

**MARCH JOINT POWERS
UTILITIES AUTHORITY
ANNUAL AUDIT REPORT**
Year Ended June 30, 2016

March Joint Powers Utility Authority
Annual Audit Report
Year Ended June 30, 2016

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INDEPENDENT AUDITORS' REPORT

Board of Commissioners
March Joint Powers Utility Authority
Riverside, California

Report on the Financial Statements

We have audited the accompanying financial statements of the March Joint Powers Utility Authority (the "Authority"), a component unit of the March Joint Powers Authority, as of and for the year ended June 30, 2016, 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.

Auditor's 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 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 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.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority, as of June 30, 2016, 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.

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 _____, 2016, 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.

Riverside, California

_____, 2016

March Joint Powers Utility Authority
Statement of Net Position
June 30, 2016

ASSETS

Cash	\$ 160,185
Accounts Receivable	<u>15,967</u>
Total Assets	<u>176,152</u>

LIABILITIES

Current Liabilities:	
Accounts Payable	5,598
Noncurrent Liabilities:	
Advances from the March Joint Powers Authority	<u>300,000</u>
Total Liabilities	<u>305,598</u>

NET POSITION

Unrestricted	<u>(129,446)</u>
Total Net Position (Deficit)	<u><u>\$ (129,446)</u></u>

March Joint Powers Utility Authority
Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2016

OPERATING REVENUES

Charges for Services	\$ 118,582
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Total Operating Revenues	<u>118,582</u>
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OPERATING EXPENSES

Administration	8,255
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Services, Fees and Supplies	98,818
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Maintenance	<u>19,705</u>
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Total Operating Expenses	<u>126,778</u>
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Operating Income (Loss)	(8,196)
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Net Position (Deficit), Beginning of Year	<u>(121,250)</u>
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Net Position (Deficit), End of Year	<u><u>\$ (129,446)</u></u>
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March Joint Powers Utility Authority
Statement of Cash Flows
Year Ended June 30, 2016

CASH FLOWS FROM OPERATING ACTIVITIES

Cash Received from Customers	\$ 112,887
Cash Payments to Suppliers for Goods and Services	<u>(129,330)</u>
Net Cash Provided By (Used For) Operating Activities	<u>(16,443)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(16,443)
Cash and Cash Equivalents - Beginning of Year	<u>176,628</u>
Cash and Cash Equivalents - End of Year	<u><u>\$ 160,185</u></u>

**RECONCILIATION OF NET OPERATING INCOME TO NET CASH
PROVIDED (USED) BY OPERATING ACTIVITIES**

Operating Income (Loss)	\$ (8,196)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:	
(Increase) Decrease in Accounts Receivable	(5,695)
Increase (Decrease) in Accounts Payable	<u>(2,552)</u>
Total Cash Provided By (Used For) Operating Activities	<u><u>\$ (16,443)</u></u>

March Joint Powers Utility Authority
Notes to Financial Statements
Year Ended June 30, 2016

1) REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A) Reporting Entity

The March Joint Powers 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 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 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>
Daryl R. Busch	Chair	City of Perris
Mike Gardner	Vice Chair	City of Riverside
Jeffrey Giba	Commissioner	City of Moreno Valley
Yxstian Gutierrez	Commissioner	City of Moreno Valley
Andy Melendrez	Commissioner	City of Riverside
Rita Rogers	Commissioner	City of Perris

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 Utility Authority. However, the County of Riverside elected not to be a member agency of the Utility Authority.

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

The 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.

The Authority reports its activities as an enterprise fund, which is used to account for operations that are financed and operated in a manner similar to a private business enterprise, where the intent of the Authority is that the costs (including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges and space rentals. The Authority 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.

March Joint Powers Utility Authority
Notes to Financial Statements
Year Ended June 30, 2016

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 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 Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

C) Cash and Cash Equivalents

In accordance with GASB Statement 9, 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 GASB 31, the Authority's investments are stated at fair value except for interest-earning investment contracts. At June 30, 2016, the Authority held no investments therefore, no adjustment is reflected in these financial statements.

E) Uncollectible Accounts Receivable

The Authority uses the allowance method for uncollectible accounts receivable.

F) Net Position

GASB No. 63 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.

March Joint Powers Utility Authority
Notes to Financial Statements
Year Ended June 30, 2016

1) REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

H) Relationship to the March Joint Powers Authority

The Authority is an integral part of the reporting entity of the March Joint Powers Authority. The funds of the 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 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 March Joint Powers Authority.

2) CASH AND INVESTMENTS

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

Statement of Net Position:

Cash \$ 160,185

Cash and investments consist of the following:

Deposits with Financial Institutions \$ 160,185

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	Maximum Percentage Of Portfolio ⁽¹⁾	Maximum 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	None
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. Corporations with assets greater than \$500 million.

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

March Joint Powers Utility Authority
Notes to Financial Statements
Year Ended June 30, 2016

2) CASH AND INVESTMENTS - Continued

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.

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, 2016, no deposits of the Authority with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts. As of June 30, 2016, the Authority held no investments.

March Joint Powers Utility Authority
Notes to Financial Statements
Year Ended June 30, 2016

3) ADVANCES PAYABLE

The Authority received temporary cash advances from the primary government (March Joint Powers Authority) to fund administrative costs until development of the March Joint Powers Utility 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.

4) DEFICIT NET POSITION

The Authority has a deficit net position of \$129,446 for the year ending June 30, 2016. This deficit is expected to be eliminated by revenue in future periods.

MARCH INLAND PORT
AIRPORT AUTHORITY
ANNUAL AUDIT REPORT
Year Ended June 30, 2016

March Inland Port Airport Authority
Annual Audit Report
Year Ended June 30, 2016

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INDEPENDENT AUDITORS' 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 "Authority"), a component unit of the March Joint Powers Authority, as of and for the year ended June 30, 2016, 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.

Auditor's 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 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 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.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority, as of June 30, 2016, 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.

Other Matters

Required Supplementary Information

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.

Accounting principles generally accepted in the United States of America require that the required supplementary information on pages 19 and 20 be presented to supplement the basic financial statements. Such 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated _____, 2016, 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.

Riverside, California

_____, 2016

March Inland Port Airport Authority
Statement of Net Position
June 30, 2016

ASSETS

Current Assets:

Cash and Cash Equivalents	\$ 449,077
Accounts Receivable	549
Grants Receivable	450
Prepaid Items	1,710

Noncurrent Assets:

Capital Assets, Not Being Depreciated	38,221,477
Capital Assets, Net of Depreciation	<u>23,106,414</u>

Total Assets	<u>61,779,677</u>
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DEFERRED OUTFLOWS OF RESOURCES

Pension Related Items	<u>92,460</u>
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Total Deferred Outflows of Resources	<u>92,460</u>
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LIABILITIES

Current Liabilities:

Accounts Payable and Accrued Liabilities	45,582
Deposits	35,250
Interest Payable	940,867

Noncurrent Liabilities:

Net Pension Liability	145,490
Advances from the March Joint Powers Authority	<u>2,687,896</u>

Total Liabilities	<u>3,855,085</u>
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DEFERRED INFLOWS OF RESOURCES

Pension Related Items	<u>33,624</u>
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Total Deferred Inflows of Resources	<u>33,624</u>
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NET POSITION

Net Investment in Capital Assets	61,327,891
Unrestricted	<u>(3,344,463)</u>

Total Net Position	<u><u>\$ 57,983,428</u></u>
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March Inland Port Airport Authority
Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2016

OPERATING REVENUES

Charges for Services	\$ 75,390
Lease Revenue	332,962
Permit Fees	<u>1,000</u>
Total Operating Revenues	<u>409,352</u>

OPERATING EXPENSES

Administration	92,200
Professional Services	53,115
Salaries and Employees' Benefits	238,768
Maintenance	9,096
Project Improvement Costs	7,288
Depreciation	463,826
Operational Costs	<u>25,229</u>
Total Operating Expenses	<u>889,522</u>
Operating Income (Loss)	<u>(480,170)</u>

NON-OPERATING REVENUES (EXPENSE)

Grant Revenue	2,485,214
Other Revenue	335,575
Interest Expense	<u>(104,500)</u>
Total Non-Operating Revenues (Expense)	<u>2,716,289</u>
Change in Net Position	2,236,119
Net Position, Beginning of Year	<u>55,747,309</u>
Net Position, End of Year	<u><u>\$ 57,983,428</u></u>

March Inland Port Airport Authority
Statement of Cash Flows
Year Ended June 30, 2016

CASH FLOWS FROM OPERATING ACTIVITIES

Cash Received from Customers	\$ 461,120
Cash Payments to Employees for Services (Salaries)	(267,480)
Cash Payments to Suppliers for Goods and Services	(244,417)
Cash Received from Other Receipts	<u>335,575</u>

Net Cash Provided by (Used for) Operating Activities	<u>284,798</u>
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CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Grant Revenue	2,485,214
Acquisition of Capital Assets	<u>(2,672,011)</u>

Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>(186,797)</u>
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Net Increase (Decrease) in Cash and Cash Equivalents	98,001
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Cash and Cash Equivalents - Beginning of Year	<u>351,076</u>
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Cash and Cash Equivalents - End of Year	<u><u>\$ 449,077</u></u>
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**RECONCILIATION OF NET OPERATING INCOME TO NET CASH
PROVIDED BY (USED FOR) OPERATING ACTIVITIES**

Operating Income (Loss)	\$ (480,170)
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Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by
(Used for) Operating Activities:

Depreciation	463,826
Other Revenue	335,575
(Increase) Decrease in Accounts Receivable	16,518
(Increase) Decrease in Prepaid Items	(1,710)
(Increase) Decrease in Pension Related Deferred Outflows	(46,374)
Increase (Decrease) in Accounts Payable and Accrued Liabilities	(55,779)
Increase (Decrease) in Deposits	35,250
Increase (Decrease) in Net Pension Liability	25,695
Increase (Decrease) in Pension Related Deferred Inflows	<u>(8,033)</u>

Total Cash Provided by (Used for) Operating Activities	<u><u>\$ 284,798</u></u>
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March Inland Port Airport Authority
Notes to Financial Statements
Year Ended June 30, 2016

1) REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A) Reporting Entity

The March Inland Port Airport Authority (the "Authority") 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 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>
Daryl R. Busch	Chair	City of Perris
Jeffrey Giba	Vice Chair	City of Moreno Valley
Marion Ashley	Commissioner	County of Riverside
Mike Gardner	Commissioner	City of Riverside
Yxstian Gutierrez	Commissioner	City of Moreno Valley
Kevin Jeffries	Commissioner	County of Riverside
Andy Melendrez	Commissioner	City of Riverside
Rita Rogers	Commissioner	City of Perris

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 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.

The Authority reports its activities as an enterprise fund, which is used to account for operations that are financed and operated in a manner similar to a private business enterprise, where the intent of the Authority is that the costs (including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges and space rentals. The Authority 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.

Proprietary funds, distinguishes operating revenues and expenses from those revenues and expenses that are non-operating. 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 Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

March Inland Port Airport Authority
Notes to Financial Statements
Year Ended June 30, 2016

1) REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

C) Cash and Cash Equivalents

In accordance with GASB Statement 9, 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 GASB 31, the Authority's investments are stated at fair value except for interest-earning investment contracts. At June 30, 2016, the Authority held no investments therefore, no adjustment is reflected in these financial statements.

E) Uncollectible Accounts Receivable

The Authority uses the allowance method for uncollectible accounts receivable.

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. Donated capital assets are valued at their estimated fair market 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:

Buildings 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 Authority has deferred outflows related to pensions. This includes pension 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.

March Inland Port Airport Authority
Notes to Financial Statements
Year Ended June 30, 2016

1) REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

G) Deferred Outflows/Inflows of Resources - Continued

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 Authority has deferred inflows related to pensions. These amounts (see Note 6) are amortized by an actuarial determined period.

H) 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 Authority'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 Authority's net pension liability and deferred outflows/inflows of resources related to pensions and pension expense, represents the Authority's proportionate share of the March Joint Powers Authority'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.

I) Net Position

GASB No. 63 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.

J) Other Revenue

Other non-operating revenues of \$335,575 relates to the sale of properties that were previously transferred to a developer. A portion of sales revenue was required to be given to the Authority for airport operations.

K) 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.

March Inland Port Airport Authority
Notes to Financial Statements
Year Ended June 30, 2016

1) REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

L) Relationship to the March Joint Powers Authority

The Authority is an integral part of the reporting entity of the March Joint Powers Authority. The funds of the Authority have been blended within the financial statements of the March Joint Powers Authority because the Board of Commissioners 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 March Joint Powers Authority.

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>449,077</u>

Cash and investments consist of the following:

Deposits with Financial Institutions	\$ <u>449,077</u>
Total	\$ <u>449,077</u>

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	Maximum Percentage Of Portfolio ⁽¹⁾	Maximum 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

March Inland Port Airport Authority
Notes to Financial Statements
Year Ended June 30, 2016

2) CASH AND INVESTMENTS - Continued

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

Authorized Investment Type	Maximum Maturity	Maximum Percentage Of Portfolio ⁽¹⁾	Maximum Investment In One Issuer
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-through Securities ⁽³⁾	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
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. Corporations 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.

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.

March Inland Port Airport Authority
Notes to Financial Statements
Year Ended June 30, 2016

2) CASH AND INVESTMENTS - Continued

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, 2016, no deposits of the Authority with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts.

3) CAPITAL ASSETS

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, Not Being Depreciated:				
Land	\$ 38,221,477	\$	\$	\$ 38,221,477
Total Capital Assets, Not Being Depreciated	<u>38,221,477</u>	<u>0</u>	<u>0</u>	<u>38,221,477</u>
Capital Assets, Being Depreciated:				
Buildings and Improvements	21,343,055	2,672,011		24,015,066
Infrastructure	<u>2,110,182</u>	<u></u>	<u></u>	<u>2,110,182</u>
Total Capital Assets, Being Depreciated	<u>23,453,237</u>	<u>2,672,011</u>	<u>0</u>	<u>26,125,248</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(2,273,650)	(428,656)		(2,702,306)
Infrastructure	<u>(281,358)</u>	<u>(35,170)</u>	<u></u>	<u>(316,528)</u>
Total Accumulated Depreciation	<u>(2,555,008)</u>	<u>(463,826)</u>	<u>0</u>	<u>(3,018,834)</u>
Total Capital Assets, Being Depreciated, Net	<u>20,898,229</u>	<u>2,208,185</u>	<u>0</u>	<u>23,106,414</u>
Capital Assets, Net of Depreciation	<u>\$ 59,119,706</u>	<u>\$ 2,208,185</u>	<u>\$ 0</u>	<u>\$ 61,327,891</u>

March Inland Port Airport Authority
Notes to Financial Statements
Year Ended June 30, 2016

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 annually. 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 \$48,648; an increase from \$0.06 under Philmar Ground Lease to \$0.08 per sf. The 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 2016, the Authority received \$51,243 in lease payments.

