

Draft
Subject to Change

MARCH INLAND PORT AIRPORT AUTHORITY

ANNUAL AUDIT REPORT

Year Ended June 30, 2019

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditor's Report	1
Basic Financial Statements:	
Statement of Net Position	3
Statement of Revenues, Expenses and Changes in Net Position	4
Statement of Cash Flows	5
Notes to Financial Statements	6

Independent Auditor's Report

Board of Commissioners
March Inland Port Airport Authority
Riverside, California

Report on the Financial Statements

We have audited the accompanying financial statements of the March Inland Port Airport Authority (the "Airport"), a component unit of the March Joint Powers Authority (the "Authority"), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Airport'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.

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 statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Airport'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 Airport'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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Airport, as of June 30, 2019, 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 Airport 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 Authority that are attributable to the transactions of the Authority. They do not purport, and do not present fairly the financial position of the Authority as of June 30, 2019, 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

Required Supplementary Information

Management has omitted *Management's Discussion and Analysis* for the Airport 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 **January XX, 2020**, 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.

San Bernardino, California
January XX, 2020

MARCH INLAND PORT AIRPORT AUTHORITY**Draft
Subject to Change****Statement of Net Position
June 30, 2019****ASSETS**

Current assets:

Cash and cash equivalents	\$ 1,253,156
Accounts receivable, net	23,050
Total current assets	<u>1,276,206</u>

Noncurrent assets:

OPEB asset	6,143
Capital assets, not being depreciated	41,753,918
Capital assets, net of depreciation	<u>21,146,514</u>
Total noncurrent assets	<u>62,906,575</u>

Total assets	<u>64,182,781</u>
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DEFERRED OUTFLOWS OF RESOURCES

Pension related items	86,445
OPEB related items	<u>4,764</u>
Total deferred outflows of resources	<u>91,209</u>

LIABILITIES

Current liabilities:

Accounts payable and accrued liabilities	51,228
Interest payable	1,254,367
Compensated absences - current portion	<u>6,936</u>
Total current liabilities	<u>1,312,531</u>

Noncurrent liabilities:

Compensated absences	20,808
Net pension liability	225,546
Advances from March Joint Powers Authority	<u>2,687,896</u>
Total noncurrent liabilities	<u>2,934,250</u>

Total liabilities	<u>4,246,781</u>
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DEFERRED INFLOWS OF RESOURCES

Pension related items	14,080
OPEB related items	<u>85</u>
Total deferred inflows of resources	<u>14,165</u>

NET POSITION

Net investment in capital assets	62,900,432
Unrestricted	<u>(2,887,388)</u>
Total net position	<u>\$ 60,013,044</u>

The accompanying notes are an integral part of this statement.

MARCH INLAND PORT AIRPORT AUTHORITY**Draft
Subject to Change****Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2019**

OPERATING REVENUES

Charges for services	\$ 1,654,745
Rental income	244,581
Permit fees	<u>3,500</u>
Total operating revenues	<u>1,902,826</u>

OPERATING EXPENSES

Administrative	191,989
Professional services	132,571
Salaries and employee benefits	343,000
Repairs and maintenance	73,739
Project improvement costs	621
Depreciation	687,488
Services and fees	<u>63,826</u>
Total operating expenses	<u>1,493,234</u>

Operating income (loss) 409,592

NONOPERATING REVENUES (EXPENSES)

Interest expense (104,500)

Income before capital contributions 305,092

CAPITAL CONTRIBUTIONS 2,952,631

TRANSFERS IN 400,000

Change in net position 3,657,723

Total net position, beginning, as restated (Note 8) 56,355,321

Total net position, ending \$ 60,013,044

The accompanying notes are an integral part of this statement.

