITING STANDARDS**

Independent Auditors' Report

To the Board of Directors
of the Perris Joint Powers Authority
Perris, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of governmental activities and the major fund of the Perris Joint Powers Authority (the "Authority"), a component unit of the City of Perris, California (the "City"), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated December 20, 2019.

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") to determine the 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 City's internal control. Accordingly, we do not express an opinion on the effectiveness of Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

To the Board of Directors
of the Perris Joint Powers Authority
Perris, California
Page 2

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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Santa Ana, California
December 20, 2019

BASIC FINANCIAL STATEMENTS

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Perris Joint Powers Authority
Statement of Net Position
June 30, 2019

	Governmental Activities
ASSETS	
Current assets:	
Cash and investments	\$ 52,054
Interest receivable	1,600,674
Total current assets	1,652,728
Noncurrent assets:	
Restricted investment with fiscal agent	10,260,648
Investments with fiscal agent	127,192,078
Total noncurrent assets	137,452,726
Total Assets	139,105,454
LIABILITIES	
Deposits	9,880,995
Other liabilities	43
Interest payable	1,600,643
Noncurrent liabilities:	
Due within one year	4,870,000
Due in more than one year	120,793,058
Total liabilities	137,144,739
NET POSITION	
Restricted for debt service	1,960,715
Total Net Position	\$ 1,960,715

Perris Joint Powers Authority
Statement of Activities
For the Year Ended June 30, 2019

Functions/Programs	<u>Expenses</u>	<u>Program Revenues</u> <u>Operating Grants</u> <u>and Contributions</u>	<u>Net (Expenses)</u> <u>Revenue and Change</u> <u>in Net Position</u> <u>Governmental</u> <u>Activities</u>
Program Expenses:			
Interest and fiscal charges	\$ 5,561,629	\$ 4,721,564	\$ (840,065)
Total governmental activities	<u>\$ 5,561,629</u>	<u>\$ 4,721,564</u>	<u>(840,065)</u>
Change in Net Position			(840,065)
Net Position:			
Beginning of year			<u>2,800,780</u>
End of year			<u>\$ 1,960,715</u>

FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUND FINANCIAL STATEMENTS

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Perris Joint Powers Authority
Balance Sheet
Governmental Fund
June 30, 2019

	General Fund
ASSETS	
Cash and investments	\$ 52,054
Cash with fiscal agent	10,260,648
Restricted investments	127,192,078
Interest receivable	31
Total assets	\$ 137,504,811
LIABILITIES AND FUND BALANCE	
Liabilities:	
Deposits	\$ 9,880,995
Other liabilities	43
Total liabilities	9,881,038
Fund Balances:	
Restricted for:	
Debt service	127,623,773
Total Fund Balances	127,623,773
Total liabilities and fund balance	\$ 137,504,811

Perris Joint Powers Authority
Reconciliation of the Governmental Fund Balance Sheet
to the Government-Wide Statement of Net Position
June 30, 2019

Total Fund Balance - Governmental Fund \$ 127,623,773

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

Interest receivable on the investments does not provide current financial resources. Therefore, interest receivable is not reported as an asset in the governmental fund. 1,600,643

Long-term liabilities applicable to the governmental activities are not due and payable in the current period; therefore, are not reported as fund liabilities. All liabilities, both current and long-term are reported in the Statement of Net Positions.

Revenue bonds (125,663,058)

Accrued interest payable for the current portion of interest due on bonds has not been reported in the governmental funds. (1,600,643)

Net position of governmental activities \$ 1,960,715

Perris Joint Powers Authority
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Fund
For the Year Ended June 30, 2019

	General Fund
REVENUES:	
Investment earnings	\$ 4,564,784
Contributions	127,371
Total Revenues	4,692,155
EXPENDITURES:	
Debt service:	
Principal retirement	5,350,000
Interest and fiscal charges	5,615,380
Total Expenditures	10,965,380
Excess of Revenues over Expenditures	(6,273,225)
Other Financing Sources (Uses):	
Issuance of long-term debt	4,980,000
Issuance discount	(40,872)
Total other financing sources (uses)	4,939,128
Net change in fund balance	(1,334,097)
FUND BALANCE:	
Beginning of year	128,957,870
End of Year	\$ 127,623,773

Perris Joint Powers Authority
Reconciliation of the Governmental Fund Statement of Revenues, Expenditures, and Change
in Fund Balance to the Government-Wide Statement of Activities
For the Year Ended June 30, 2019

Net change in fund balance - governmental fund: \$ (1,334,097)

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

Interest income on investment receivable does not provide current financial resource. Therefore, interest income is not reported as revenue in the governmental fund. This is the net change in accrued interest receivable for the current period. 29,409

Issuance of long-term debt provides current financial resources to governmental funds, while repayment of bond principal is an expenditure in the governmental funds, but the issuance increases the long-term liabilities and the repayment reduces long-term liabilities in the statement of net position.