Global Port Ramp Services, LLC - In October 2004, the March Joint Powers Redevelopment Agency entered into a 48 year ground lease agreement with Global Port Ramp Services, LLC. The term of the lease is for a 48 year period with three five year options to renew. Consideration for the lease will be based on six cents per foot of the premises. The lease is 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, Global Port Ramp Services, LLC and Westcore Properties AC, LLC. In fiscal year 2016, the Authority received \$12,927 lease payments. The lease was terminated in February 2016.

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. In fiscal year 2016, the Authority received \$96,463 in lease payments.

Other lease payments of \$172,329 were received in fiscal year 2016.

5) ADVANCES PAYABLE

The Authority 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%.

March Inland Port Airport Authority
Notes to Financial Statements
Year Ended June 30, 2016

6) PENSION PLAN

A) General Information about the Pension Plans

Plan Description

All qualified permanent and probationary employees are eligible to participate in the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (Plan) administered by the California Public Employees' Retirement System (CalPERS). The Plan consists of individual rate plans (benefit tiers) within a safety risk pool (police and fire) and a miscellaneous risk pool (all other). Plan assets may be used to pay benefits for any employer rate plan of the safety and miscellaneous pools. Accordingly, rate plans within the safety or miscellaneous pools are not separate plans under GASB Statement No. 68. Individual employers may sponsor more than one rate plan in the miscellaneous or safety risk pools. The Authority sponsors two miscellaneous plans. Benefit provisions under the Plan are established by State statute and Authority's resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of fulltime employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The rate plan provisions and benefits in effect at June 30, 2016, are summarized as follows:

	Miscellaneous	
	Prior to January 1, 2013	On or After January 1, 2013
Hire Date		
Benefit Formulas	2.0% at 55 2.7% at 55	2% at 62
Benefit Vesting Schedule	5 Years Service	5 Years Service
Benefit Payments	Monthly for Life	Monthly for Life
Retirement Age	50 - 55	52 - 67
Monthly Benefits, as a % of Eligible Compensation	2.0% - 2.7%	1.0% - 2.5%
Required Employee Contribution Rates	8%	6.25%
Required Employer Contribution Rates	10.958%	6.237%

March Inland Port Airport Authority
Notes to Financial Statements
Year Ended June 30, 2016

6) PENSION PLAN - Continued

A) General Information about the Pension Plans - Continued

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Authority is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

The Authority's contributions to the Plan for the year ended June 30, 2016 were \$28,519.

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2016, the Authority reported a net pension liability for its proportionate share of the net pension liability of the Plan of \$145,490.

The Authority net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2015, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015 using standard update procedures. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The Authority's proportionate share of the net pension liability for the Plan as of June 30, 2014 and 2015 was as follows:

	<u>CalPERS Pension Plan</u>
Proportion - June 30, 2014	0.005%
Proportion - June 30, 2015	0.005%
Change - Increase (Decrease)	0.000%

March Inland Port Airport Authority
Notes to Financial Statements
Year Ended June 30, 2016

6) PENSION PLAN - Continued

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions - Continued

For the year ended June 30, 2016, the Authority recognized pension expense (credit) of (\$28,712). At June 30, 2016, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 28,520	\$
Differences between actual and expected experience	2,208	
Changes in assumptions		(20,889)
Change in employer's proportion and differences between the employer's contributions and the employer's Proportionate share of contributions	61,732	(4,798)
Net differences between projected and actual earnings on plan investments		(7,937)
Total	<u>\$ 92,460</u>	<u>\$ (33,624)</u>

The Authority reported \$28,520 as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflow of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	
2017	\$ 7,496
2018	7,208
2019	3,391
2020	12,221

March Inland Port Airport Authority
Notes to Financial Statements
Year Ended June 30, 2016

6) PENSION PLAN - Continued

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions - Continued

Actuarial Assumptions

The total pension liabilities in the June 30, 2014 actuarial valuations were determined using the following actuarial assumptions:

<u>CalPERS Pension Plan</u>	
Valuation Date	June 30, 2014
Measurement Date	June 30, 2015
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Projected Salary Increase	3.3% - 14.2% ⁽¹⁾
Investment Rate of Return	7.65% ⁽²⁾
Mortality	CalPERS Membership Data ⁽³⁾

⁽¹⁾ Depending on age, service and type of employment

⁽²⁾ Net of pension plan investment expenses, including inflation

⁽³⁾ The Mortality Rate Table was derived using CalPERS' membership data for all funds. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report from the CalPERS website.

All other actuarial assumptions used in the June 30, 2014 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011 including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found on the CalPERS website.

Discount Rate

The discount rate used to measure the total pension liability was 7.65%. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.65 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.65 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

March Inland Port Airport Authority
Notes to Financial Statements
Year Ended June 30, 2016

6) PENSION PLAN - Continued

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions - Continued

Discount Rate - Continued

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above the rounded down to the nearest one quarter of one percent.

The following table reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation shown was adopted by the CalPERS Board effective July 1, 2014.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10(a)	Real Return Years 11+(b)
Global Equity	51.0%	5.25%	5.71%
Global Fixed Income	19.0%	0.99%	2.43%
Inflation Sensitive	6.0%	0.45%	3.36%
Private Equity	10.0%	6.83%	6.95%
Real Estate	10.0%	4.50%	5.13%
Infrastructure and Forestland	2.0%	4.50%	5.09%
Liquidity	2.0%	-0.55%	-1.05%
Total	100%		

(a) An expected inflation of 2.5% used for this period.

(b) An expected inflation of 3.0% used for this period.

March Inland Port Airport Authority
Notes to Financial Statements
Year Ended June 30, 2016

6) PENSION PLAN - Continued

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions - Continued

Discount Rate - Continued

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the Authority's proportionate share of the net position liability for the Plan, calculated using the discount rate for the Plan, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>CalPERS Pension Plan</u>
1% Decrease	6.65%
Net Pension Liability	\$ 243,997
Current Discount Rate	7.65%
Net Pension Liability	\$ 145,490
1% Increase	8.65%
Net Pension Liability	\$ 64,161

Pension Plan Fiduciary Net Position

Detailed information about the Plan's fiduciary net position is available in the separately issued CalPERS financial reports.

REQUIRED SUPPLEMENTARY INFORMATION

March Inland Port Airport Authority
Schedule of the Authority's Proportionate Share of the Net Pension Liability
CalPERS Pension Plan
Last Ten Years*
As of June 30, 2016

	2016	2015
Proportion of the Net Pension Liability	0.005%	0.005%
Proportionate Share of the Net Pension Liability	\$ 145,490	\$ 119,795
Covered - Employee Payroll	\$ 189,230	\$ 167,453
Proportionate Share of the Net Pension Liability as Percentage of Covered-Employee Payroll	76.89%	71.54%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	79.18%	80.60%

Notes to Schedule:

Benefit Changes. In 2016, there was no benefit terms modified.

Changes in Assumptions. In 2016, there was a change in assumptions regarding the discount rate. GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.50 percent used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65 percent used for June 30, 2015 measurement date is without reduction of pension plan administrative expense.

Plan's Fiduciary Net Position. The Plan's Fiduciary Net Position is based on the Authority's proportionate share of the CalPERS Cost-Sharing Multiple - Employer Miscellaneous Risk Pool.

*- Fiscal year 2015 was the 1st year of implementation, therefore only two years are shown.

March Inland Port Airport Authority
Schedule of Contributions
CalPERS Pension Plan
Last Ten Years*
As of June 30, 2016

	2016	2015
Contractually Required Contribution (actuarially determined)	\$ 28,520	\$ 34,581
Contributions in Relation to the Actuarially determined contribution	(28,520)	(34,581)
Contribution Deficiency (excess)	\$ 0	\$ 0
Covered-employee Payroll	\$ 202,959	\$ 189,230
Contributions as a Percentage of Covered-employee Payroll	14.05%	18.27%

Notes to Schedule:

*- Fiscal year 2015 was the 1st year of implementation, therefore only two years are shown.

MARCH JOINT POWERS AUTHORITY

ANNUAL FINANCIAL REPORT

Year Ended June 30, 2016

March Joint Powers Authority
Annual Financial Audit
Year Ended June 30, 2016

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INDEPENDENT AUDITORS' REPORT

March Joint Powers Commission
March Joint Powers Authority
Riverside, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the March Joint Powers Authority (the "Authority"), as of and for the year ended June 30, 2016, 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.

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

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, the business-type activities, each major fund, and the aggregate remaining fund information of the March Joint Powers Authority, as of June 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Change in Accounting Principle

As described in Note 1 to the financial statements, in 2016, the Authority adopted new accounting guidance, GASB Statement No. 72, *Fair Value Measurement and Application*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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.

Accounting principles generally accepted in the United States of America require that required supplementary information on pages 49 to 54 be presented to supplement the basic financial statements. Such 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Governmental Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated _____, 2016, 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 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 Authority's internal control over financial reporting and compliance.

Riverside, California
_____, 2016

March Joint Powers Authority
Statement of Net Position
June 30, 2016

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Investments	\$ 9,335,575	\$ 3,527,781	\$ 12,863,356
Restricted Cash and Investments	2,353,452		2,353,452
Receivables:			
Accounts	1,909,443	38,735	1,948,178
Grants		450	450
Loans	2,496,684		2,496,684
Deposits	1,283		1,283
Internal Balances	4,618,001	(4,618,001)	0
Inventory		83,214	83,214
Prepaid Items		1,710	1,710
Capital Assets, Not Being Depreciated:			
Land	100,232,840	47,119,061	147,351,901
Beverage Rights		17,518	17,518
Capital Assets, Net of Depreciation	<u>7,504,615</u>	<u>33,415,116</u>	<u>40,919,731</u>
 Total Assets	 <u>128,451,893</u>	 <u>79,585,584</u>	 <u>208,037,477</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension Related Items	<u>512,458</u>	<u>168,934</u>	<u>681,392</u>
 Total Deferred Outflows of Resources	 <u>512,458</u>	 <u>168,934</u>	 <u>681,392</u>
LIABILITIES			
Accounts Payable and Accrued Liabilities	486,781	172,630	659,411
Deposits and Other Liabilities	1,488,161	234,216	1,722,377
Liabilities Payable from Restricted Assets:			
Other Payables	2,353,452		2,353,452
Long-term Liabilities:			
Due in One Year	66,808	144,676	211,484
Due in More Than One Year	<u>1,360,385</u>	<u>1,071,594</u>	<u>2,431,979</u>
 Total Liabilities	 <u>5,755,587</u>	 <u>1,623,116</u>	 <u>7,378,703</u>
DEFERRED INFLOWS OF RESOURCES			
Pension Related Items	<u>211,494</u>	<u>48,396</u>	<u>259,890</u>
 Total Deferred Inflows of Resources	 <u>211,494</u>	 <u>48,396</u>	 <u>259,890</u>
NET POSITION			
Net Investment in Capital Assets	107,737,455	79,562,048	187,299,503
Unrestricted	<u>15,259,815</u>	<u>(1,479,042)</u>	<u>13,780,773</u>
 Total Net Position	 <u>\$ 122,997,270</u>	 <u>\$ 78,083,006</u>	 <u>\$ 201,080,276</u>

The accompanying notes are an integral part of this statement.

March Joint Powers Authority
Statement of Activities
Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General Government	\$ 7,315,865	\$ 3,182,737	\$	\$ 2,459,045
Total Governmental Activities	7,315,865	3,182,737	0	2,459,045
Business-type Activities:				
March Inland Port Airport Authority	889,522	409,352	335,575	2,485,214
Green Acres	1,478,562	1,599,764		
Golf Course	2,055,612	1,967,432		
Utility Authority	126,778	118,582		
Total Business-type Activities	4,550,474	4,095,130	335,575	2,485,214
Total Primary Government	\$ 11,866,339	\$ 7,277,867	\$ 335,575	\$ 4,944,259

General Revenues:

Taxes
Investment Earnings
Other
Gain (Loss) on Sale of Capital Assets
Transfers

Total General Revenues and Transfers

Change in Net Position

Total Net Position - Beginning

Total Net Position - Ending

Net (Expense) Revenue and Changes in Net Position

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (1,674,083)	\$	\$ (1,674,083)
(1,674,083)	0	(1,674,083)
	2,340,619	2,340,619
	121,202	121,202
	(88,180)	(88,180)
	(8,196)	(8,196)
0	2,365,445	2,365,445
(1,674,083)	2,365,445	691,362
818,446		818,446
62,424	20,097	82,521
373,106		373,106
(5,188,105)		(5,188,105)
329,500	(329,500)	0
(3,604,629)	(309,403)	(3,914,032)
(5,278,712)	2,056,042	(3,222,670)
128,275,982	76,026,964	204,302,946
<u>\$ 122,997,270</u>	<u>\$ 78,083,006</u>	<u>\$ 201,080,276</u>

The accompanying notes are an integral part of this statement.

March Joint Powers Authority
Balance Sheet
Governmental Funds
June 30, 2016

		Special Revenue	
	General Fund	Meridian LLMD No. 1	Total
ASSETS			
Cash and Investments	\$ 8,583,829	\$ 751,746	\$ 9,335,575
Restricted Cash and Investments	2,353,452		2,353,452
Receivables:			
Accounts	1,889,543	19,900	1,909,443
Successor Agency Loans	2,496,684		2,496,684
Deposits	1,283		1,283
Due from Other Funds	1,633,752		1,633,752
Advances to Other Funds	2,987,896		2,987,896
Total Assets	<u>\$ 19,946,439</u>	<u>\$ 771,646</u>	<u>\$ 20,718,085</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable and Accrued Liabilities	\$ 443,796	\$ 42,985	\$ 486,781
Deposits Payable	1,480,787	7,374	1,488,161
Due to Other Funds		3,647	3,647
Liabilities Payable from Restricted Assets:			
Other Payables	2,353,452		2,353,452
Total Liabilities	<u>4,278,035</u>	<u>54,006</u>	<u>4,332,041</u>
Fund Balances:			
Nonspendable:			
Long-term Successor Agency Loans	1,996,684		1,996,684
Long-term Advances to Other Funds	2,987,896		2,987,896
Restricted:			
Maintenance and Landscaping		717,640	717,640
Unassigned	10,683,824		10,683,824
Total Fund Balances	<u>15,668,404</u>	<u>717,640</u>	<u>16,386,044</u>
Total Liabilities and Fund Balances	<u>\$ 19,946,439</u>	<u>\$ 771,646</u>	<u>\$ 20,718,085</u>

The accompanying notes are an integral part of this statement.

