

MARCH JOINT POWERS UTILITIES AUTHORITY

ANNUAL AUDIT REPORT

Year Ended June 30, 2020

MARCH JOINT POWERS UTILITIES AUTHORITY
Annual Financial Report
Year Ended June 30, 2020

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

Independent Auditor's Report

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Board of Commissioners
March Joint Powers Utilities Authority
Riverside, California

Report on the Financial Statements

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We have audited the accompanying financial statements of the March Joint Powers Utilities Authority (the "Utilities Authority"), a component unit of the March Joint Powers Authority (the "Authority"), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Utilities Authority's basic financial statements as listed in the table of contents.

MANAGERS / STAFF

Charles De Simoni, CPA
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John Maldonado, CPA, MSA

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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government 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 Utilities Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Utilities Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

MEMBERS

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Certified Public Accountants

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Quality Center*

*Employee Benefit Plan
Audit Quality Center*

California Society of
Certified Public Accountants



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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Utilities Authority, as of June 30, 2020, and the respective changes in financial position, and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements of the Utilities Authority are intended to present the financial position, the changes in financial position and, where applicable, cash flows of only that portion of the business-type activities and the proprietary fund types of the Utilities Authority that are attributable to the transactions of the Utilities Authority. They do not purport, and do not present fairly the financial position of the Authority as of June 30, 2020, the changes in its financial position, or its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

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 February 3, 2021, on our consideration of the March Joint Powers 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 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 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.

Rogers, Anderson, Malody & Scott, LLP.

San Bernardino, California
February 3, 2021

MARCH JOINT POWERS UTILITIES AUTHORITY

Statement of Net Position

June 30, 2020

ASSETS

Cash	\$ 59,490
Accounts receivable	<u>30,707</u>
Total assets	<u>90,197</u>

LIABILITIES

Current liabilities:	
Accounts payable	12,441
Noncurrent liabilities:	
Advances from the March Joint Powers Authority	<u>300,000</u>
Total liabilities	<u>312,441</u>

NET POSITION (DEFICIT)

Unrestricted	<u>(222,244)</u>
Total net position	<u>\$ (222,244)</u>

The accompanying notes are an integral part of this statement.

MARCH JOINT POWERS UTILITIES AUTHORITY

Statement of Revenues, Expenses, and Changes in Net Position Year Ended June 30, 2020

OPERATING REVENUES

Charges for services	<u>\$ 186,257</u>
Total operating revenues	<u>186,257</u>

OPERATING EXPENSES

Administrative	7,737
Purchased water/utilities	165,311
Maintenance	<u>49,080</u>
Total operating expenses	<u>222,128</u>

Operating income (loss)	(35,871)
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NET POSITION (DEFICIT)

Net position, beginning	<u>(186,373)</u>
Net position, ending	<u>\$ (222,244)</u>

The accompanying notes are an integral part of this statement.

MARCH JOINT POWERS UTILITIES AUTHORITY

Statement of Cash Flows Year Ended June 30, 2020

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from customers	\$ 188,928
Cash payments to suppliers for goods and services	<u>(214,337)</u>
Net cash used for operating activities	<u>(25,409)</u>
Net decrease in cash and cash equivalents	(25,409)
Cash and cash equivalents, beginning of year	<u>84,899</u>
Cash and cash equivalents, end of year	<u><u>\$ 59,490</u></u>

RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED FOR OPERATING ACTIVITIES

Operating loss	\$ (35,871)
Adjustments to reconcile operating loss to net cash used for operating activities:	
(Increase) decrease in accounts receivable	2,671
Increase (decrease) in accounts payable and accrued liabilities	<u>7,791</u>
Net cash used for operating activities	<u><u>\$ (25,409)</u></u>

The accompanying notes are an integral part of this statement.