MARCH INLAND PORT AIRPORT AUTHORITY**Draft**
Subject to Change**Statement of Cash Flows**
Year Ended June 30, 2019

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from customers	\$ 1,981,102
Cash payments for employee services (salaries)	(333,675)
Cash payments to suppliers for goods and services	<u>(474,391)</u>
Net cash provided by operating activities	<u>1,173,036</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Transfers in	<u>400,000</u>
Net cash provided by capital and related financing activities	<u>400,000</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Grant revenue	12,533
Acquisition of capital assets	(3,415,695)
Capital contributions	<u>2,952,631</u>
Net cash used for capital and related financing activities	<u>(450,531)</u>

Net increase in cash and cash equivalents	1,122,505
Cash and cash equivalents, beginning of year	<u>130,651</u>
Cash and cash equivalents, end of year	<u>\$ 1,253,156</u>

RECONCILIATION OF NET OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES

Operating income	\$ 409,592
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	687,488
(Increase) decrease in accounts receivable	78,276
(Increase) decrease in prepaid items	1,710
(Increase) decrease in OPEB asset	(6,143)
(Increase) decrease in pension/OPEB related deferred outflows	25,312
Increase (decrease) in accounts payable and accrued liabilities	(13,355)
(Increase) decrease in compensated absences	(14,796)
Increase (decrease) in net pension liability	4,770
Increase (decrease) in pension/OPEB related deferred inflows	<u>182</u>
Total cash provided by operating activities	<u>\$ 1,173,036</u>

The accompanying notes are an integral part of this statement.

Notes to Financial Statements
Year Ended June 30, 2019

NOTE 1: REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A) Reporting Entity

The March Inland Port Airport Authority (the “Airport”) was formed on June 18, 1997 under a joint exercise of powers agreement between the cities of Perris, Moreno Valley and Riverside and the County of Riverside for the purpose of formulating and implementing plans for the use and reuse of the property formerly known as March Air Force Base.

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

The Airport Commissioners are as follows:

<u>Name</u>	<u>Title</u>	<u>Representing</u>
Michael Vargas	Chairman	City of Perris
Victoria Baca	Vice Chair	City of Moreno Valley
Mike Gardner	Commissioner	City of Riverside
Jeff Hewitt	Commissioner	County of Riverside
Rita Rogers	Commissioner	City of Perris
Kevin Jeffries	Commissioner	County of Riverside

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

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

The Airport'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.

The Airport 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 Airport 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 Airport financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recognized in the accounting period in which are earned and expenses are recognized in the period incurred regardless of the timing of related cash flows.

Notes to Financial Statements
Year Ended June 30, 2019

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

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

Proprietary funds, distinguishes operating revenues and expenses from those revenues and expenses that are nonoperating. Operating revenues are those revenues that are generated by airport services, rents and leases 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 airport services, rents and leases.

When both restricted and unrestricted resources are available for use, it is the Airport's policy to use restricted.

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 Airport's investments are stated at fair value except for interest-earning investment contracts. At June 30, 2019, the Airport held no investments therefore, no adjustment is reflected in these financial statements.

E) Uncollectible Accounts Receivable

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

F) Capital Assets

Capital assets, which include land, buildings, building improvements, machinery, vehicles, and infrastructure assets, are reported in the statement of net position. Capital assets are recorded at cost where historical records are available and at an estimated historical cost where no historical records exist. The cost of normal maintenance and repairs that do not add to the value of the asset's lives are not capitalized.

Major capital outlay for capital assets and improvements are capitalized as projects are constructed. For debt-financed capital assets, interest incurred during the construction phase is reflected in the capitalization value of the asset constructed, net of interest earned on the invested proceeds over the same period. Capital assets acquired through lease obligations are valued at the present value of future lease payments at the date acquired.

Notes to Financial Statements
Year Ended June 30, 2019**NOTE 1: REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**
(continued)**F) Capital Assets (continued)**

Donated capital assets are valued at their estimated acquisition value at the date of donation.

Capital assets used in operations are depreciated over their estimated useful lives using the straight-line method. Depreciation is charged as an expense against operations and accumulated depreciation is reported on the statement of net position. The range of lives used for depreciation purposes for each capital asset class is as follows:

Building and improvements	7 - 50 Years
Vehicles	5 Years
Office equipment and furniture	5 Years
Infrastructure	30 - 100 Years

G) Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *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. The Airport has deferred outflows related to pensions and OPEB. This includes pension and OPEB contributions subsequent to the measurement date of the net pension liability and other amounts (see Note 6), which are amortized by an actuarial determined period.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *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. The Airport has deferred inflows related to pensions and OPEB. These amounts (see Note 6) are amortized by an actuarial determined period.