March Joint Powers Authority
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2016

Fund Balances of Governmental Funds	\$ 16,386,044
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets, net of depreciation, have not been included as financial resources in governmental fund activity.	107,737,455
Liabilities that are not due and payable in the current period and are not reported in the funds.	
Net OPEB Obligation	(218,159)
Compensated Absences	(334,039)
Net Pension Liability	(874,995)
Deferred outflows and inflows of resources related to pensions that are required to be recognized over a defined closed period.	
Pension Related Deferred Outflows of Resources	512,458
Pension Related Deferred Inflows of Resources	(211,494)
Net Position of Governmental Activities	<u>\$ 122,997,270</u>

March Joint Powers Authority
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2016

	General Fund	Special Revenue Meridian LLMD No. 1	Total
REVENUES			
Taxes	\$ 818,446	\$	\$ 818,446
Intergovernmental Revenues	2,014,733		2,014,733
Licenses, Permits and Fees	1,383,580		1,383,580
Investment Earnings	62,424		62,424
Lease Revenue	910,080		910,080
Special Assessments		889,077	889,077
Other Revenue	373,106		373,106
Total Revenues	5,562,369	889,077	6,451,446
EXPENDITURES			
Current:			
Administration	216,695	6,619	223,314
Bad Debt	218,083		218,083
Salaries and Benefits	1,580,714	164,569	1,745,283
Police Patrols/Security	178,602		178,602
Contractual/Professional Services	129,580	700,547	830,127
Project Improvement Costs	2,701,761		2,701,761
Legal	147,905		147,905
Planning	863,074		863,074
Maintenance and Lease Services	101,177		101,177
Buildings and Grounds Maintenance	79,455		79,455
Capital Outlay	402,432	7,864	410,296
Total Expenditures	6,619,478	879,599	7,499,077
Excess of Revenues Over (Under) Expenditures	(1,057,109)	9,478	(1,047,631)
OTHER FINANCING SOURCES (USES)			
Transfers In	329,500		329,500
Total Other Financing Sources (Uses)	329,500	0	329,500
Net Change in Fund Balance	(727,609)	9,478	(718,131)
Fund Balances, Beginning	16,396,013	708,162	17,104,175
Fund Balances, Ending	\$ 15,668,404	\$ 717,640	\$ 16,386,044

The accompanying notes are an integral part of this statement.

March Joint Powers Authority
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
Year Ended June 30, 2016

Net Change in Fund Balances-Total Governmental Funds	\$	(718,131)
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Amounts reported for governmental activities in the statement of activities
are different because:

Governmental funds report capital outlay as an expenditure in the full amount
as current financial resources are used. However, in the Statement of Activities
the cost of these assets is allocated over the estimated useful life as depreciation.
expense.

Depreciation Expense		(329,061)
Capital Outlay		162,325
Capital Contributions		444,312
Gain (Loss) on Sale of Capital Assets		(5,188,105)

Some expenses reported in the Statement of Activities do not require the use
of current financial resources and are not reported as governmental
fund expenditures.

Net Change in OPEB Obligation		(548)
Net Change in Compensated Absences		184,931
Net Change in Net Pension Liability		(137,958)
Amortization of Deferred Outflows and Inflows of Resources Related to Pensions		303,523

Change in Net Position of Governmental Activities	\$	(5,278,712)
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March Joint Powers Authority
Statement of Net Position
Proprietary Funds
June 30, 2016

	March Inland Port Airport Authority	Green Acres	Golf Course
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 449,077	\$ 2,783,405	\$ 135,114
Accounts Receivable	549	8,340	13,879
Grants Receivable	450		
Inventory			83,214
Prepaid Items	1,710		
Total Current Assets	451,786	2,791,745	232,207
Noncurrent Assets:			
Capital Assets, Not Being Depreciated:			
Land	38,221,477	1,258,788	7,638,796
Beverage Rights			17,518
Capital Assets, Net of Depreciation	23,106,414	7,923,723	2,384,979
Total Noncurrent Assets	61,327,891	9,182,511	10,041,293
Total Assets	61,779,677	11,974,256	10,273,500
DEFERRED OUTFLOWS OF RESOURCES			
Pension Related Items	92,460	76,474	
Total Deferred Outflows of Resources	92,460	76,474	0
LIABILITIES			
Current Liabilities:			
Accounts Payable and Accrued Liabilities	39,195	85,309	42,528
Due to Other Funds	947,254	6,195	676,656
Deposits	35,250	179,387	19,579
Loans Payable - Current Portion			144,676
Total Current Liabilities	1,021,699	270,891	883,439
Noncurrent Liabilities:			
Loan Payable			844,971
Net Pension Liability	145,490	81,133	
Advances from Other Funds	2,687,896		
Total Noncurrent Liabilities	2,833,386	81,133	844,971
Total Liabilities	3,855,085	352,024	1,728,410
DEFERRED INFLOWS OF RESOURCES			
Pension Related Items	33,624	14,772	
Total Deferred Inflows of Resources	33,624	14,772	0
NET POSITION			
Net Investment in Capital Assets	61,327,891	9,182,511	9,051,646
Unrestricted	(3,344,463)	2,501,423	(506,556)
Total Net Position	\$ 57,983,428	\$ 11,683,934	\$ 8,545,090

The accompanying notes are an integral part of this statement.

Utility Authority	Total
\$ 160,185	\$ 3,527,781
15,967	38,735
	450
	83,214
	1,710
176,152	3,651,890
	47,119,061
	17,518
	33,415,116
0	80,551,695
176,152	84,203,585
	168,934
0	168,934
5,598	172,630
	1,630,105
	234,216
	144,676
5,598	2,181,627
	844,971
	226,623
300,000	2,987,896
300,000	4,059,490
305,598	6,241,117
	48,396
0	48,396
(129,446)	79,562,048
	(1,479,042)
\$ (129,446)	\$ 78,083,006

The accompanying notes are an integral part of this statement.

March Joint Powers Authority
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
Year Ended June 30, 2016

	March Inland Port Airport Authority	Green Acres	Golf Course
OPERATING REVENUES			
Charges for Services	\$ 75,390	\$ 48,986	\$ 1,631,658
Rental Income	332,962	1,542,842	307,617
Permit Fees	1,000		
Other		7,936	28,157
	<u>409,352</u>	<u>1,599,764</u>	<u>1,967,432</u>
Total Operating Revenues			
	<u>409,352</u>	<u>1,599,764</u>	<u>1,967,432</u>
OPERATING EXPENSES			
Administrative	92,200	19,913	
Professional Services	53,115		15,329
Salaries and Employee Benefits	238,768	221,982	675,717
Materials and Supplies			442,116
Purchased Water/Utilities		252,155	450,594
Insurance/Claims		19,727	73,718
Repairs and Maintenance	9,096	600,673	85,322
Project Improvement Costs	7,288	23,369	
Depreciation	463,826	301,375	75,888
Services and Fees	25,229	5,749	124,492
Other		33,619	57,284
	<u>889,522</u>	<u>1,478,562</u>	<u>2,000,460</u>
Total Operating Expenses			
	<u>889,522</u>	<u>1,478,562</u>	<u>2,000,460</u>
Operating Income (Loss)	<u>(480,170)</u>	<u>121,202</u>	<u>(33,028)</u>
NON-OPERATING REVENUES (EXPENSES)			
Grant Revenue	2,485,214		
Other Revenue	335,575		
Investment Earnings		20,094	3
Interest Expense			(55,152)
	<u>2,820,789</u>	<u>20,094</u>	<u>(55,149)</u>
Total Non-operating Revenues (Expenses)			
	<u>2,820,789</u>	<u>20,094</u>	<u>(55,149)</u>
Income (Loss) Before Operating Transfers	2,340,619	141,296	(88,177)
TRANSFERS IN (OUT)	<u>(104,500)</u>	<u>(225,000)</u>	
Change in Net Position	2,236,119	(83,704)	(88,177)
Total Net Position - Beginning of Year	<u>55,747,309</u>	<u>11,767,638</u>	<u>8,633,267</u>
Total Net Position - End of Year	<u>\$ 57,983,428</u>	<u>\$ 11,683,934</u>	<u>\$ 8,545,090</u>

The accompanying notes are an integral part of this statement.

Utility Authority	Total
\$ 118,582	\$ 1,874,616
	2,183,421
	1,000
	36,093
<u>118,582</u>	<u>4,095,130</u>
8,255	120,368
	68,444
	1,136,467
	442,116
98,818	801,567
	93,445
19,705	714,796
	30,657
	841,089
	155,470
	90,903
<u>126,778</u>	<u>4,495,322</u>
<u>(8,196)</u>	<u>(400,192)</u>
	2,485,214
	335,575
	20,097
	(55,152)
<u>0</u>	<u>2,785,734</u>
(8,196)	2,385,542
	(329,500)
(8,196)	2,056,042
<u>(121,250)</u>	<u>76,026,964</u>
<u>\$ (129,446)</u>	<u>\$ 78,083,006</u>

The accompanying notes are an integral part of this statement.

March Joint Powers Authority
Combining Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2016

	March Inland Port Airport Authority	Green Acres
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Customers	\$ 461,120	\$ 1,618,996
Cash Payments for Employee Services (Salaries)	(267,480)	(247,831)
Cash Payments to Suppliers for Goods and Services	(250,804)	(891,020)
Cash Received from Other Receipts	335,575	
Net Cash Provided by (Used for) Operating Activities	278,411	480,145
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Advances to (from) Other Funds	6,387	(218,805)
Net Cash Provided by (Used for) Non-Capital Financing Activities	6,387	(218,805)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Grant Revenue	2,485,215	
Acquisition of Capital Assets	(2,672,012)	
Principal Paid on Capital Debt		
Interest Paid on Capital Debt		
Net Cash Provided by (Used for) Capital and Related Financing Activities	(186,797)	0
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Earnings		20,094
Net Cash Provided by (Used for) Investing Activities	0	20,094
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	98,001	281,434
Cash and Cash Equivalents - Beginning of Year	351,076	2,501,971
Cash and Cash Equivalents - End of Year	\$ 449,077	\$ 2,783,405
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES		
Operating Income (Loss):	\$ (480,170)	\$ 121,202
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:		
Depreciation	463,826	301,375
Other Revenue	335,575	
(Increase) Decrease in Accounts Receivable	16,518	(8,250)
(Increase) Decrease in Prepaid Items	(1,710)	
(Increase) Decrease in Inventory		
(Increase) Decrease in Pension Related Deferred Outflows	(46,374)	(42,212)
Increase (Decrease) in Accounts Payable and Accrued Liabilities	(62,166)	64,185
Increase (Decrease) in Deposits	35,250	27,482
Increase (Decrease) in Net Pension Liability	25,695	22,114
Increase (Decrease) in Pension Related Deferred Inflows	(8,033)	(5,751)
TOTAL CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	\$ 278,411	\$ 480,145

The accompanying notes are an integral part of this statement.

Golf Course	Utility Authority	Total
\$ 1,967,495	\$ 112,887	\$ 4,160,498
(691,046)		(1,206,357)
(1,241,630)	(129,330)	(2,512,784)
		335,575
34,819	(16,443)	776,932
192,645		(19,773)
192,645	0	(19,773)
		2,485,215
		(2,672,012)
(137,493)		(137,493)
(55,152)		(55,152)
(192,645)	0	(379,442)
3		20,097
3	0	20,097
34,822	(16,443)	397,814
100,292	176,628	3,129,967
<u>\$ 135,114</u>	<u>\$ 160,185</u>	<u>\$ 3,527,781</u>
\$ (33,028)	\$ (8,196)	\$ (400,192)
75,888		841,089
		335,575
(17,503)	(5,695)	(14,930)
		(1,710)
903		903
		(88,586)
(9,007)	(2,552)	(9,540)
17,566		80,298
		47,809
		(13,784)
<u>\$ 34,819</u>	<u>\$ (16,443)</u>	<u>\$ 776,932</u>

The accompanying notes are an integral part of this statement.

March Joint Powers Authority
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2016

	Successor Agency Private-purpose Trust Fund
ASSETS	
Cash and Investments	\$ 2,848,325
Cash and Investments with Fiscal Agent	2,766,062
Capital Assets:	
Infrastructure	1,284,920
Less Accumulated Depreciation	<u>(1,284,920)</u>
Total Assets	<u>5,614,387</u>
LIABILITIES	
Interest Payable	933,479
Loans Payable	2,496,684
Bonds Payable	<u>31,005,000</u>
Total Liabilities	<u>34,435,163</u>
NET POSITION	
Net Position Held in Trust for Redevelopment (Deficit)	<u>(28,820,776)</u>
Total Net Position	<u><u>\$ (28,820,776)</u></u>

The accompanying notes are an integral part of this statement.

March Joint Powers Authority
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year Ended June 30, 2016

	Successor Agency Private-purpose Trust Fund
ADDITIONS	
Taxes	\$ 3,955,708
Investment Earnings	102,122
Other	<u>218,083</u>
Total Additions	<u>4,275,913</u>
DEDUCTIONS	
Administration	281,611
Contractual/Professional Services	4,925
Project Improvement Costs	2,776
Interest Expense	<u>2,242,158</u>
Total Deductions	<u>2,531,470</u>
Change in Net Position	<u>1,744,443</u>
Total Net Position - Beginning of Year (Deficit)	<u>(30,565,219)</u>
Total Net Position - End of Year (Deficit)	<u><u>\$ (28,820,776)</u></u>

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March Joint Powers Authority
Notes to Financial Statements
Year Ended June 30, 2016

<u>NOTE</u>	<u>DESCRIPTION</u>	<u>PAGE</u>
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March Joint Powers Authority
Notes to Financial Statements
Year Ended June 30, 2016

1) REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A) Description of the Reporting Entity

The March Joint Powers Authority (the "Authority") was formed on November 14, 1993, under a joint exercise of powers agreement among 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 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>
Daryl R. Busch	Chair	City of Perris
Jeffrey Giba	Vice Chair	City of Moreno Valley
Marion Ashley	Commissioner	County of Riverside
Mike Gardner	Commissioner	City of Riverside
Yxstian Gutierrez	Commissioner	City of Moreno Valley
Kevin Jeffries	Commissioner	County of Riverside
Andy Melendrez	Commissioner	City of Riverside
Rita Rogers	Commissioner	City of Perris

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

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 policies reflected in the financial statements are summarized as follows:

The financial statements of the March Joint Powers Authority include the financial activities of the Authority, the March Inland Port Airport Authority and the March Joint Powers Utilities Authority. In accordance with GASB, the basic criteria for including an agency, institution, authority or other organization in a governmental unit's financial reporting entity is financial accountability. Financial accountability includes, but is not limited to: 1) selection of the governing body, 2) imposition of will, 3) ability to provide a financial benefit to or impose a financial burden on and 4) fiscal dependency.