Issuance of long-term debt	(4,980,000)	
Issuance discount	40,872	
Revenue bonds principal repayments	5,350,000	
Amortization of premium/discount and deferred charges	83,160	494,032

Accrued interest for long-term liabilities. This is the net change in accrued interest for the current period. (29,409)

Change in net position of governmental activities \$ (840,065)

NOTES TO THE BASIC FINANCIAL STATEMENTS

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Perris Joint Powers Authority
Notes to the Basic Financial Statements
For the Year Ended June 30, 2019

Note 1 – Reporting Entity and Summary of Significant Accounting Policies

A. Reporting Entity

The Perris Joint Powers Authority (the “Authority”) is a joint exercise of powers between the City of Perris, California (the “City”) and the Perris Housing Authority (the “Authority”), created by a joint powers agreement dated March 26, 2013. The purpose of the Authority is to provide financing for public capital improvements and other programs within the City.

The Authority’s offices and records are located at City Hall, 101 North “D” Street, Perris, California, telephone (951) 943-6100.

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

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

The accounting policies of the Authority conform to accounting principles generally accepted in the United States of America as they are applicable to governmental units. The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies reflected in the financial statements are summarized as follows:

Government-wide Statements

The Government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government (the Authority). For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All Authority activities are governmental; no business-type activities are reported in the statements.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are expenses that are clearly identifiable with a specific program, project, function or segment. Program revenues of the Authority include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment.

Revenues not included among program revenues are reported as general revenues.

The government-wide financial statements are reported using the “*economic resources*” measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the providers have been met.

Perris Joint Powers Authority
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

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

B. Financial Statement Presentation, Measurement Focus, and Basis of Accounting (Continued)

Fund Financial Statements

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as non-major funds. Currently, the Authority only has one governmental fund.

Governmental fund financial statements are reported using the “*current financial resources*” measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Authority considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgements, are recorded only when payment is due.

Intergovernmental revenues and interest associated with the current fiscal period are all considered to be susceptible to accrual, and are therefore recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the Authority.

The Authority reports the following major governmental fund:

The ***General Fund*** is the main operating fund of the Authority and is used to account for the accumulation of resources for, and the repayment of, long-term debt principal, interest and related costs.

C. Cash and Investments

The Authority’s cash and investments consist of cash and investments pooled with the City and investment held by fiscal agents to meet debt obligations. Investments with fiscal agents are restricted for the redemption of bonded debt.

D. Fair Value Measurement

U.S. GAAP defines fair value, establishes a framework for measuring fair value and establishes disclosures about fair value measurement. Investments, unless otherwise specified, recorded at fair value in the financial statements, are categorized based upon the level of judgement associated with the inputs used to measure their fair value. Level of inputs are as follows:

- Level 1 – Inputs are unadjusted, quoted prices for identical assets or liabilities in active markets at the measurement date.
- Level 2 – Inputs, other than quoted prices included in Level 1, that are observable for the assets or liabilities through corroboration with market data at the measurement date.
- Level 3 – Unobservable inputs that reflect management’s best estimate of what market participants would use in pricing the assets or liabilities at the measurement date.

Perris Joint Powers Authority
Notes to the Financial Statements (Continued)
For the Years Ended June 30, 2019

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

E. Long-Term Debt

In the government-wide financials statements, long-term debt are reported as liabilities in the applicable governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium and discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on the debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Cost of issuance is expensed when incurred.

The Fund Financial Statements do not present long-term debt. Accordingly, long-term debt is shown as a reconciling item in the Reconciliation of the Governmental Fund Balance Sheet to the Government-Wide Statement of Net Position.

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 represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. Currently, the Authority does not report any deferred outflows of resources.

Deferred inflows of resources represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. Currently, the Authority does not report any deferred inflows of resources.

G. Net Position

The difference between assets, deferred outflows of resources, liabilities and inflows of resources is reported as net position. Net position is classified as follows:

Restricted net position consists of net position that has external constraints placed on them by creditors, grantors, contributors, laws, or regulations of other governments, or through constitutional provisions, or enabling legislation.