H) 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.

Notes to Financial Statements
Year Ended June 30, 2019**NOTE 1: REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**
(continued)**I) Pensions**

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Airport's California Public Employees' Retirement System (CalPERS) plan (Plan) and additional to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS. The Airport's net pension liability and deferred outflows/inflows of resources related to pensions and pension expense, represents the Airport's proportionate share of the March Joint Powers Airport's related amounts. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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, 2017
Measurement Date	June 30, 2018
Measurement Period	July 1, 2017 to June 30, 2018

J) Other Postemployment Benefits (OPEB)

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

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, 2017
Measurement Date	June 30, 2018
Measurement Period	July 1, 2017 to June 30, 2018

Notes to Financial Statements
Year Ended June 30, 2019**NOTE 1: REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**
(continued)**K) 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.

L) Relationship to the March Joint Powers Authority

The Airport is an integral part of the reporting entity of the March Joint Powers Authority (herein referred to as the "Authority"). The funds of the Airport have been blended within the financial statements of the March Joint Powers Authority because the Board of Commissioners is the governing board of the Airport and exercises control over the operations of the Airport. Only the funds of the Airport 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.

M) Compensated Absences

In accordance with generally accepted accounting principles, a liability is recorded for unused vacation and similar compensatory leave balances since the employees' entitlement to these balances are attributable to services already rendered and it is probable that virtually all of these balances will be liquidated by either paid time off or payment upon termination or retirement. All leave benefits are accrued when incurred. The balance at June 30, 2019 was \$27,744.

	<u>Beginning balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending balance</u>	<u>Due within one year</u>
Compensated absences	<u>\$ 42,540</u>	<u>\$ 3,780</u>	<u>\$(18,576)</u>	<u>\$ 27,744</u>	<u>\$ 6,936</u>

Notes to Financial Statements
Year Ended June 30, 2019**NOTE 2: CASH AND INVESTMENTS**

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

Statement of Net Position:	
Cash and cash equivalents	<u>\$ 1,253,156</u>

Cash and investments consist of the following:

Deposits with financial institutions	<u>\$ 1,253,156</u>
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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.

Authorized Investment Type	Maximum Maturity	Percentage of Portfolio ⁽¹⁾	Investment in One Issuer
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	\$65m
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.

NOTE 2: CASH AND INVESTMENTS (continued)**Disclosures Relating to 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 shorter term and longer 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.

Disclosures Relating to 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.

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, 2019, no deposits of the Authority with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts. As of June 30, 2019, the Authority held no investments.

Notes to Financial Statements
Year Ended June 30, 2019**NOTE 3: CAPITAL ASSETS**

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 38,221,477	\$ -	\$ -	\$ 38,221,477
Construction in progress	156,902	3,375,539	-	3,532,441
	<u>38,378,379</u>	<u>3,375,539</u>	<u>-</u>	<u>41,753,918</u>
Total capital assets, not being depreciated				
Capital assets, being depreciated:				
Building and improvements	24,074,978	40,156	-	24,115,134
Infrastructure	2,110,182	-	-	2,110,182
	<u>26,185,160</u>	<u>40,156</u>	<u>-</u>	<u>26,225,316</u>
Total capital assets, being depreciated				
Less accumulated depreciation:				
Buildings and improvements	(4,004,447)	(652,319)	-	(4,656,766)
Infrastructure	(386,867)	(35,169)	-	(422,036)
	<u>(4,391,314)</u>	<u>(687,488)</u>	<u>-</u>	<u>(5,078,802)</u>
Total accumulated depreciation				
Total capital assets, being depreciated, net	<u>21,793,846</u>	<u>(647,332)</u>	<u>-</u>	<u>21,146,514</u>
Capital assets, net of depreciation	<u>\$ 60,172,225</u>	<u>\$ 2,728,207</u>	<u>\$ -</u>	<u>\$ 62,900,432</u>