There may, however, be factors other than financial accountability that are so significant that exclusion of a particular agency from a reporting entity's financial statements would be misleading. These other factors include scope of public service and special financing relationships.

Based upon the application of these criteria, an agency, institution, authority or other organization may be included as a component unit in the primary government's financial statements. Blended component units, although legally separate entities are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. A discretely presented component unit, on the other hand, is reported in a separate column in the combined financial statements to emphasize it is legally separate from the government. There are no discretely presented component units in these financial statements. Each blended component unit presented has a June 30, 2016 year end.

March Joint Powers Authority
Notes to Financial Statements
Year Ended June 30, 2016

1) REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

A) Description of the Reporting Entity - Continued

The following is a brief review of each component unit included in the primary government's reporting entity.

March Inland Port Airport Authority

The March Inland Port Airport Authority (the "Airport Authority") 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 March Air Force Base. The March Inland Port Airport Authority will be used to market and promote the economic development opportunity associated with the creation of the joint use airport and for the associated development or redevelopment of adjacent and nearby vacant properties. The March Inland Port Airport Authority's activities are blended with those of the Authority in these financial statements and are reported as an enterprise fund. Separate component financial statements can be obtained from the Authority's office.

March Joint Powers Utilities Authority

The March Joint Powers Utilities Authority (the "Utility 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 Utility 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. Separate component financial statements can be obtained from the Authority's office.

B) Implementation of Governmental Accounting Standards Board (GASB) Pronouncements

Governmental Accounting Standard Board Statement No. 72

In February of 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. Statement No. 72 is effective for periods beginning after June 15, 2015. The Authority implemented GASB No. 72 and is reflected on the Authority's financial statements.

C) Basis of Presentation

The basic financial statements of the March Joint Powers Authority have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP"). The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for governmental accounting and financial reporting purposes.

March Joint Powers Authority
Notes to Financial Statements
Year Ended June 30, 2016

1) REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

C) Basis of Presentation - Continued

These statements require that the financial statements described below be presented:

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 and its component units. For the most part, the effect of inter-fund 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. The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is 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.

Taxes and other items that are properly not included among program revenues are reported instead as general revenues.

Fund Financial Statements: Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. 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.

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary and private-purpose trust fund financial statements. 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.

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, except for property taxes. Property taxes are recognized in the year for which they are levied. 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 judgments, are recorded only when payment is due.

March Joint Powers Authority
Notes to Financial Statements
Year Ended June 30, 2016

1) REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

D) Measurement Focus, Basis of Accounting, and Financial Statement Presentation - Continued

Taxes, intergovernmental revenues, licenses, 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 funds:

The *General Fund* is used to account for all financial resources of the Authority, except those required to be accounted for in another fund.

The *Meridian LLMD No. 1 Special Revenue Fund* is used to account for special assessments through property tax collections and the expenditures for the maintenance and landscaping of the Meridian Business Park.

The Authority reports the following major proprietary funds:

The *March Inland Port Airport Authority Fund* accounts for the activities of the Airport Authority, a blended component unit of the Authority. The Authority operates the joint use of the airport as well as development of the airport and adjacent properties.

The *Green Acres Fund* accounts for the activities of the Green Acres Housing Area.

The *Golf Course Fund* accounts for the activities of the Authority's golf course operations.

The *Utility Authority Fund* accounts for the activities of the Authority's utility operations.

The *Enterprise Funds* are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. Revenues are fully accrued to include unbilled services at year end.

Additionally, the Authority reports the following fund types:

The *Fiduciary Funds* are used to account for resources held in the benefit of parties outside of the government. Fiduciary funds are not reported in the government-wide financial statements because the resources of those funds are not available to support the Authority's own programs. The accounting used by the fiduciary funds are much like that used for proprietary funds.

March Joint Powers Authority
Notes to Financial Statements
Year Ended June 30, 2016

1) REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

D) Measurement Focus, Basis of Accounting, and Financial Statement Presentation - Continued

The Authority reports the following fiduciary activities:

The *Private-purpose trust fund* is used to report resources held in trust for the Successor Agency of the former Redevelopment Agency.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements. Direct expenses have not been eliminated from the functional categories; indirect expenses and internal payments have been eliminated.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grant and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the March Joint Powers Authority to use restricted resources first, and then use unrestricted resources as they are needed.

E) Encumbrances

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executor) contracts for goods or services (i.e., purchase orders, contracts, and commitments). Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances (those for which performance under the executor contract is expected in the next year) are re-appropriated and become part of the subsequent year's budget pursuant to state regulations.

F) Cash and Cash Equivalents

In accordance with GASB Statement 9, 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. For financial statement presentation purposes cash and cash equivalents are shown as cash in the Proprietary Funds.

March Joint Powers Authority
Notes to Financial Statements
Year Ended June 30, 2016

1) REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

G) Cash and Investments

As a governmental entity other than an external investment pool in accordance with GASB 31, the Authority's investments are stated at fair value except for interest-earning investment contracts.

Restricted cash and investments consist of \$622,264 for County fire facilities and \$1,731,188 for Meridian drainage fee deposits.

H) Uncollectible Accounts

The Authority uses the allowance method of recording uncollectible accounts.

I) Inventories

Inventories are valued at cost, using the first-in, and first-out basis.

J) Capital Assets

Capital assets, which include land, buildings, building improvements, machinery, vehicles, and infrastructure assets, are reported in the government-wide financial statements. Capital assets are recorded at cost where historical records are available and at an estimated historical cost where no historical records exist. 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. Donated or transferred capital assets are valued at their estimated fair market value at the date of donation or transfer.

Capital assets used in operations are depreciated over their estimated useful lives using the straight-line method in the government-wide financial statements and in the fund financial statements of the proprietary funds. Depreciation is charged as an expense against operations and accumulated depreciation is reported on the respective balance sheet. The range of lives used for depreciation purposes for each capital asset class is as follows:

Buildings and Improvements	7 - 50 Years
Vehicles	5 Years
Office Equipment and Furniture	5 Years
Infrastructure	30 - 100 Years

K) Liabilities Payable from Restricted Assets

Liabilities payable from restricted assets consist of the following: \$622,264 for County fire facilities and \$1,731,188 for the Meridian drainage fee deposits.

March Joint Powers Authority
Notes to Financial Statements
Year Ended June 30, 2016

1) REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

L) 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 Authority has deferred outflows related to pensions. This includes pension contributions subsequent to the measurement date of the net pension liability and other amounts (see Note 12), 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 Authority has deferred inflows related to pensions. These amounts (see Note 12) are amortized by an actuarial determined period.

M) 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 Authority's California Public Employees' Retirement System (CalPERS) plans (Plans) and additional to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

N) Compensated Absences

In accordance with GASB Statement No. 16, 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 in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as result of employee resignations and retirements. Leave benefits are generally liquidated by the general fund.

O) Net Position

GASB No. 63 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.

March Joint Powers Authority
Notes to Financial Statements
Year Ended June 30, 2016

1) REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

O) Net Position - Continued

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.

P) Fund Equity

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. 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 (though 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. The Joint Powers Commission is the highest level of decision-making authority for the Authority that can, by adoption of an ordinance or resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance or resolution remains in place until a similar action is taken to remove or revise the limitation.

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.

Q) 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.

March Joint Powers Authority
Notes to Financial Statements
Year Ended June 30, 2016

1) REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

R) Property Tax

Property taxes are assessed and collected each fiscal year according to the following property tax calendar:

Lien Date	January 1	
Levy Date	July 1 to June 30	
Due Date	November 1	- 1 st Installment
	February 1	- 2 nd Installment
Delinquent Date	December 10	- 1 st Installment
	April 10	- 2 nd Installment

Under California law, property taxes are assessed and collected by the counties up to 1%, of assessed value, plus other increases approved by the voters. The property taxes go into a pool, and are then allocated to the agencies based on complex formulas prescribed by the state statutes.

S) Other Revenue

The General Fund's other revenue includes \$150,000 payments from a developer for certain purchase options, \$200,000 related to a SCE contract, \$22,900 for foreign trade zone fees and \$206 for miscellaneous revenues.

The March Inland Port Airport Authority's other non-operating revenues of \$335,575 relates to the sale of properties that were previously transferred to a developer. A portion of sales revenue was required to be given to the Authority for airport operations.

2) CASH AND INVESTMENTS

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

Statement of Net Position:	
Cash and Investments	\$ 12,863,356
Restricted Cash and Investments	2,353,452
Statement of Fiduciary Net Position:	
Cash and Investments	2,848,325
Cash and Investments with Fiscal Agent	<u>2,766,062</u>
Total Cash and Investments	<u>\$ 20,831,195</u>

Cash and Investments consist of the following:

Petty Cash	\$ 1,600
Deposits with Financial Institutions	9,474,259
Investments	<u>11,355,336</u>
Total Cash and Investments	<u>\$ 20,831,195</u>

March Joint Powers Authority
Notes to Financial Statements
Year Ended June 30, 2016

2) CASH AND INVESTMENTS - Continued

Investments Authorized by the California Government Code and the Entity'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	Maximum Percentage Of Portfolio ⁽¹⁾	Maximum 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	None
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. Corporations with assets greater than \$500 million.

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

The Authority during the year exceeded the maximum percentage of the investment portfolio and in one issuer for money market mutual funds.

Investments Authorized by Debt Agreements

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

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 only money market funds.

March Joint Powers Authority
Notes to Financial Statements
Year Ended June 30, 2016

2) CASH AND INVESTMENTS - Continued

Disclosures Relating to Interest Rate Risk - Continued

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:

<u>Investment Type</u>	<u>Remaining Maturity (in Months)</u>			
	<u>12 Months Or Less</u>	<u>13 to 24 Months</u>	<u>25 to 60 Months</u>	<u>More Than 60 Months</u>
Money Market Mutual Funds	\$ 8,589,274	\$ 8,589,274	\$	\$
Held By Bond Trustee:				
Money Market Funds	50,643	50,643		
Investment Agreement	<u>2,715,419</u>			<u>2,715,419</u>
Total	<u>\$ 11,355,336</u>	<u>\$ 8,639,917</u>	<u>\$ 0</u>	<u>\$ 2,715,419</u>

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. 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.

<u>Investment Type</u>		<u>Minimum Legal Rating</u>	<u>Exempt from Disclosure</u>	<u>Rating as of Year End</u>		
				<u>AAA</u>	<u>AA</u>	<u>Not Rated</u>
Money Market Mutual Funds	\$ 8,589,274	N/A	\$	\$	\$	\$ 8,589,274
Held By Bond Trustee:						
Money Market Funds	50,643	N/A		50,643		
Investment Agreement	<u>2,715,419</u>	N/A				<u>2,715,419</u>
Total	<u>\$ 11,355,336</u>		<u>\$ 0</u>	<u>\$ 50,643</u>	<u>\$ 0</u>	<u>\$ 11,304,693</u>

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. Investments in any one issue (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of the total Authority's investments are as follows:

<u>Issuer</u>	<u>Investment Type</u>	<u>Reported Amount</u>
Natixis	Investment Agreement	\$ 2,715,419

March Joint Powers Authority
Notes to Financial Statements
Year Ended June 30, 2016

2) CASH AND INVESTMENTS - Continued

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, 2016, no deposits of the Authority's with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts, and none of the Authority's investments were held by the broker-dealer (counterparty) that was used by the Authority to buy the securities.

Cash and Investments with Fiscal Agent

Included in cash and investments with fiscal agent are the debt securities issued by the Successor Agency. These are obligations of the Successor Agency and, therefore, are not obligations of the Authority.

3) FAIR VALUE MEASUREMENTS

Governmental Accounting Standards Board (GASB) Statement No. 72, Fair Value Measurements and Application, provides the framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value with Level 1 given the highest priority and Level 3 the lowest priority. The three levels of the fair value hierarchy are as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the organization has the ability to access at the measurement date.

Level 2 inputs are inputs other than quoted prices included within *Level 1* that are observable for the asset or liability, either directly or indirectly. *Level 2* inputs include the following:

- a. Quoted prices for similar assets or liabilities in active markets.
- b. Quoted prices for identical or similar assets or liabilities in markets that are not active.
- c. Inputs other than quoted prices that are observable for the asset or liability (for example, interest rates and yield curves observable at commonly quoted intervals, volatilities, prepayment speeds, loss severities, credit risks, and default rates).

March Joint Powers Authority
Notes to Financial Statements
Year Ended June 30, 2016

3) FAIR VALUE MEASUREMENTS - Continued

- d. Inputs that are derived principally from or corroborated by observable market data by correlation or other means (market-corroborated inputs).

Level 3 inputs are unobservable inputs for the asset or liability.

Fair value of assets measured on a recurring basis at June 30, 2016, are as follows:

	<u>Fair Value</u>	<u>Uncategorized</u>
Investments:		
Money Market Mutual Funds	\$ 8,589,274	\$ 8,589,274
Held by Bond Trustee:		
Money Market Funds	50,643	50,643
Investment Agreement	<u>2,715,419</u>	<u>2,715,419</u>
Total Investments	<u>\$ 11,355,336</u>	<u>\$ 11,355,336</u>

The money market funds and money market mutual funds are exempt under GASB No. 72 fair value measurements. The investment agreement consists of money market funds.

4) LOANS RECEIVABLE

The aforementioned loans were made by the Authority to provide operating funds to the March Joint Powers Redevelopment Agency. The loans will be repaid from tax increment at such time as excess funds exist. On February 1, 2012, the redevelopment agency was dissolved (see Note 14) and the Successor Agency to the March Joint Powers Redevelopment Agency oversees the remaining activities of the former redevelopment agency. The balance outstanding as of June 30, 2016 for all loans is \$2,496,684. The loans have a 5% simple interest rate.

5) INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund receivables and payables are as follows:

		<u>DUE FROM</u>			
		<u>Meridian LLMD No. 1</u>	<u>March Inland Port Airport Authority</u>	<u>Green Acres</u>	<u>Golf Course</u>
DUE TO					<u>Total</u>
	General	\$ 3,647	\$ 947,254	\$ 6,195	\$ 676,656
					<u>\$ 1,633,752</u>
	Total	<u>\$ 3,647</u>	<u>\$ 947,254</u>	<u>\$ 6,195</u>	<u>\$ 676,656</u>
					<u>\$ 1,633,752</u>

The interfund payable balances represent routine and temporary cash flow assistance from the General Fund which includes interest on advances to other funds and payroll activities.

March Joint Powers Authority
Notes to Financial Statements
Year Ended June 30, 2016

5) INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS - Continued

Advances to/from other funds are as follows:

		<u>ADVANCES FROM</u> General Fund
ADVANCES TO	March Inland Port Airport	\$ 2,687,896
	Utility Authority	<u>300,000</u>
	Total	<u>\$ 2,987,896</u>

March Inland Port Airport Advance

The aforementioned loan was made by the General Fund to provide operating funds for the March Inland Port Airport Authority. The loan will be repaid from airport revenues at such time excess funds become available.

Utility Authority Advance

The aforementioned loan was made by the General Fund to provide operating funds for the Utility Authority. The loan will be repaid from utility revenues at such time excess funds become available.

Interfund transfers are as follows:

		<u>TRANSFERS OUT</u>		
		<u>March Inland Port Airport Authority</u>	<u>Green Acres</u>	<u>Total</u>
TRANSFERS IN	General Fund	\$ <u>104,500</u>	\$ <u>225,000</u>	\$ <u>329,500</u>
		<u>\$ 104,500</u>	<u>\$ 225,000</u>	<u>\$ 329,500</u>

The transfers of \$104,500 between the General Fund and March Inland Port Airport Authority represents interest earned on advances. The \$225,000 transfer between the General Fund and Green Acres is for operating funds provided to the General Fund.

March Joint Powers Authority
Notes to Financial Statements
Year Ended June 30, 2016

6) CAPITAL ASSETS

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 99,788,528	\$ 444,312	\$	\$ 100,232,840
Total Capital Assets, Not Being Depreciated	<u>99,788,528</u>	<u>444,312</u>	<u>0</u>	<u>100,232,840</u>
Capital Assets, Being Depreciated:				
Vehicles	214,548		26,652	187,896
Office Furniture and Equipment	154,682	20,766	2,800	172,648
Building and Improvements	21,443,231	141,559	9,514,200	12,070,590
Infrastructure	<u>776,917</u>	<u></u>	<u></u>	<u>776,917</u>
Total Capital Assets, Being Depreciated	<u>22,589,378</u>	<u>162,325</u>	<u>9,543,652</u>	<u>13,208,051</u>
Less Accumulated Depreciation:				
Vehicles	(129,133)	(14,450)		(143,583)
Office Furniture and Equipment	(147,200)	(4,630)	(2,800)	(149,030)
Building and Improvements	(8,677,267)	(309,937)	(4,352,747)	(4,634,457)
Infrastructure	<u>(776,322)</u>	<u>(44)</u>	<u></u>	<u>(776,366)</u>
Total Accumulated Depreciation	<u>(9,729,922)</u>	<u>(329,061)</u>	<u>(4,355,547)</u>	<u>(5,703,436)</u>
Total Capital Assets, Being Depreciated, Net	<u>12,859,456</u>	<u>(166,736)</u>	<u>5,188,105</u>	<u>7,504,615</u>
Governmental Activities Capital Assets, Net of Depreciation	<u>\$ 112,647,984</u>	<u>\$ 277,576</u>	<u>\$ 5,188,105</u>	<u>\$ 107,737,455</u>

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:

 General Government \$ 329,061

March Joint Powers Authority
Notes to Financial Statements
Year Ended June 30, 2016

6) CAPITAL ASSETS - Continued

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 47,119,061	\$	\$	\$ 47,119,061
Beverage Rights	<u>17,518</u>			<u>17,518</u>
Total Capital Assets, Not Being Depreciated	<u>47,136,579</u>	<u>0</u>	<u>0</u>	<u>47,136,579</u>
Capital Assets, Being Depreciated:				
Office Furniture and Equipment	92,627			92,627
Building and Improvements	38,608,751	2,688,967		41,297,718
Infrastructure	<u>5,096,771</u>			<u>5,096,771</u>
Total Capital Assets, Being Depreciated	<u>43,798,149</u>	<u>2,688,967</u>	<u>0</u>	<u>46,487,116</u>
Less Accumulated Depreciation:				
Office Furniture and Equipment	(92,627)			(92,627)
Building and Improvements	(9,366,531)	(777,565)		(10,144,096)
Infrastructure	<u>(2,771,753)</u>	<u>(63,524)</u>		<u>(2,835,277)</u>
Total Accumulated Depreciation	<u>(12,230,911)</u>	<u>(841,089)</u>	<u>0</u>	<u>(13,072,000)</u>
Total Capital Assets, Being Depreciated, Net	<u>31,567,238</u>	<u>1,847,879</u>	<u>0</u>	<u>33,415,116</u>
Business-type Activities Capital Assets, Net of Depreciation	<u>\$ 78,703,817</u>	<u>\$ 1,847,878</u>	<u>\$ 0</u>	<u>\$ 80,551,695</u>

Depreciation was charged to functions/programs as follows:

Business-type Activities:	
March Inland Port Airport Authority	\$ 463,826
Green Acres	301,375
Golf Course	<u>75,888</u>
Total Depreciation Expense - Business-type Activities	<u>\$ 841,089</u>

March Joint Powers Authority
Notes to Financial Statements
Year Ended June 30, 2016

7) LONG-TERM OBLIGATIONS

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

<u>Description</u>	<u>Date of Issue</u>	<u>Year of Maturity</u>	<u>Rates of Interest</u>
Governmental			
Compensated Absences	N/A	N/A	N/A
Net OPEB Obligation	N/A	N/A	7.75%
Net Pension Liability	N/A	N/A	7.65%

Governmental Activities:

<u>Description</u>	<u>Beginning Balance</u>	<u>Obligations Incurred</u>	<u>Obligations Satisfied</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Compensated Absences (Note 1.N)	\$ 518,970	\$	\$ 184,931	\$ 334,039	\$ 66,808
Net OPEB Obligation (Note 14)	217,611	27,348	26,800	218,159	
Net Pension Liability (Note 12)	<u>737,037</u>	<u>503,712</u>	<u>365,754</u>	<u>874,995</u>	
Total Governmental Activities	<u>\$ 1,473,618</u>	<u>\$ 531,061</u>	<u>\$ 577,486</u>	<u>\$ 1,427,193</u>	<u>\$ 66,808</u>

Business-type Activities:

<u>Description</u>	<u>Beginning Balance</u>	<u>Obligations Incurred</u>	<u>Obligations Satisfied</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Loan Payable	\$ 1,127,140	\$	\$ 137,493	\$ 989,647	\$ 144,676
Net Pension Liability (Note 12)	<u>178,815</u>	<u>173,654</u>	<u>125,846</u>	<u>226,623</u>	
Total Business-type Activities	<u>\$ 1,305,955</u>	<u>\$ 173,654</u>	<u>\$ 263,339</u>	<u>\$ 1,216,270</u>	<u>\$ 144,676</u>

March Joint Powers Authority
Notes to Financial Statements
Year Ended June 30, 2016

7) LONG-TERM OBLIGATIONS - Continued

Loan Payable

Business-type Activities:

On February 1, 2012, the March Joint Powers Authority entered into an agreement for \$1,500,000 with Municipal Finance Corporation. The loan is being used to provide funding for the remodel of the golf course clubhouse building. Interest on the loan is payable on a quarterly basis. Interest on the loan accrues 5.125% per annum. Principal on the loan is payable in quarterly installments ranging from \$28,942 to \$47,552, commencing September 30, 2012 through June 30, 2022. The outstanding balance is \$989,647.

Total future debt requirements of the loan payable are as follows:

Year Ending June 30,	Principal	Interest	Total
2017	\$ 144,676	\$ 47,968	\$ 192,644
2018	152,235	40,410	192,645
2019	160,188	32,457	192,645
2020	168,557	24,088	192,645
2021	177,363	15,282	192,645
2022	186,628	6,016	192,644
Total	\$ 989,647	\$ 166,221	\$ 1,155,868

8) DEFICIT FUND BALANCES/NET POSITION

The Authority reported the following fund balance/net position deficit for the year ended June 30, 2016:

Fund	Amount
Major Fund	
Utility Authority	\$ (129,446)

Management is very much aware of the seriousness of the above deficit and is currently taking steps to eliminate it. This deficit is expected to be eliminated by future revenues.

9) OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES

Total expenditures exceeded total appropriations in the following fund:

	Appropriations	Expenditures	Difference
General Fund	\$ 6,099,300	\$ 6,619,478	\$ (520,178)

March Joint Powers Authority
Notes to Financial Statements
Year Ended June 30, 2016

10) OPERATING LEASES

During the year the Authority had the following lease activity:

<u>Leasee</u>	<u>Building(s)</u>	<u>Lease Date</u>	<u>Term</u>	<u>Amount Due</u>	<u>Renewal Options</u>
USVI	California Inn	10/2003	5 years	\$4,300 per month	(2) Five Year Periods
USVI	Homeless Shelter	10/2003	10 years ⁽¹⁾	\$6,400 per month	
CrossWord Christian Fellowship Church	Chapel #1	1/2005	30 years	\$8,362 per month	(2) Five Year Periods
March Field Museum Foundation	March Field Museum	4/2000	30 years	\$1 per year	(2) Ten Year Periods
Pyro Spectaculars	Weapons Storage Area	12/2015	1 year	\$17,237 per month	
Freeman Holdings of Riverside, LLC	Fuel Farm Facility	11/2010	10 years	\$4,396 per month	(2) Ten Year Periods
Freeman Holdings of Riverside, LLC	General Aviation Terminal	8/2014	6 years	\$1,637 per month	(2) Ten Year Periods
Verizon Wireless	Cell Tower Lease	5/2010	5 years	\$2,459 per month	(3) Five Year Periods

⁽¹⁾Currently, this lease is on a month to month basis.

⁽²⁾Under the sublease agreements the leasee will maintain the property.

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 2016, the Authority received \$51,243 in lease payments.

Global Port Ramp Services, LLC - In October 2004, the March Joint Powers Redevelopment Agency entered into a 48 year ground lease agreement with Global Port Ramp Services, 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, Global Port Ramp Services, LLC and Westcore Properties AC, LLC. In fiscal year 2016, the Authority received \$12,927 in lease payments. The lease was terminated in February 2016.

March Joint Powers Authority
Notes to Financial Statements
Year Ended June 30, 2016

10) 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. In 2016, the Authority received \$96,463 in lease payments.

11) RISK MANAGEMENT

General Liability Insurance

The Authority is a member of the Public Entity Risk Management Authority (PERMA) a joint powers Authority formed under Section 990 of the California Government Code for the purpose of jointly funding programs of insurance coverage for its members. The governing Board of Directors consists of one member from each participating agency.

The Authority has liability coverage as follows:

- A. \$1,000,000 inclusive of the Member's self-insured retention of \$0.
- B. \$24,000,000 in excess of Coverage A in accordance with the excess of Coverage A in accordance with the terms of the Memorandum of Liability Coverage for the California Joint Powers Risk Management Authority.

Workers Compensation Insurance

The Authority is insured up to \$1,000,000 per occurrence.

12) EMPLOYEES' RETIREMENT PLAN

A) General Information about the Pension Plans

Plan Description

All qualified permanent and probationary employees are eligible to participate in the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (Plan) administered by the California Public Employees' Retirement System (CalPERS). The Plan consists of individual rate plans (benefit tiers) within a safety risk pool (police and fire) and a miscellaneous risk pool (all other). Plan assets may be used to pay benefits for any employer rate plan of the safety and miscellaneous pools. Accordingly, rate plans within the safety or miscellaneous pools are not separate plans under GASB Statement No. 68. Individual employers may sponsor more than one rate plan in the miscellaneous or safety risk pools. The Authority sponsors two rate plans (two miscellaneous). Benefit provisions under the Plan are established by State statute and Authority resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding provisions, assumptions and membership information that can be found on the CalPERS website.

March Joint Powers Authority
Notes to Financial Statements
Year Ended June 30, 2016

12) EMPLOYEES' RETIREMENT PLAN - Continued

A) General Information about the Pension Plans - Continued

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of fulltime employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The rate plan provisions and benefits in effect at June 30, 2016, are summarized as follows:

	Miscellaneous	
	Prior to January 1, 2013	On or After January 1, 2013
Hire Date		
Benefit Formulas	2.0% at 55 2.7% at 55	2.0% at 62
Benefit Vesting Schedule	5 Years Service	5 Years Service
Benefit Payments	Monthly for Life	Monthly for Life
Retirement Age	50 - 55	52 - 67
Monthly Benefits, as a % of Eligible Compensation	2.0% - 2.7%	1.0% - 2.5%
Required Employee Contribution Rates	8%	6.25%
Required Employer Contribution Rates	10.958%	6.237%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Authority is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

The Authority's contributions to the Plan for the year ended June 30, 2016 were \$221,020.

March Joint Powers Authority
Notes to Financial Statements
Year Ended June 30, 2016

12) EMPLOYEES' RETIREMENT PLAN - Continued

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2016, the Authority reported a net pension liability for its proportionate share of the net pension liability of the Plan of \$1,101,618.