MARCH JOINT POWERS UTILITIES AUTHORITY

Notes to Financial Statements Year Ended June 30, 2020

NOTE 1: REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A) Reporting Entity

The March Joint Powers Utilities Authority (the "Utilities Authority") was formed on August 8, 2002 by the City of Moreno Valley, a general law city of the State of California, the City of Perris, a general law city of the State of California, and the City of Riverside, a charter city and municipal corporation of the State of California. The purpose of the Utilities Authority is to provide construction, completion, reconstruction, extension, change, enlargement, acquisition, leasing, operation, maintenance, repair, and control of facilities for the generation, transmission, distribution, and sale of utilities and utilities service. The sale and service of utilities will be to municipalities, public utility districts, corporations, businesses, or persons located at the property formerly known as March Air Force Base.

The Utilities Authority's office and records are located at 14205 Meridian Parkway, Suite 140, Riverside, California 92518.

The Authority Commissioners are as follows:

<u>Name</u>	<u>Title</u>	<u>Representing</u>
Victoria Baca	Chair	City of Moreno Valley
Rita Rogers	Vice Chair	City of Perris
Michael Vargas	Commissioner	City of Perris
Chuck Conder	Commissioner	City of Riverside
Dr. Carla Thornton	Commissioner	City of Moreno Valley
Andy Melendrez	Commissioner	City of Riverside
Jeff Hewitt	Commissioner	County of Riverside
Kevin Jeffries	Commissioner	County of Riverside

The Joint Powers Commission meets on the first and third Wednesday of each month.

The County of Riverside is a member agency of the March Joint Powers Authority, the primary government of the Utilities Authority. However, the County of Riverside elected not to be a member agency of the Utilities Authority.

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

The Utilities Authority's basic financial statements are prepared in conformity with accounting principles generally accepted in the United States of America as they are applicable to governmental units. The Government Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

MARCH JOINT POWERS UTILITIES AUTHORITY

Notes to Financial Statements Year Ended June 30, 2020

NOTE 1: REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The Utilities Authority reports its activities as an enterprise fund, which is used to account for operations that are financed and operated in a manner similar to a private business enterprise, where the intent of the Utilities Authority is that the costs (including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges and space rentals. The Utilities Authority financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recognized in the accounting period earned and expenses are recognized in the period incurred, regardless of the timing of related cash flows.

Proprietary funds distinguish operating revenues and expenses from those revenues and expenses that are non-operating. Operating revenues are those revenues that are generated by utility services while operating expenses pertain directly to the furnishing of those services. Non-operating revenues and expenses are those revenues and expenses generated that are not directly associated with the normal business of utility services.

When both restricted and unrestricted resources are available for use, it is the Utilities Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

C) Cash and Cash Equivalents

In accordance with generally accepted accounting principles, for purposes of the Statement of Cash Flows, all cash and investments with original maturities of 90 days or less are considered cash or cash equivalents.

D) Investments

As a governmental entity other than an external investment pool in accordance with generally accepted accounting principles, the Utilities Authority's investments are stated at fair value except for interest-earning investment contracts. As of June 30, 2020, the Utilities Authority held no investments therefore, no adjustment is reflected in these financial statements.

E) Uncollectible Accounts Receivable

The Utilities Authority uses the allowance method for uncollectible accounts receivable. Currently, the Utilities Authority believes all receivables are collectible based on prior experience. Therefore, there is no current allowance recorded.

MARCH JOINT POWERS UTILITIES AUTHORITY

Notes to Financial Statements Year Ended June 30, 2020

NOTE 1: REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F) Net Position

Generally accepted accounting principles requires that the difference between assets, liabilities and deferred outflows/inflows of resources be reported as net position. Net position is classified as either net investment in capital assets, restricted, or unrestricted. Net position classified as net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding principal of related debt. Restricted net position is the 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.

G) Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues, and expenses/expenditures, as appropriate, as well as the disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

H) Relationship to the March Joint Powers Authority

The Utilities Authority is an integral part of the reporting entity of the March Joint Powers Authority. The funds of the Utilities Authority have been blended within the financial statements of the March Joint Powers Authority because the Board of Commissioners, excluding the County of Riverside Commissioners, is the governing board of the Utilities Authority and exercises control over the operations of the Utilities Authority. Only the funds of the Utilities Authority are included herein, therefore, these financial statements do not purport to represent the financial position or results of operations of the March Joint Powers Authority.

NOTE 2: CASH AND INVESTMENTS

Cash and Investments are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash	<u>\$ 59,490</u>

Cash and investment consist of the following:

Deposits with financial institutions	<u>\$ 59,490</u>
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MARCH JOINT POWERS UTILITIES AUTHORITY

Notes to Financial Statements Year Ended June 30, 2020

NOTE 2: CASH AND INVESTMENTS (Continued)

Investments Authorized by the California Government Code and the Authority's Investment Policy

The table below identifies the investment types that are authorized by the Authority's investment policy. The table also identifies certain provisions of the California Government Code (or the Authority's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Percentage of Portfolio ⁽¹⁾</u>	<u>Investment in One Issuer</u>
Local agency bonds	5 years	None	None
U.S. Treasury obligations	5 years	None	None
U.S. agency securities	5 years	None	None
Banker's acceptances	180 days	40%	30%
Prime commercial paper ⁽²⁾	270 days	25%	10%
Negotiable certificates of deposit	5 years	30%	None
Repurchase agreements	1 year	None	None
Reverse Repurchase agreements	92 days	20% of Base Value	None
Medium - Term Notes ⁽³⁾	5 years	30%	None
Mutual funds	N/A	20%	10%
Money market mutual funds	N/A	20%	10%
Mortgage pass-through securities	5 years	20%	None
County pooled investment funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	\$75m
JPA pools (other investment pools)	N/A	None	None

⁽¹⁾ Excluding amounts held by bond trustee that are not subject to California Government Code Restrictions.

⁽²⁾ U.S. Corporation with assets greater than \$500 million.

⁽³⁾ Rated "A" or better by Moody's or S&P.

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.

MARCH JOINT POWERS UTILITIES AUTHORITY

Notes to Financial Statements Year Ended June 30, 2020

NOTE 2: CASH AND INVESTMENTS (Continued)

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Authority manages its exposure to interest rates risk is by purchasing a combination of short-term and long-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

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.

Concentration of Credit Risk

The investment policy of the Authority contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the Government Code.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the Authority's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local government units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure Authority deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

As of June 30, 2020, no deposits of the Authority with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts. As of June 30, 2020, the Authority held no investments.

MARCH JOINT POWERS UTILITIES AUTHORITY

Notes to Financial Statements Year Ended June 30, 2020

NOTE 3: ADVANCES PAYABLE

The Utilities Authority received temporary cash advances from the primary government (March Joint Powers Authority) to fund administrative costs until development of the March Joint Powers Utilities reaches a point that it is self-sustaining. There is no stipulated due date on the advances. The \$300,000 advance is made up of several advances from previous years. No additional advances were made or repayments on the advances in the current year. On June 15, 2011, the March Joint Powers Authority forgave all interest on the advances and waived any future interest earned on the advances.

NOTE 4: DEFICIT NET POSITION

The Utilities Authority has a deficit net position of \$222,244 for the year ending June 30, 2020. This deficit is expected to be eliminated by revenue in future periods.

NOTE 5: COVID-19 Considerations

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses and shelter in place orders for all but those deemed essential services. While the business disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings and shelter in place orders. As a result, the outbreak has caused uncertainty in the financial markets. The Utilities Authority is carefully monitoring the situation and evaluating its options during this time. It is possible that this matter may negatively impact the Utilities Authority, however, the ultimate financial impact and duration cannot be estimated at this time, and no adjustments have been made to these financial statements as a result of this uncertainty.