NOTE 4: OPERATING LEASES

March Philmar Project - In July 1999, the March Joint Powers Redevelopment Agency entered into a 55-year ground lease with March Inland Cargoport Development, LLC for the lease term beginning July, 1999 through June, 2054 with two ten year options to renew. The rent commencement date is June 1, 2000. The rent is abated for the first 84 months, or in the amount of \$255,400 in consideration of expenditures to bring utilities and other public services to the Land. In August 1999, March Inland Cargoport Development, LLC assigned the March Philmar Project Lease to March Philmar, LLC. Rent payments began in 2007 in the amount of \$36,486. On September 20, 2006, this lease was reassigned to the March Inland Port Airport Authority. In 2011, CT Realty purchased March Philmar from March Philmar, LLC and subsequently formed CT March Port I, LLC. On March 16, 2011 an Assignment, Assumption and Landlord Consent to Assignment and Assumption of Lease was executed between MJPA, March Philmar LLC and CT March Port I, LLC. Effective April 1, 2011, CT March Port I, LLC began paying property lease payments of \$48,649; an increase from \$0.06 under Philmar Ground Lease to \$0.08 per sf. The CT March Port I, LLC lease is subject to annual Consumer Price Index (CPI) increases not greater than 2.5% annually. The building was sold to First Industrial L.P. and recorded on May 30, 2014 and is subject to the ground lease agreement terms. In fiscal year 2019, the Authority received \$59,510 in lease payments.

Notes to Financial Statements
Year Ended June 30, 2019

NOTE 4: OPERATING LEASES (continued)

Marhub, LLC - In October 2004, the March Joint Powers Redevelopment Agency entered into a 48 year ground lease agreement with Marhub, LLC. The term of the lease is for a 48 year period with three five year options to renew. The lease will be based on six cents per foot of the premises. The lease will be subject to a yearly adjustment based on the Consumer Price Index (CPI) increases not greater than 4% annually. On September 20, 2006, this lease was reassigned to the March Inland Port Airport Authority. On December 17, 2014 an Assignment, Assumption and Landlord Consent to Assignment and Assumption of Lease was executed between MIPAA, Marhub, LLC and Westcore Properties AC, LLC. On June 25, 2018, a confirmation and reaffirmation of assignment and assumption was executed between MIPAA, Marhub LLC and Alameda BC, LLC that transferred the rights of the ground lease from Westcore Properties AC, LLC to Alameda BC, LLC. In 2019, the Authority received \$103,297 in lease payments.

NOTE 5: ADVANCES PAYABLE

The Airport received temporary cash advances from the primary government (March Joint Powers Authority) to fund administrative costs until development of the March Inland Port reaches a point that it is self-sustaining. There is no stipulated due date on the \$2,687,896 advance amount. The \$2,687,896 advance is made up of several advances from previous years. Of this amount, \$597,896 is non-interest bearing and the amount of \$2,090,000 carries an interest rate of 5%. The outstanding interest related to the advances is \$1,254,367.

NOTE 6: PENSION PLAN

The Airport participates in the Public Employees' Retirement System of the State of California covering all of its permanent employees. The excess, if any, of the actuarially computed value of vested benefits over the amounts available in the pension fund would be a liability of the March Joint Powers Authority as a whole, not of the Airport. Information regarding the plan description, funding status, actuarially determined contribution requirements and contributions made, and trend information may be found in the March Joint Powers Authority basic financial statements. The Airport's share of the net pension liability at June 30, 2019 was \$225,546, with related deferred outflows of resources of \$86,445 and deferred inflows of resources of \$14,080.

NOTE 7: COMMITMENTS AND CONTINGENCIES

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Airport expects such amounts, if any, to be immaterial. Grant purchased or contributed properties, when sold, are required to be used for airport operations.

Notes to Financial Statements
Year Ended June 30, 2019

NOTE 8: PRIOR PERIOD ADJUSTMENT

During the current fiscal year, the Authority was allocated compensated absences amounts which had not been allocated in the past. The prior year equity balance of \$56,397,861 was restated by \$42,540 to reflect this.