The Authority net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2015, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015 using standard update procedures. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The Authority's proportionate share of the net pension liability for the Plan as of June 30, 2014 and 2015 was as follows:

	<u>CalPERS Pension Plan</u>
Proportion - June 30, 2014	0.03706%
Proportion - June 30, 2015	0.04015%
Change - Increase (Decrease)	0.00309%

For the year ended June 30, 2016, the Authority recognized pension expense (credit) of (\$220,126). At June 30, 2016, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 221,020	\$
Differences between actual and expected experience	15,715	
Changes in assumptions		(148,677)
Change in employer's proportion and differences between the employer's contributions and the employer's Proportionate share of contributions	444,657	(36,679)
Net differences between projected and actual earnings on plan investments		(74,534)
	<u>\$ 681,392</u>	<u>\$ (259,890)</u>
Total	\$ 681,392	\$ (259,890)

March Joint Powers Authority
Notes to Financial Statements
Year Ended June 30, 2016

12) EMPLOYEES' RETIREMENT PLAN - Continued

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions - Continued

The Authority reported \$221,020 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflow of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30		
2017	\$	45,558
2018		43,351
2019		16,299
2020		95,274

Actuarial Assumptions

The total pension liabilities in the June 30, 2014 actuarial valuations were determined using the following actuarial assumptions:

	CalPERS Pension Plan
Valuation Date	June 30, 2014
Measurement Date	June 30, 2015
Actuarial Cost Method	
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Projected Salary Increase	3.3% - 14.2% ⁽¹⁾
Investment Rate of Return	7.65% ⁽²⁾
Mortality	CalPERS Membership Data ⁽³⁾

⁽¹⁾ Depending on age, service and type of employment

⁽²⁾ Net of pension plan investment expenses, including inflation

⁽³⁾ The Mortality Rate Table was derived using CalPER's membership data for all funds. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report from the CalPERS website.

All other actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period 1997 to 2011 including updates to salary increase, mortality and retirement rates. The Experience Study can be found on the CalPERS website.

March Joint Powers Authority
Notes to Financial Statements
Year Ended June 30, 2016

12) EMPLOYEES' RETIREMENT PLAN - Continued

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions - Continued

Discount Rate

The discount rate used to measure the total pension liability was 7.65% for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.65 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.65 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above the rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation shown was adopted by the CalPERS Board effective on July 1, 2014.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10(a)	Real Return Years 11+(b)
Global Equity	51.0%	5.25%	5.71%
Global Fixed Income	19.0%	0.99%	2.43%
Inflation Sensitive	6.0%	0.45%	3.36%
Private Equity	10.0%	6.83%	6.95%
Real Estate	10.0%	4.50%	5.13%
Infrastructure and Forestland	2.0%	4.50%	5.09%
Liquidity	2.0%	-0.55%	-1.05%
Total	100%		

(a) An expected inflation of 2.5% used for this period.

(b) An expected inflation of 3.0% used for this period.

March Joint Powers Authority
Notes to Financial Statements
Year Ended June 30, 2016

12) EMPLOYEES' RETIREMENT PLAN - Continued

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions - Continued

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

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

	<u>CalPERS Pension Plan</u>
1% Decrease	6.65%
Net Pension Liability	\$ 1,847,490
Current Discount Rate	7.65%
Net Pension Liability	\$ 1,101,618
1% Increase	8.65%
Net Pension Liability	\$ 485,814

Pension Plan Fiduciary Net Position

Detailed information about the Plan's fiduciary net position is available in the separately issued CalPERS financial reports.

13) DEFERRED COMPENSATION PLAN

On August 20, 1996, the provisions of Internal Revenue Code (IRC) Section 457 were amended to require new plans to place all assets and income of the Plan in trust for the exclusive benefit of participants and their beneficiaries. Plans in existence as of the date of this change must place the Plan assets and income in trust by January 1, 1999. Once the assets and income are placed in trust the Authority no longer owns the amounts deferred by employees and related income. Prior to this IRC Section 457 Amendment, the deferred amounts and related income remained as property of the Authority until withdrawn by the employee.

During the 1997-98 fiscal years, March Joint Powers Authority created its Deferred Compensation Plan with assets and related income in trust as allowed by IRC Section 457 and as a result the asset and corresponding liability are not presented in these financial statements.

March Joint Powers Authority
Notes to Financial Statements
Year Ended June 30, 2016

14) OTHER POST EMPLOYMENT BENEFITS

Plan Description

The Authority's defined benefit postemployment healthcare plan, (JPA Retiree Healthcare Plan "JRHP"), provides medical benefits to eligible retired employees and qualified dependents. JRHP is part of the Public Agency portion of the California Employers' Retiree Benefit Trust Fund (CERBT), an agent multiple-employer plan administered by California Public Employees' Retirement System (CalPERS), which acts as a common investment and administrative agent for participating public employers within the State of California. A menu of benefit provisions as well as other requirements is established by State statute within the Public Employees' Retirement Law. JRHP selects optional benefit provisions from the benefit menu by contract with CalPERS. CalPERS issues a Comprehensive Annual Financial Report (CAFR). The CAFR is issued in aggregate and includes the sum of all CalPERS plans. Copies of the CalPERS CAFR may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814.

Funding Policy

The contribution requirements of plan members and the Authority are established and may be amended by the Joint Powers Commission. The Authority contributes the CalPERS minimum monthly contribution for the retiree or surviving dependent.

The Authority is required to contribute the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed twenty years. ARC rate is 2% of the annual covered payroll. The plan is financed on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation

The following table shows the components of the Authority's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Authority's Net OPEB obligation to the Retiree Health Plan:

Annual Required Contribution	\$ 11,028
Interest on Net OPEB Obligation	16,320
Adjustments to Annual Required Contribution	<u>0</u>
Annual OPEB Cost (Expense)	27,348
Contributions Made	<u>(26,800)</u>
Increase (Decrease) in Net OPEB Obligation	548
Net OPEB Obligation - Beginning of Year	<u>217,611</u>
Net OPEB Obligation - End of Year	<u><u>\$ 218,159</u></u>

March Joint Powers Authority
Notes to Financial Statements
Year Ended June 30, 2016

14) OTHER POST EMPLOYMENT BENEFITS - Continued

Annual OPEB Cost and Net OPEB Obligation - Continued

For 2016, the Authority's annual OPEB cost (expense) of \$27,348 for the Authority was equal to the ARC. The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2016 and the two preceding years were as follows:

THREE YEAR TREND INFORMATION FOR JRHP			
Fiscal Year	Annual OPEB Cost (AOC)	Percentage of AOC Contributed	Net OPEB Obligation
6/30/14	\$ 40,918	65.0%	\$ 202,434
6/30/15	\$ 41,977	63.8%	\$ 217,611
6/30/16	\$ 27,348	98.0%	\$ 218,159

Funded Status and Funding Progress

The funded status of the plan as of July 1, 2015, was as follows:

Actuarial Accrued Liability (AAL)	\$ 139,007
Actuarial Value of Plan Assets	\$ 115,625
Unfunded Actuarial Accrued Liability (UAAL)	\$ 23,382
Funded Ratio (Actuarial Value of Plan Assets/AAL)	83.18%
Covered Payroll (Active Plan Members)	\$ 1,348,405
UAAL as a Percentage of Covered Payroll	1.73%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

March Joint Powers Authority
Notes to Financial Statements
Year Ended June 30, 2016

14) OTHER POST EMPLOYMENT BENEFITS - Continued

Actuarial Methods and Assumptions - Continued

The following is a summary of the actuarial assumptions and methods:

Valuation Date	July 1, 2015
Funding Method	Entry Age Normal
Inflation	2.75% per year
Discount Rate/Investment Return	7% per annum
Health Care Cost Trend	4% per year
Payroll Increase	2.75% per year
Mortality Rates	2014 CalPERS Active Mortality for Miscellaneous Employees
Retirement Rates	CalPERS Rates (by attained age and years of service)

15) COMMITMENTS AND CONTINGENCIES

The Authority is involved with various potential litigation matters. In the opinion of management and legal counsel, the disposition of all litigation pending will not have a material effect on the financial condition of the Authority.

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 Authority expects such amounts, if any, to be immaterial.

The Authority and the former March Joint Powers Redevelopment Agency have entered into developer agreements to attract new business to the areas formerly known as March Air Force Base. The following represents the Authority's significant commitments with certain developers.

LNR Riverside, LLC

On December 28, 2001, the West March Disposition and Development Agreement was entered into between the March Joint Powers Redevelopment Agency, LNR Riverside, LLC and the March Joint Powers Authority. The agreement is to develop 1,290 acres of property as West March Business Park. In consideration for the Agency transferring the property to LNR, in accordance with the agreement, LNR agrees to incur substantial costs in developing the property, including but not limited to installation of public infrastructure to service the property. The expected cost of such infrastructure will exceed \$100 million during the term of the agreement. The Agency will benefit from LNR's development of the property, as a result of sales and other tax revenues generated by the property and project and the jobs created by the project. No provision has been made for this commitment on the combined financial statements, as the project is not complete.

March Joint Powers Authority
Notes to Financial Statements
Year Ended June 30, 2016

15) COMMITMENTS AND CONTINGENCIES - Continued

March Healthcare Development, LLC

On April 7, 2010, the March Lifecare Campus Disposition and Development Agreement was entered into between the March Joint Powers Redevelopment Agency and March Healthcare Development, LLC (MHD). In consideration for the Agency transferring the property to MHD, MHD will pay fair market value for the property as defined in the Disposition and Development Agreement. The Agency will benefit from March Healthcare's development of the property, as a result of sales and other tax revenues generated by the property and project and the jobs the project will create. The Agency will reimburse the Developer for the cost of certain Horizontal Improvements pursuant to the Agency Note in the principal amount of Twenty Million, Five Hundred Thousand Dollars (\$20,500,000), together with interest thereon at six percent (6%) per annum, payable from 80% of Net Property Tax Increment generated solely by the March LifeCare Campus project. Currently, no provision has been made for this commitment on the financial statements, as the project is not complete.

16) SUCCESSOR AGENCY FOR ASSETS OF FORMER REDEVELOPMENT AGENCY

On December 29, 2011, the California Supreme Court upheld Assembly Bill 1X 26 ("the Bill") that provides for the dissolution of all redevelopment agencies in the State of California. This action impacted the reporting entity of March Joint Powers Authority that previously had reported a redevelopment agency within the reporting entity of the Authority as a blended component unit. The Bill provides that upon dissolution of a redevelopment agency, either the Authority or another unit of local government will agree to serve as the "successor agency" to hold the assets until they are distributed to other units of state and local government. On January 18, 2012, the Joint Powers Commission elected to become the Successor Agency for the former redevelopment agency in accordance with the Bill as part of Authority Resolution Number JPA 12-04. In accordance with the timeline set forth in the Bill (as modified by the California Supreme Court on December 29, 2011) all redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity as of February 1, 2012.

After enactment of the law, which occurred on June 28, 2011, redevelopment agencies in the State of California cannot enter into new projects, obligations or commitments. Subject to the control of a newly established oversight board, remaining assets can only be used to pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments). In future fiscal years, successor agencies will only be allocated revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the former redevelopment agency until all enforceable obligations of the prior redevelopment agency have been paid in full and all assets have been liquidated.

March Joint Powers Authority
Notes to Financial Statements
Year Ended June 30, 2016

16) SUCCESSOR AGENCY FOR ASSETS OF FORMER REDEVELOPMENT AGENCY - Continued

Successor Agency Long-term Obligations

The following is a summary of the changes in the Successor Agency long-term obligations for the year:

Description	Beginning Balance	Obligations Incurred	Obligations Satisfied	Ending Balance
Loans Payable	\$ 3,226,972	\$	\$ 730,288	\$ 2,496,684
2011 Series A Tax Allocation Bond	22,250,000		315,000	21,935,000
2011 Series B Tax Allocation Bond	<u>9,200,000</u>		<u>130,000</u>	<u>9,070,000</u>
Total Long-term Obligations	<u>\$ 34,676,972</u>	<u>\$ 0</u>	<u>\$ 1,175,288</u>	<u>\$ 33,501,684</u>

Loans Payable

The aforementioned loans were made by the March Joint Powers Authority (the "Authority") to provide operating funds to the former March Joint Powers Redevelopment Agency. The loans will be repaid from tax increment at such time as excess funds exist. The balance outstanding as of June 30, 2016 for all loans is \$2,496,684.

Date	Interest Rate	Amount of Issue	Outstanding at End of Year
June 20, 2007	5%	\$ 700,000	\$ 474,898
June 18, 2008	5%	850,000	699,440
June 17, 2009*	5%	600,000	443,009
March 17, 2010	5%	500,000	341,972
February 17, 2011	5%	<u>700,000</u>	<u>537,365</u>
Total		<u>\$ 3,350,000</u>	<u>\$ 2,496,684</u>

*This note payable was approved in 2009 for the 2010 fiscal year.

2011 Tax Allocation Bonds - Series A

On February 22, 2011, the former March Joint Powers Redevelopment Agency issued \$23,135,000 2011 Tax Allocation Bonds, Series A. The proceeds of these bonds will be used to finance redevelopment projects and debt related costs. Interest on the bond is payable August 1st and February 1st of each year. Interest on the bond accrues at rates varying from 2.375% to 6.750% per annum. Principal on the serial bonds is payable in annual installations ranging from \$285,000 to \$1,785,000, commencing August 1, 2011 through August 1, 2041. At June 30, 2016, the Successor Agency has a cash reserve balance for debt service of \$1,919,919 which is sufficient to cover the Bond Indenture Requirement.

March Joint Powers Authority
Notes to Financial Statements
Year Ended June 30, 2016

16) SUCCESSOR AGENCY FOR ASSETS OF FORMER REDEVELOPMENT AGENCY - Continued

2011 Tax Allocation Bonds - Series A - Continued

The outstanding balance is \$21,935,000.

Year Ending June 30,	Principal	Interest	Total
2017	\$ 335,000	\$ 1,576,334	\$ 1,911,334
2018	350,000	1,558,344	1,908,344
2019	370,000	1,538,300	1,908,300
2020	390,000	1,515,962	1,905,962
2021	415,000	1,491,294	1,906,294
2022-2026	2,510,000	6,985,375	9,495,375
2027-2031	3,540,000	5,924,944	9,464,944
2032-2036	5,025,000	4,370,481	9,395,481
2037-2041	7,215,000	2,100,938	9,315,938
2042	<u>1,785,000</u>	<u>66,938</u>	<u>1,851,938</u>
Total	<u>\$ 21,935,000</u>	<u>\$ 27,128,910</u>	<u>\$ 49,063,910</u>

2011 Tax Allocation Bonds - Series B

On February 22, 2011, the former March Joint Powers Redevelopment Agency issued \$9,565,000 2011 Tax Allocation Bonds, Series B. The proceeds of these loans will be used to finance redevelopment projects and debt related costs. Interest on the bond is payable August 1st and February 1st of each year. Interest on the bond accrues at rates varying from 2.375% to 6.750% per annum. Principal on the serial bonds is payable in annual installments ranging from \$120,000 to \$740,000, commencing August 1, 2011 through August 1, 2041. At June 30, 2016, the Successor Agency has a cash reserve balance for debt service of \$795,500 which is sufficient to cover the Bond Indenture Requirement. The outstanding balance is \$9,070,000.