Unrestricted net position consists of net position that does not meet the definition of net investment in capital assets or restricted net position.

When expenses are incurred for purposes for which both restricted and unrestricted net position are available, the Authority's policy is to apply restricted net position first, then unrestricted net position as they are needed.

H. Fund Balance

Fund balance in governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the Authority is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Perris Joint Powers Authority
Notes to the Financial Statements (Continued)
For the Years Ended June 30, 2019

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

H. Fund Balance (Continued)

The Authority considers restricted fund balance to have been spent first when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. Similarly, when an expenditure is incurred for purposes for which amounts in any of the unrestricted classifications of fund balance could be used.

The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

Nonspendable Fund Balance - Includes amounts that cannot be spent because they are either not in spendable form, or, for legal or contractual reasons, must be kept intact.

Restricted Fund Balance - Constraints placed on the use of these resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors or other governments; or are imposed by law (through constitutional provisions or enabling legislation).

Committed Fund Balance - Amounts that can only be used for specific purposes because of a formal action (resolution or ordinance) by the government's highest level of decision-making authority.

Assigned Fund Balance - Amounts that are constrained by the Authority's intent to be used for specific purposes, but that do not meet the criteria to be classified as restricted or committed. Intent can be stipulated by the governing body, another body, or by an official to whom the authority has been given.

Unassigned Fund Balance - These are 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.

I. Investment Earnings

Investment earnings include amortization of \$624,878 premiums and \$93,208 discounts on Community Facilities District bond investments.

J. Use of Estimates

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

Note 2 – Cash and Investments

The Authority's cash and investments consisted of cash and investments pooled with the City and cash and investments by fiscal agents, at June 30, 2019, the Authority had the following:

Cash pooled with the City of Perris	\$	52,054
Restricted investments with fiscal agent		10,260,648
Investments with fiscal agent		127,192,078
Total	\$	137,504,780

Perris Joint Powers Authority
Notes to the Financial Statements (Continued)
For the Years Ended June 30, 2019

Note 2 – Cash and Investments (Continued)

A. Deposits

Cash is deposited in the City’s internal investment pool. The Authority does not own specifically identifiable securities in the City’s pool. Interest income is allocated based on the average cash balances. Investment policies and associated risk factors applicable to the Authority are those of the City and are included in the City’s basic financial statements. Please refer to the City’s comprehensive annual financial report for more detail.

B. Investments Authorized by Debt Agreements

Investment of debt proceeds held by bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the Authority’s investment policy.

C. Risk Disclosures

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. Information about the sensitivity of the fair values of the Authority’s investments to market interest rate fluctuations is provided by the following table that shows the distribution of the Authority’s investments by maturity:

	1 Year or Less	2 to 3 Years	3 to 5 Years	Over 5 Years	Total
Investments with fiscal agent:					
Money market mutual funds	\$ 10,260,648	\$ -	\$ -	\$ -	\$ 10,260,648
Local obligation bonds	5,401,673	5,601,673	16,048,192	100,140,540	127,192,078
Total	<u>\$ 15,662,321</u>	<u>\$ 5,601,673</u>	<u>\$ 16,048,192</u>	<u>\$ 100,140,540</u>	<u>\$ 137,452,726</u>

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code or the Authority’s investment policy and the actual rating as of year end for each investment type.

Investment Type	Fair Value at June 30, 2019	Minimum Legal Rating	Minimum	
			AAA	Not Rated
Investments with fiscal agent:				
Money market mutual funds	\$ 10,260,648	AA	\$ 10,260,648	\$ -
Local obligation bonds	127,192,078	A	-	127,192,078
Total	<u>\$ 137,452,726</u>		<u>\$ 10,260,648</u>	<u>\$ 127,192,078</u>

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Authority’s investments in money market funds and local obligation bonds are held by fiscal agent.

Perris Joint Powers Authority
Notes to the Financial Statements (Continued)
For the Years Ended June 30, 2019

Note 2 – Cash and Investments (Continued)

D. Investment with Fiscal Agent

Investments held and invested by fiscal agents on behalf of the Authority are pledged for payment or security of certain long-term debt issuances. Fiscal agents are mandated by bond indentures as to the types of investments in which debt proceeds can be invested.

Included in investments with fiscal agent are the debt securities issued by some of the City's Community Facilities Districts. These are special assessment obligations and, therefore, are not obligations of the Authority or the City. The Authority has purchased various Community Facilities District ("CFD") Bonds from the proceeds of revenue bonds issued by the Authority to facilitate the respective bond issues of the Districts (see Note 4).