Year Ending June 30,	Principal	Interest	Total
2017	\$ 140,000	\$ 651,844	\$ 791,844
2018	145,000	644,359	789,359
2019	150,000	636,150	786,150
2020	160,000	627,038	787,038
2021	170,000	616,925	786,925
2022-2026	1,035,000	2,890,438	3,925,438
2027-2031	1,460,000	2,453,056	3,913,056
2032-2036	2,085,000	1,809,863	3,894,863
2037-2041	2,985,000	869,438	3,854,438
2042	<u>740,000</u>	<u>27,750</u>	<u>767,750</u>
Total	<u>\$ 9,070,000</u>	<u>\$ 11,226,861</u>	<u>\$ 20,296,861</u>

March Joint Powers Authority
Notes to Financial Statements
Year Ended June 30, 2016

16) SUCCESSOR AGENCY FOR ASSETS OF FORMER REDEVELOPMENT AGENCY - Continued

Contingencies

Management believes, in consultation with legal counsel, that the obligations of the former redevelopment agency due to the Authority are valid enforceable obligations payable by the successor agency trust under the requirements of the Bill. The Authority's position on this issue is not a position of settled law and there is considerable legal uncertainty regarding this issue. It is reasonably possible that a legal determination may be made at a later date, by an appropriate judicial authority, that would resolve this issue unfavorably to the Authority.

17) SUBSEQUENT EVENTS

2016 Tax Allocation Refunding Bonds - Series A

On September 28, 2016, the Successor Agency to the March Joint Powers Redevelopment Agency issued \$33,095,000 2016 Tax Allocation Refunding Bonds, Series A. The proceeds of these bonds will be used to (i) to refinance the 2011 Tax Allocation Revenue Bonds Series A & B, (ii) to satisfy the reserve requirement, and (iii) to pay costs of issuance of the bonds. Interest on the bond is payable August 1st and February 1st of each year. Interest on the bond accrues at rates varying from 1.5% to 5% per annum. Principal on the serial bonds is payable in annual installments ranging from \$840,000 to \$2,030,000, commencing August 1, 2017 through August 1, 2041.

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REQUIRED SUPPLEMENTARY INFORMATION

March Joint Powers Authority
Schedule of the Authority's Proportionate Share of the Net Pension Liability
CalPERS Pension Plan
Last Ten Years*
As of June 30, 2016

	2016	2015
Proportion of the Net Pension Liability	0.04015%	0.01472%
Proportionate Share of the Net Pension Liability	\$ 1,101,618	\$ 915,852
Covered - Employee Payroll	\$ 1,348,405	\$ 1,260,979
Proportionate Share of the Net Pension Liability as Percentage of Covered-Employee Payroll	81.70%	72.63%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	79.18%	80.60%

Notes to Schedule:

Benefit Changes. In 2016, there was no benefit terms modified.

Changes in Assumptions. In 2016, there was a change in assumptions regarding the discount rate. GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.50 percent used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65 percent used for June 30, 2015 measurement date is without reduction of pension plan administrative expense.

Plan's Fiduciary Net Position. The Plan's Fiduciary Net Position is based on the Authority's proportionate share of the CalPERS Miscellaneous Risk Pool.

*- Fiscal year 2015 was the 1st year of implementation, therefore only two years are shown.

**March Joint Powers Authority
Schedule of Contributions
CalPERS Pension Plan
Last Ten Years*
As of June 30, 2016**

	<u>2016</u>	<u>2015</u>
Contractually Required Contribution (actuarially determined)	\$ 221,020	\$ 246,125
Contributions in Relation to the Actuarially determined contribution	<u>(221,020)</u>	<u>(246,125)</u>
Contribution Deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>
Covered-employee Payroll	\$ 1,262,182	\$ 1,348,405
Contributions as a Percentage of Covered-employee Payroll	17.51%	18.25%

*- Fiscal year 2015 was the 1st year of implementation, therefore only two years are shown.

March Joint Powers Authority
Schedule of Funding Progress for JRHP
June 30, 2016

Schedule of Funding Progress for JRHP

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Entry Age (B)	Unfunded AAL (UAAL) (B - A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll [(B-A)/C]
07/01/11	\$ -	\$ 145,377	\$ 145,377	0%	\$ 1,281,440	11.34%
07/01/13	\$ 51,800	\$ 188,316	\$ 136,516	27.51%	\$ 1,317,764	10.36%
07/01/15	\$ 115,625	\$ 139,007	\$ 23,382	83.18%	\$ 1,348,405	1.73%

March Joint Powers Authority
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget to Actual - General Fund
Year Ended June 30, 2016

	Budgeted Amounts			Variance
	Original	Final	Actual	Favorable (Unfavorable)
REVENUES				
Taxes	\$ 600,000	\$ 600,000	\$ 818,446	\$ 218,446
Intergovernmental Revenues	2,396,000	2,586,000	2,014,733	(571,267)
Licenses, Permits and Fees	526,500	1,251,500	1,383,580	132,080
Investment Earnings	3,500	27,100	62,424	35,324
Lease Revenue	771,000	803,000	910,080	107,080
Other Revenue	144,000	233,000	373,106	140,106
Total Revenues	4,441,000	5,500,600	5,562,369	61,769
EXPENDITURES				
Current:				
Administration	256,100	249,700	216,695	33,005
Bad Debt			218,083	(218,083)
Salaries and Benefits	1,488,100	1,591,400	1,580,714	10,686
Police Patrols/Security	177,500	177,500	178,602	(1,102)
Contractual/Professional Services	122,200	129,200	129,580	(380)
Project Improvement Costs	2,466,000	2,461,000	2,701,761	(240,761)
Legal	156,000	149,000	147,905	1,095
Planning	317,000	685,000	863,074	(178,074)
Maintenance and Lease Services	161,500	133,500	101,177	32,323
Buildings and Grounds Maintenance	41,000	66,000	79,455	(13,455)
Capital Outlay	52,000	457,000	402,432	54,568
Total Expenditures	5,237,400	6,099,300	6,619,478	(520,178)
Excess of Revenues Over (Under) Expenditures	(796,400)	(598,700)	(1,057,109)	(458,409)
OTHER FINANCING SOURCES (USES)				
Transfers In	225,000	225,000	329,500	104,500
Sale of Capital Assets	1,000,000	200,000		(200,000)
Total Other Financing Sources (Uses)	1,225,000	425,000	329,500	(95,500)
Net Change in Fund Balance	\$ 428,600	\$ (173,700)	(727,609)	\$ (553,909)
Fund Balance, Beginning			16,396,013	
Fund Balance, Ending			\$ 15,668,404	

March Joint Powers Authority
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget to Actual - Special Revenue - Meridian LLMD No. 1
Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
REVENUES				
Special Assessments	\$ 888,982	888,982	\$ 889,077	\$ 95
Total Revenues	888,982	888,982	889,077	95
EXPENDITURES				
Current:				
Administration	63,200	13,000	6,619	6,381
Salaries and Benefits	115,000	165,200	164,569	631
Contractual/Professional Services	755,600	756,600	700,547	56,053
Capital Outlay	18,200	17,200	7,864	9,336
Total Expenditures	952,000	952,000	879,599	72,401
Excess of Revenues Over (Under) Expenditures	\$ (63,018)	\$ (63,018)	9,478	\$ 72,496
Fund Balance, Beginning			708,162	
Fund Balance, Ending			\$ 717,640	

March Joint Powers Authority
Notes to Required Supplementary Information
June 30, 2016

1. BUDGETARY DATA

The Authority uses the following procedures in establishing the budgetary data reflected in the financial statements:

1. The budget is prepared on a triennial basis, every three years.
2. Before the beginning of each triennial budget cycle, the Executive Director submits to the Finance Committee a proposed budget for the year commencing the following July 1 and the next two fiscal years.
3. The committee reviews the proposed budget and approves submittal to the Commission.
4. The budget is subsequently adopted through passage of a resolution by the Commission.
5. All appropriated amounts are as originally adopted or as amended by the Commissioners and lapse at each fiscal year-end.
6. Original appropriations are modified by supplementary appropriations and transfers among budget categories. The Commission approves all significant changes.
7. Formal budgetary integration is employed as a management control device during the year for the General, Special Revenue and Capital Project Funds.
8. Budgets for the General, Special Revenue and Capital Project Funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America.
9. Budget information is presented for the General, Special Revenue and Capital Project Fund Types. Formal budgeting policies are not required for the Debt Service Fund.

MARCH JOINT POWERS AUTHORITY
Riverside, California

SINGLE AUDIT REPORT ON
FEDERAL AWARD PROGRAMS

Year Ended June 30, 2016

MARCH JOINT POWERS AUTHORITY
SINGLE AUDIT REPORT ON FEDERAL AWARD PROGRAMS
Year Ended June 30, 2016

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**Independent Auditors' Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

March Joint Powers Commission
March Joint Powers Authority
Riverside, 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 the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the March Joint Powers Authority (the "Authority"), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated _____, 2016.

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 the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 Authority'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 of 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*.

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 Authority'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Riverside, California

_____, 2016

**Independent Auditors' Report on Compliance for Each Major Program and on
Internal Control Over Compliance Required by the Uniform Guidance**

March Joint Powers Commission
March Joint Powers Authority
Riverside, California

Report on Compliance for Each Major Federal Program

We have audited the March Joint Powers Authority (the "Authority") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended June 30, 2016. The Authority's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of

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compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

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

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

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the March Joint Powers Authority as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements. We issued our report thereon dated _____, 2016, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on those financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and the other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Riverside, California
_____, 2016

MARCH JOINT POWERS AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2016

<u>Federal Grantor/Pass-Through Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>Grant/Contract Number</u>	<u>Expenditures</u>
<u>United States Department of Transportation:</u>			
Airport Improvement Project	20.106	03-06-0201-011-2015	\$ 2,485,214
Subtotal			<u>2,485,214</u>
<u>United States Department of Commerce:</u>			
Economic Adjustment Assistance	11.307	07-49-06365	<u>301,856</u>
Subtotal			<u>301,856</u>
Total Expenditures of Federal Awards			<u>\$ 2,787,070</u>

MARCH JOINT POWERS AUTHORITY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2016

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES APPLICABLE TO THE SCHEDULE OF FEDERAL AWARDS

a) Scope of Presentation

The accompanying schedule presents only the expenditures incurred (and related awards received) by the March Joint Powers Authority (the "Authority") that are reimbursable under programs of federal agencies providing financial assistance. For the purpose of this schedule, financial assistance includes both federal financial assistance received directly from a federal agency, as well as federal funds received indirectly by the Authority from a non-federal agency or other organization. Only the portion of the program expenditures reimbursable with such federal funds is reported in the accompanying schedule. Program expenditures in excess of the maximum federal reimbursement authorized or the portion of the program expenditures that were funded with state, local or other non-federal funds are excluded from the accompanying schedule.

b) Basis of Accounting

The expenditures included in the accompanying schedule were reported on the accrual basis of accounting. Under the accrual basis of accounting, expenditures are recognized in the period incurred. Expenditures reported include any property or equipment acquisitions incurred under the federal program.

c) Major Programs

The Authority had one major program for the year ended June 30, 2016, consisting of expenditures from several grants from the United States Department of Transportation. The major programs had disbursements of \$2,485,214. This amount calculates to 89% of the total disbursements from federal awards. The Authority did meet the requirements to be a low risk auditee. Therefore, the Authority's major programs have to cover at least 25 percent of the total expenditures of federal awards.

d) Indirect Cost Rate

The Authority has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

e) Relationship to Basic Financial Statements

Federal award expenditures agree or can be reconciled with the amounts reported in the Authority's financial statements.

MARCH JOINT POWERS AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2016

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of Auditors' Report Issued: Unqualified

Internal Control Over Financial Reporting:

Material Weakness(es) Identified? No

Significant Deficiency(ies) Identified not Considered
to be Material Weaknesses? No

Noncompliance Material to Financial Statements Noted? No

Federal Awards

Internal Control Over Major Programs:

Material Weakness(es) Identified? No

Significant Deficiency(ies) Identified not Considered
to be Material Weaknesses? No

Type of Auditors' Report Issued on Compliance for
Major Programs: Unqualified

Any Audit Findings Disclosed that are Required to be Reported in
Accordance With 2 CFR Section 200.516(a) No

Identification of Major Programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>20.106</u>	<u>Airport Improvement Project</u>

Dollar Threshold used to Distinguish Between Type A
and Type B Programs: \$ 750,000

Auditee Qualified as Low-Risk Auditee? Yes

MARCH JOINT POWERS AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2016

SECTION II - FINANCIAL STATEMENT FINDINGS

There were no auditors' findings required to be reported in accordance with the Uniform Guidance.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no auditors' findings required to be reported in accordance with the Uniform Guidance.

MARCH JOINT POWERS AUTHORITY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2016

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

There are no auditors' findings in the prior year required to be reported in accordance with *Government Auditing Standards* or with paragraph .510(a) of OMB Circular A-133.

March Joint Powers Commission
March Joint Powers Authority
Riverside, CA

We have audited the financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the March Joint Powers Authority (the "Authority") for the year ended June 30, 2016. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 16, 2016. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Authority are described in Note 1 to the financial statements. As described in Note 1 to the financial statements, the Authority changed accounting policies related to Statement of Governmental Accounting Standards (GASB Statement) No. 72, *Fair Value Measurements and Application* in the 2016 fiscal year. Accordingly, there is an additional note disclosure on fair value measurements in the financial statements. We noted no transactions entered into by the Authority during the year for which there is a lack of authoritative, guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Management's estimate of the fair value of investments is based on information provided by financial institutions. We evaluated the key factors and assumptions used to develop the fair value of investments in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of capital assets depreciation is based on historical estimates of each capitalized item's useful life. We evaluated the key factors and assumptions used to develop the capital assets depreciation in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the net pension liability and related pension deferred outflows and inflows of resources are based on an actuarial valuation and pension contributions made during the year. We evaluated the key factors and assumptions used to develop the net pension liability and related pension deferred outflows and inflows of resources in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the net other postemployment benefits (OPEB) obligation is based on an actuarial valuation. We evaluated the key factors and assumptions used to develop the net OPEB obligation in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

The disclosure of the fair value of investments in Notes 2 and 3 to the financial statements represents amounts susceptible to market fluctuation.

The disclosure of capital assets in Note 6 to the financial statements is based on historical information which could differ from actual useful lives of each capitalized item.

The disclosure of the employees' retirement plan, net pension liability and related pension deferred outflows and resources in Note 12 to the financial statements represents management's estimate based on an actuarial valuation and pension contributions made during the year. Actual results could differ depending on the key factors and assumptions used for the actuarial valuation.