The CFD Bonds are secured solely by assessments on property owners within the Districts. The repayment schedules of the bonds, and interest thereon, to the Authority are concurrent and sufficient to satisfy the debt service requirements of the respective Authority revenue bonds. The investments are summarized below:

Investment	Fair Value
CFD 2002-1 Special Tax Bonds, 2013 Series	\$ 4,679,267
CFD 2001-1 Special Tax Refunding Bonds (IA 1, IA2 and IA3), 2014 Series	9,835,185
CFD 2006-1 Special Tax Refunding Bonds, 2014 Series	2,258,939
CFD 2004-3 Special Tax Refunding Bonds (IA1), 2014 Series	6,484,625
CFD 2004-2 Special Tax Refunding Bonds, 2014 Series	4,081,893
CFD 2001-1 Special Tax Refunding Bonds (IA6 and IA7), 2014 Series	12,114,023
CFD 2004-1 Special Tax Refunding Bonds, 2014 Series A	2,033,863
CFD 2003-1 Special Tax Refunding Bonds, 2014 Series	3,029,256
CFD 2005-2 Special Tax Refunding Bonds 2015 Series	12,576,544
CFD 2006-2 Special Tax Refunding Bonds 2015 Series	9,086,701
CFD 2004-3 Special Tax Refunding Bonds (IA2), 2015 Series	7,628,531
CFD 2014-2 Special Tax Refunding Bonds, 2015 Series	1,641,398
CFD 2005-1 Special Tax Refunding Bonds (IA3), 2015 Series	4,336,880
CFD 2005-4 Special Tax Refunding Bonds, 2015 Series	5,353,886
CFD 2005-4 Special Tax Bonds, 2015 Series	2,626,550
CFD 2014-1 Special Tax Bonds, 2017 Series	4,133,085
CFD 2001-1 Special Tax Bonds (IA4 and IA5), 2017 Series	23,126,598
CFD 93-1 and 2004-5 Special Tax Refunding Bonds, 2017 Series	3,282,170
CFD 2014-1 Special Tax Bonds (IA2), 2018 Series	4,122,237
CFD 2014-1 Special Tax Bonds (IA3), 2018 Series	4,760,447
Total	\$ 127,192,078

E. Fair Value Measurement

The investments in the local obligation bonds are reported as level 2 investments. The measurement input is significant other observable inputs based on institutional bond quotes.

Perris Joint Powers Authority
Notes to the Financial Statements (Continued)
For the Years Ended June 30, 2019

Note 3 – Long-Term Liabilities

The following is a summary of the changes in long-term liabilities:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
2013 Revenue Bonds, Series B	\$ 5,045,000	\$ -	\$ 165,000	\$ 4,880,000	\$ 175,000
2014 Revenue Bonds, Series A	10,160,000	-	460,000	9,700,000	475,000
2014 Revenue Bonds, Series B	2,525,000	-	105,000	2,420,000	60,000
2014 Revenue Bonds, Series C	7,530,000	-	765,000	6,765,000	340,000
2014 Revenue Bonds, Series D	4,100,000	-	190,000	3,910,000	195,000
2014 Revenue Bonds, Series E	12,575,000	-	400,000	12,175,000	410,000
2014 Revenue Bonds, Series F	2,145,000	-	100,000	2,045,000	105,000
2014 Revenue Bonds, Series G	3,085,000	-	120,000	2,965,000	125,000
2015 Revenue Bonds, Series A	12,225,000	-	535,000	11,690,000	545,000
2015 Revenue Bonds, Series B	8,840,000	-	60,000	8,780,000	70,000
2015 Revenue Bonds, Series C	7,855,000	-	235,000	7,620,000	255,000
2015 Revenue Bonds, Series D	1,050,000	-	255,000	795,000	260,000
2015 Revenue Bonds, Series E	4,250,000	-	145,000	4,105,000	150,000
2015 Revenue Bonds, Series F	4,945,000	-	175,000	4,770,000	175,000
2015 Revenue Bonds, Series G	2,955,000	-	105,000	2,850,000	110,000
2017 Revenue Bonds, Series A	4,535,000	-	20,000	4,515,000	40,000
2017 Revenue Bonds, Series B	22,175,000	-	850,000	21,325,000	825,000
2017 Revenue Bonds, Series C	4,060,000	-	595,000	3,465,000	510,000
2018 Revenue Bonds, Series A IA 2	4,410,000	-	70,000	4,340,000	30,000
2018 Revenue Bonds, Series A IA 3	-	4,980,000	-	4,980,000	15,000
Total revenue bonds	124,465,000	4,980,000	5,350,000	124,095,000	4,870,000
Premiums	2,522,723	-	130,530	2,392,193	-
Discounts	(830,633)	(40,872)	(47,370)	(824,135)	-
Total	\$ 126,157,090	\$ 4,939,128	\$ 5,433,160	\$ 125,663,058	\$ 4,870,000

2013 Revenue Bonds, Series B

On June 12, 2013, the Authority issued \$5,750,000 2013 Local Agency Revenue Bonds, Series B, to acquire CFD 2002-1 (Willowbrook Refunding) Special Tax Bonds. Interest on the bonds is payable September 1st and March 1st of each year. Interest on the bonds accrues at rates varying from 2.00% to 5.25% per annum. Principal on serial bonds is payable in annual installments ranging from \$125,000 to \$540,000 commencing September 1, 2014 through September 1, 2033. At June 30, 2019, the Authority has a cash reserve balance for debt service of \$556,748 which is sufficient to cover the bond indenture reserve requirement. The outstanding balance at June 30, 2019 was \$4,880,000.

2014 Revenue Bonds, Series A

On January 16, 2014, the Authority issued \$12,165,000 2014 Local Agency Revenue Bonds, Series A, to refund a portion of the Perris Public Financing Authority 2003 Revenue Bonds, Series A and to acquire CFD 2001-1 (May Farms IA 1, 2 & 3) Special Tax Bonds. Interest on the bonds is payable September 1st and March 1st of each year. Interest on the bonds accrues at rates varying from 2.00% to 5.375% per annum. Principal on serial bonds is payable in annual installments ranging from \$405,000 to \$905,000 commencing September 1, 2014 through September 1, 2033. At June 30, 2019, the Authority has a cash reserve balance for debt service of \$950,249 which is sufficient to cover the bond indenture reserve requirement. The outstanding balance at June 30, 2019 was \$9,700,000.

Perris Joint Powers Authority
Notes to the Financial Statements (Continued)
For the Years Ended June 30, 2019

Note 3 – Long-Term Liabilities (Continued)

2014 Revenue Bonds, Series B

On June 4, 2014, the Authority issued \$2,825,000 2014 Local Agency Revenue Bonds, Series B, to refund a portion of the Perris Public Financing Authority 2007 Revenue Bonds, Series C and to acquire CFD 2006-1 (Meritage Homes) Special Tax Bonds. Interest on the bonds is payable September 1st and March 1st of each year. Interest on the bonds accrues at rates varying from 2.00% to 5.00% per annum. Principal on serial bonds is payable in annual installments ranging from \$45,000 to \$120,000 commencing September 1, 2014 through September 1, 2038. At June 30, 2019, the Authority has a cash reserve balance for debt service of \$217,636 which is sufficient to cover the bond indenture reserve requirement. The outstanding balance at June 30, 2019 was \$2,420,000.

2014 Revenue Bonds, Series C

On July 24, 2014, the Authority issued \$8,615,000 2014 Local Agency Revenue Bonds, Series C, to refund a portion of the Perris Public Financing Authority 2004 Revenue Bonds, Series A and to acquire CFD 2004-3 (Monument Ranch IA 1) Special Tax Bonds. Interest on the bonds is payable September 1st and March 1st of each year. Interest on the bonds accrues at rates varying from 2.00% to 4.25% per annum. Principal on serial bonds is payable in annual installments ranging from \$315,000 to \$595,000 commencing September 1, 2015 through September 1, 2034. At June 30, 2019, the Authority has a cash reserve balance for debt service of \$621,711 which is sufficient to cover the bond indenture reserve requirement. The outstanding balance at June 30, 2019 was \$6,765,000.

2014 Revenue Bonds, Series D

On July 17, 2014, the Authority issued \$4,695,000 2014 Local Agency Revenue Bonds, Series D, to acquire CFD 2004-2 (CLC Refunding) Special Tax Bonds. Interest on the bonds is payable September 1st and March 1st of each year. Interest on the bonds accrues at rates varying from 2.00% to 4.25% per annum. Principal on serial bonds is payable in annual installments ranging from \$170,000 to \$325,000 commencing September 1, 2015 through September 1, 2034. At June 30, 2019, the Authority has a cash reserve balance for debt service of \$340,718 which is sufficient to cover the bond indenture reserve requirement. The outstanding balance at June 30, 2019 was \$3,910,000.

2014 Revenue Bonds, Series E

On September 18, 2014, the Authority issued \$13,925,000 2014 Local Agency Revenue Bonds, Series E, to refund a portion of the Perris Public Financing Authority 2007 Revenue Bonds, Series D and to acquire CFD 2001-1 (May Farms IA 6 & 7) Special Tax Bonds. Interest on the bonds is payable September 1st and March 1st of each year. Interest on the bonds accrues at rates varying from 2.00% to 4.25% per annum. Principal on serial bonds is payable in annual installments ranging from \$380,000 to \$890,000 commencing September 1, 2015 through September 1, 2038. At June 30, 2019, the Authority has a cash reserve balance for debt service of \$924,474 which is sufficient to cover the bond indenture reserve requirement. The outstanding balance at June 30, 2019 was \$12,175,000.

2014 Revenue Bonds, Series F

On October 9, 2014, the Authority issued \$2,465,000 2014 Local Agency Revenue Bonds, Series F, to refund a portion of the Perris Public Financing Authority 2004 Revenue Bonds, Series A and to acquire CFD 2004-1 (Amber Oaks) Special Tax Bonds. Interest on the bonds is payable September 1st and March 1st of each year. Interest on the bonds accrues at rates varying from 2.00% to 4.00% per annum. Principal on serial bonds is payable in annual installments ranging from \$90,000 to \$165,000 commencing September 1, 2015 through September 1, 2034. At June 30, 2019, the Authority has a cash reserve balance for debt service of \$175,866 which is sufficient to cover the bond indenture reserve requirement. The outstanding balance at June 30, 2019 was \$2,045,000.

Perris Joint Powers Authority
Notes to the Financial Statements (Continued)
For the Years Ended June 30, 2019

Note 3 – Long-Term Liabilities (Continued)

2014 Revenue Bonds, Series G

On November 13, 2014, the Authority issued \$3,435,000 2014 Local Agency Revenue Bonds, Series G, to acquire CFD 2003-1 (Chaparral Ridge) Special Tax Bonds. Interest on the bonds is payable September 1st and March 1st of each year. Interest on the bonds accrues at rates varying from 2.00% to 4.00% per annum. Principal on serial bonds is payable in annual installments ranging from \$105,000 to \$290,000 commencing September 1, 2015 through September 1, 2033. At June 30, 2019, the Authority has a cash reserve balance for debt service of \$303,889 which is sufficient to cover the bond indenture reserve requirement. The outstanding balance at June 30, 2019 was \$2,965,000.

2015 Revenue Bonds, Series A

On March 26, 2015, the Authority issued \$13,570,000 2015 Local Agency Revenue Bonds, Series A, to acquire CFD 2005-2 (Harmony Grove) Special Tax Bonds. Interest on the bonds is payable September 1st and March 1st of each year. Interest on the bonds accrues at rates varying from 2.00% to 3.875% per annum. Principal on serial bonds is payable in annual installments ranging from \$355,000 to \$885,000 commencing September 1, 2015 through September 1, 2035. At June 30, 2019, the Authority has a cash reserve balance for debt service of \$930,388 which is sufficient to cover the bond indenture reserve requirement. The outstanding balance at June 30, 2019 was \$11,690,000.

2015 Revenue Bonds, Series B

On May 19, 2015, the Authority issued \$9,020,000 2015 Local Agency Revenue Bonds, Series B, to acquire CFD 2006-2 (Monument Park Estates) Special Tax Bonds. Interest on the bonds is payable September 1st and March 1st of each year. Interest on the bonds accrues at rates varying from 2.00% to 5.00% per annum. Principal on serial bonds is payable in annual installments ranging from \$40,000 to \$760,000 commencing September 1, 2016 through September 1, 2045. At June 30, 2019, the Authority has a cash reserve balance for debt service of \$760,489 which is sufficient to cover the bond indenture reserve requirement. The outstanding balance at June 30, 2019 was \$8,780,000.

2015 Revenue Bonds, Series C

On June 18, 2015, the Authority issued \$8,285,000 2015 Local Agency Revenue Bonds, Series C, to acquire CFD 2004-3 (IA 2) Special Tax Bonds. Interest on the bond is payable September 1st and March 1st of each year. Interest on the bonds accrues at rates varying from 2.00% to 4.25% per annum. Principal on serial bonds is payable in annual installments ranging from \$210,000 to \$715,000 commencing September 1, 2016 through September 1, 2032. At June 30, 2019, the Authority has a cash reserve balance for debt service of \$751,033 which is sufficient to cover the bond indenture reserve requirement. The outstanding balance at June 30, 2019 was \$7,620,000.

2015 Revenue Bonds, Series D

On August 6, 2015, the Authority issued \$1,540,000 2015 Local Agency Revenue Bonds, Series D, to acquire CFD 2014-2 (Perris Valley Spectrum) Special Tax Bonds. Interest on the bond is payable September 1st and March 1st of each year. Interest on the bonds accrues at rates varying from 2.00% to 3.00% per annum. Principal on serial bonds is payable in annual installments ranging from \$240,000 to \$270,000 commencing September 1, 2016 through September 1, 2021. At June 30, 2019, the Authority has a cash reserve balance for debt service of \$155,166 which is sufficient to cover the bond indenture reserve requirement. The outstanding balance at June 30, 2019 was \$795,000.

Perris Joint Powers Authority
Notes to the Financial Statements (Continued)
For the Years Ended June 30, 2019

Note 3 – Long-Term Liabilities (Continued)

2015 Revenue Bonds, Series E

On September 15, 2015, the Authority issued \$4,560,000 2015 Local Agency Revenue Bonds, Series E, to refund a portion of the Perris Public Financing Authority 2008 Revenue Bonds, Series B, and to acquire CFD 2005-1 (IA 3) Special Tax Bonds. Interest on the bond is payable September 1st and March 1st of each year. Interest on the bonds accrues at rates varying from 2.00% to 4.50% per annum. Principal on serial bonds is payable in annual installments ranging from \$130,000 to \$295,000 commencing September 1, 2016 through September 1, 2038. At June 30, 2019, the Authority has a cash reserve balance for debt service of \$309,193 which is sufficient to cover the bond indenture reserve requirement. The outstanding balance at June 30, 2019 was \$4,105,000.

2015 Revenue Bonds, Series F

On October 14, 2015, the Authority issued \$5,415,000 2015 Local Agency Revenue Bonds, Series F, to refund a portion of the Perris Public Financing Authority 2008 Revenue Bonds, Series A, and to acquire CFD 2005-4 (Stratford Ranch) Special Tax Bonds. Interest on the bond is payable September 1st and March 1st of each year. Interest on the bonds accrues at rates varying from 2.00% to 4.25% per annum. Principal on serial bonds is payable in annual installments ranging from \$145,000 to \$340,000 commencing September 1, 2016 through September 1, 2038. At June 30, 2019, the Authority has a cash reserve balance for debt service of \$353,254 which is sufficient to cover the bond indenture reserve requirement. The outstanding balance at June 30, 2019 was \$4,770,000.

2015 Revenue Bonds, Series G

On December 8, 2015, the Authority issued \$3,190,000 2015 Local Agency Revenue Bonds, Series G, to acquire CFD 2005-4 (Steeplechase) Special Tax Bonds. Interest on the bond is payable September 1st and March 1st of each year. Interest on the bonds accrues at rates varying from 2.00% to 4.00% per annum. Principal on serial bonds is payable in annual installments ranging from \$105,000 to \$190,000 commencing September 1, 2016 through September 1, 2038. At June 30, 2019, the Authority has a cash reserve balance for debt service of \$203,404 which is sufficient to cover the bond indenture reserve requirement. The outstanding balance at June 30, 2019 was \$2,850,000.

2017 Revenue Bonds, Series A

On June 21, 2017, the Authority issued \$4,580,000 2017 Local Agency Revenue Bonds, Series A, to acquire CFD 2014-1 (Avelina) Special Tax Bonds. Interest on the bond is payable September 1st and March 1st of each year. Interest on the bonds accrues at rates varying from 2.00% to 3.75% per annum. Principal on serial bonds is payable in annual installments ranging from \$20,000 to \$335,000 commencing September 1, 2017 through September 1, 2017. At June 30, 2019, the Authority has a cash reserve balance for debt service of \$333,593 which is sufficient to the bond indenture reserve requirement. The outstanding balance at June 30, 2019 was \$4,515,000.

2017 Revenue Bonds, Series B

On September 12, 2017, the Authority issued \$22,175,000 2017 Local Agency Revenue Bonds, Series B, to acquire CFD 2001-1 (May Farms IA 4&5) and CFD 2005-1 (Perris Valley Vistas IA 4) Special Tax Bonds. Interest on the bond is payable September 1st and March 1st of each year. Interest on the bonds accrues at rates varying from 2.00% to 5.00% per annum. Principal on serial bonds is payable in annual installments ranging from \$825,000 to \$1,555,000 commencing September 1, 2018 through September 1, 2037. The related CFD bonds have individual reserve requirements, under the Bond Indenture, but the Authority is not required to have a cash reserve balance. The outstanding balance at June 30, 2019 was \$21,325,000.

Perris Joint Powers Authority
Notes to the Financial Statements (Continued)
For the Years Ended June 30, 2019

Note 3 – Long-Term Liabilities (Continued)

2017 Revenue Bonds, Series C

On December 14, 2017, the Authority issued \$4,060,000 2017 Local Agency Revenue Bonds, Series C, to acquire CFD 93-1 (May Ranch) and CFD 2004-5 (Amber Oaks II) Special Tax Bonds. Interest on the bond is payable September 1st and March 1st of each year. Interest on the bonds accrues at rates varying from 2.00% to 3.75% per annum. Principal on serial bonds is payable in annual installments ranging from \$70,000 to \$595,000 commencing September 1, 2018 through September 1, 2035. The related CFD bonds have individual reserve requirements, under the bond indenture, but the Authority is not required to have a cash reserve balance. The outstanding balance at June 30, 2019 was \$3,465,000.

2018 Revenue Bonds, Series A, IA 2

On April 10, 2018, the Authority issued \$4,410,000 2018 Local Agency Revenue Bonds, Series A, to acquire CFD 2014-1 (Avelina IA-2) Special Tax Bonds. Interest on the bond is payable September 1st and March 1st of each year. Interest on the bonds accrues at rates varying from 2.00% to 4.00% per annum. Principal on serial bonds is payable in annual installments ranging from \$30,000 to \$330,000 commencing September 1, 2018 through September 1, 2048. At June 30, 2019, the Authority has a cash reserve balance for debt service of \$330,387 which is sufficient to cover the bond indenture reserve requirement. The outstanding balance at June 30, 2019 was \$4,340,000.

2018 Revenue Bonds, Series A, IA 2

On November 29, 2018, the Authority issued \$4,980,000 2018 Local Agency Revenue Bonds, Series A, to acquire CFD 2014-1 (Avelina) IA 3 Special Tax Bonds. Interest on the bond is payable September 1st and March 1st of each year. Interest on the bonds accrues at rates varying from 3.00% to 5.00% per annum. Principal on serial bonds is payable in annual installments ranging from \$15,000 to \$395,000, commencing September 1, 2019 through September 1, 2037. At June 30, 2019, the Authority has a cash reserve balance for debt service of \$394,161 which is sufficient to cover the bond indenture reserve requirement. The outstanding balance at June 30, 2019 was \$4,980,000.

Future Debt Requirement

Total revenue bonds outstanding balances was in the amount of \$124,095,000. The future debt requirements are as follows:

Year Ending June 30,	Principal	Interest	Total
2020	\$ 4,870,000	\$ 4,807,098	\$ 9,677,098
2021	5,075,000	4,731,616	9,806,616
2022	5,240,000	4,585,985	9,825,985
2023	5,165,000	4,427,432	9,592,432
2024	5,155,000	5,025,111	10,180,111
2025-2029	28,265,000	18,153,562	46,418,562
2030-2034	36,100,000	11,485,305	47,585,305
2035-2039	21,830,000	4,724,556	26,554,556
2040-2044	6,235,000	2,105,275	8,340,275
2045-2049	5,765,000	649,213	6,414,213
2050	395,000	18,250	413,250
Total	<u>\$ 124,095,000</u>	<u>\$ 60,713,403</u>	<u>\$ 184,808,403</u>

Perris Joint Powers Authority
Notes to the Financial Statements (Continued)
For the Years Ended June 30, 2019

Note 4 – Risk Management

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

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

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

Under the liability programs risk-sharing pool, each member's share of total claims liabilities, including IBNR's, is determined by the application of risk factors to specific characteristics of each member which provides the relative share of each member in total losses of PERMA. These losses are paid from premiums charged to the members which are established at levels to fund all claims costs.

The workers' compensation insurance program is a non-risk sharing program. Therefore, each member is directly charged for any losses incurred. Each member's equity represents accumulated contributions held by PERMA on the member's behalf. Any deficits created for losses in excess of assets available for a given member is funded over a ten year period through an adjustment to required premiums.

During the past three fiscal years none of the above programs of protection have had settlements or judgements that exceeded pooled or insured coverage. There have been no significant reductions in pooled or insured liability coverage from coverage in the prior year.

The aforementioned information is not included in the accompanying financial statements. Separate financial statements of PERMA may be obtained at 36-951 Cook Street, Suite 100, Palm Desert, California 92211.