The disclosure of other postemployment benefits and the net OPEB obligation in Note 14 to the financial statements represents management's estimate based on an actuarial valuation. Actual results could differ depending on the key factors and assumptions used for the actuarial valuation.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The following material misstatements detected as a result of audit procedures were corrected by management: Capital assets transactions, long-term debt transactions, receivables and accrued liabilities.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated _____, 2016.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the Authority’s financial statements or a determination of the type of auditors’ opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Authority’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the schedule of the Authority’s proportionate share of the net pension liability, schedule of contributions, schedule of funding progress for JRHP, required budget to actual schedules and notes to required supplementary information, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restriction on Use

This information is intended solely for the use of the March Joint Powers Commission and management of the Authority and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Danielle Wheeler, Executive Director
March Joint Powers Authority
Riverside, California

We have performed the procedures enumerated below, which were agreed to by the March Joint Powers Authority (the "Authority"), solely to assist the Authority's senior management in evaluating the revenues of the General Old Golf Course (the "Golf Course") as reported to the Authority for the year ended June 30, 2016. The Authority's senior management is responsible for the accounting records. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the those parties specified in the report, the Authority's senior management. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures performed and our findings were as follows:

1. Obtain an understanding of the types of revenues generated by the General Old Golf Course (the "Golf Course") managed by Donovan Brothers Golf Inc.

Findings: No exceptions were noted as a result of our procedures.

2. Obtain starter records for the year and determine the number of rounds played each month and for the year:

Findings: *See Exhibit 1.*

3. Prepare a trend analysis for (5) years on the number of rounds of golf played each year.

Findings: *See Exhibit 1.*

4. Compare starter records to green fee revenue for a sample of 7 days.

Findings: No exceptions were noted as a result of our procedures within a 5 round/player variance from the starter records to green fee revenue.

5. Using starter records, calculate the average green fee by dividing the number of patrons into the green fee revenue for each month for the fiscal year ending June 30, 2016.

Findings: *See Exhibit 1.*

6. Compare the average calculated in step 5 to the range of fees collected for green fees.

Findings: No exceptions were noted as a result of our procedures.

7. Compare the green fees collected each month to the Course expenses each month for the fiscal year ending June 30, 2016.

Findings: *See Exhibit 2.*

8. Using the June 30 reports from Donovan Brothers Golf Inc., prepare a five year trend analysis for each revenue.

Findings: *See Exhibit 3.*

9. Calculate the gross profit margin at June 30 for merchandise, food and beverage sales and prepare a five (5) year trend analysis.

Findings: *See Exhibits 4 and 5.*

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion on the accounting records relating to the revenues of the Golf Course. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of the senior management of the March Joint Powers Authority and is not intended and should not be used by anyone other than those specified parties.

_____, 2016

**GENERAL OLD GOLF COURSE
FIVE YEAR TREND ANALYSIS OF ROUNDS PLAYED AND GREEN FEES**

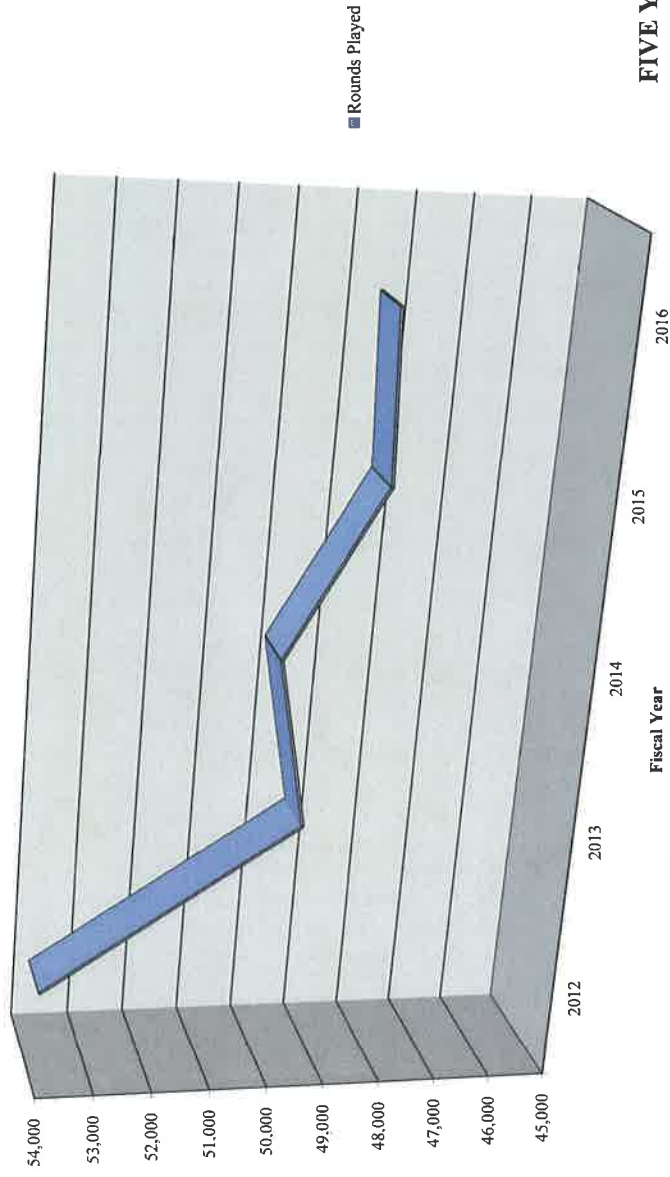
	Fiscal Year Ending					June 30, 2016	
	June 30, 2012	June 30, 2013	June 30, 2014	June 30, 2015	June 30, 2016	Green Fees Collected ³	Average Green Fee Collected (per patron) ²
Rounds Played:							
July	5,703	4,749	4,332	4,487	4,459	\$ 82,991.80	\$ 18.61
August	5,254	3,885	4,658	4,444	4,073	77,672.40	19.07
September	4,742	3,643	3,955	3,861	3,858	74,322.00	19.26
October	5,126	4,159	4,007	4,165	3,934	74,544.96	18.95
November	4,134	3,864	3,803	3,873	3,839	78,192.00	20.37
December	3,920	3,115	3,563	3,060	3,482	72,302.40	20.76
January	3,944	3,788	4,185	3,668	3,454	68,909.40	19.95
February	3,907	4,004	3,888	3,928	4,037	78,170.40	19.36
March	3,891	4,314	4,018	4,172	4,206	79,326.20	18.86
April	4,068	4,674	4,235	4,360	4,188	77,093.40	18.41
May	4,482	4,529	4,385	4,176	4,897	93,069.54	19.01
June	4,693	4,806	5,106	4,348	4,263	77,944.95	18.28
Total	53,864	49,530	50,135	48,542	48,690	\$ 934,539.45	\$ 19.19

Green Fees

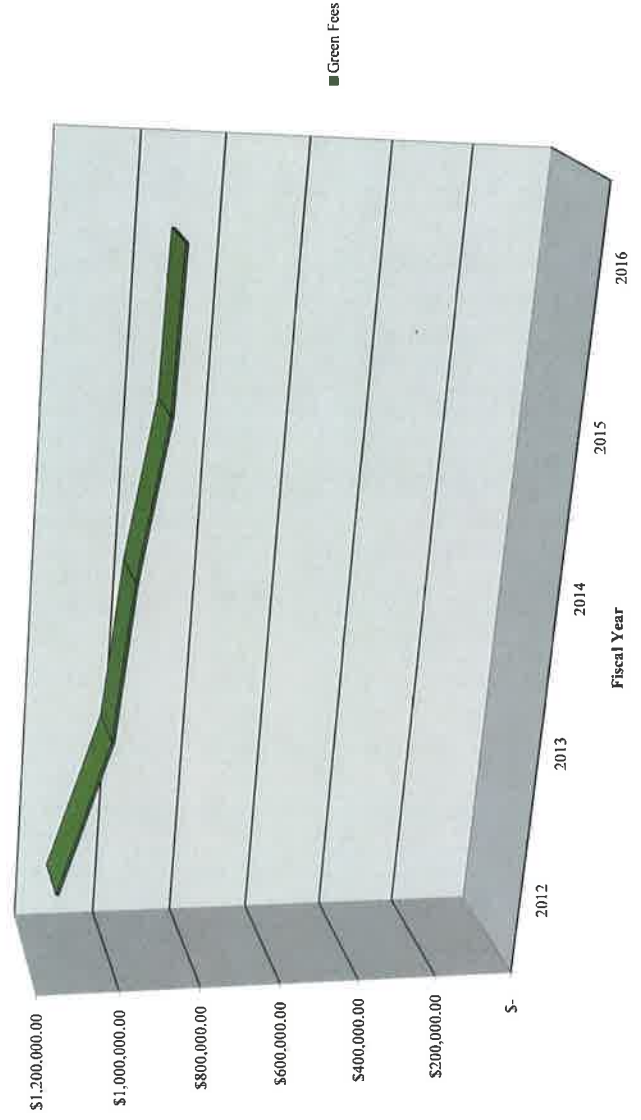
Collected:³	\$ 1,141,949.00	\$ 1,029,882.79	\$ 997,735.23	\$ 940,978.09	\$ 934,539.45
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- (1) Source: Donovan Bros. Golf, Inc.
(2) Number of Patrons were estimated per round (1 round = 1 patron)
(3) Green Fee rates vary by Public, Military, Weekday, Weekends, Golf Now, etc.

FIVE YEAR TREND OF ROUNDS PLAYED



FIVE YEAR TREND OF GREEN FEES COLLECTED



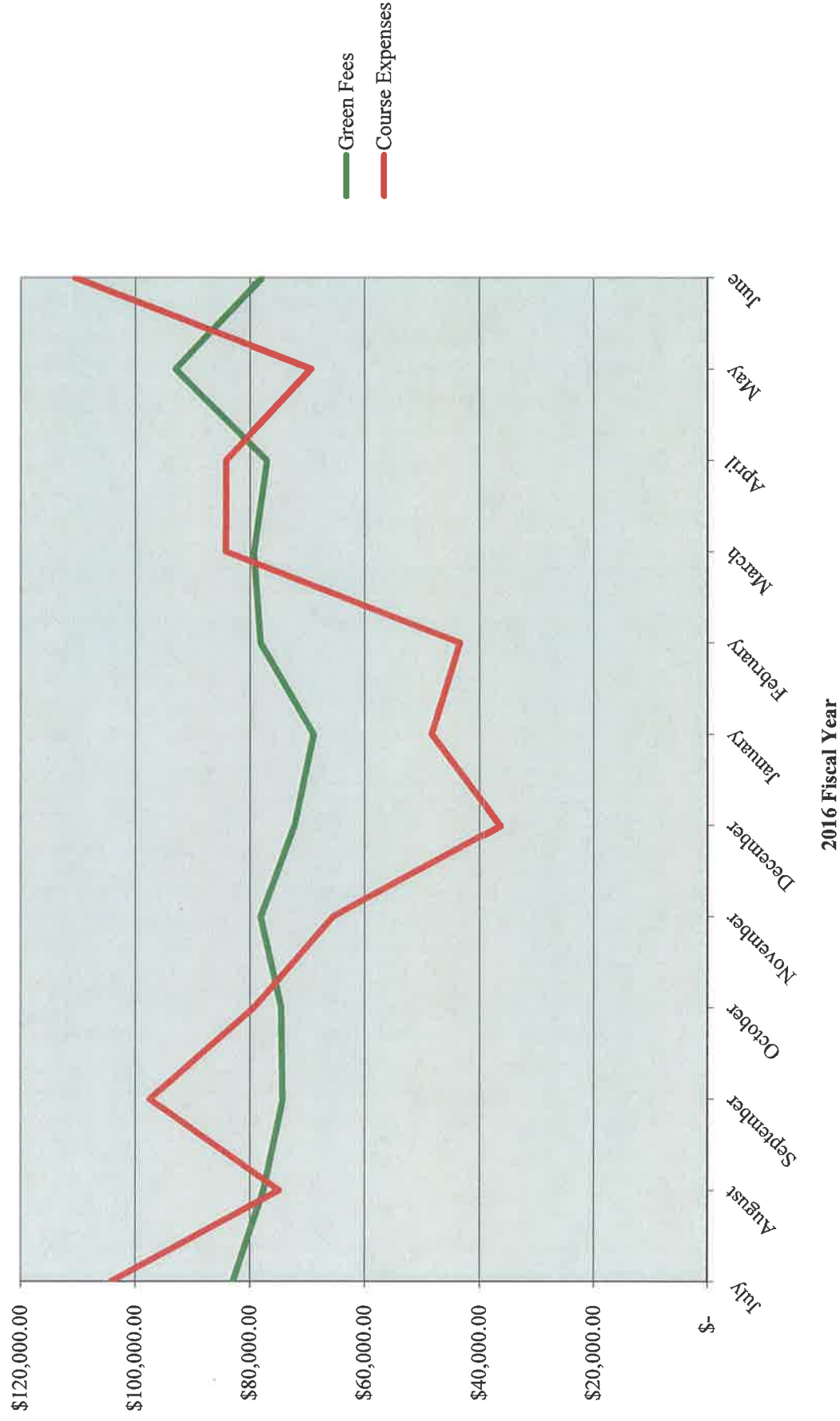
**GENERAL OLD GOLF COURSE
COMPARISON OF GREEN FEES AND COURSE EXPENSES**

<i>June 30, 2016</i>			
	<i>Green Fees</i>	<i>Course Expenses</i>	<i>Ratio</i>
	<i>Collected</i>		
July	\$ 82,991.80	\$ 104,276.78	0.80
August	77,672.40	74,980.66	1.04
September	74,322.00	97,488.94	0.76
October	74,544.96	79,351.18	0.94
November	78,192.00	65,557.13	1.19
December	72,302.40	36,404.24	1.99
January	68,909.40	48,367.41	1.42
February	78,170.40	43,389.73	1.80
March	79,326.20	84,317.28	0.94
April	77,093.40	84,238.00	0.92
May	93,069.54	69,332.19	1.34
June	77,944.95	110,609.51	0.70
<i>Total</i>	<i>\$ 934,539.45</i>	<i>\$ 898,313.05</i>	<i>1.04</i>

Source: Donovan Bros. Golf, Inc.

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COMPARISON OF GREEN FEES AND COURSE EXPENSES



GENERAL OLD GOLF COURSE
FIVE YEAR TREND ANALYSIS OF GOLF COURSE REVENUES

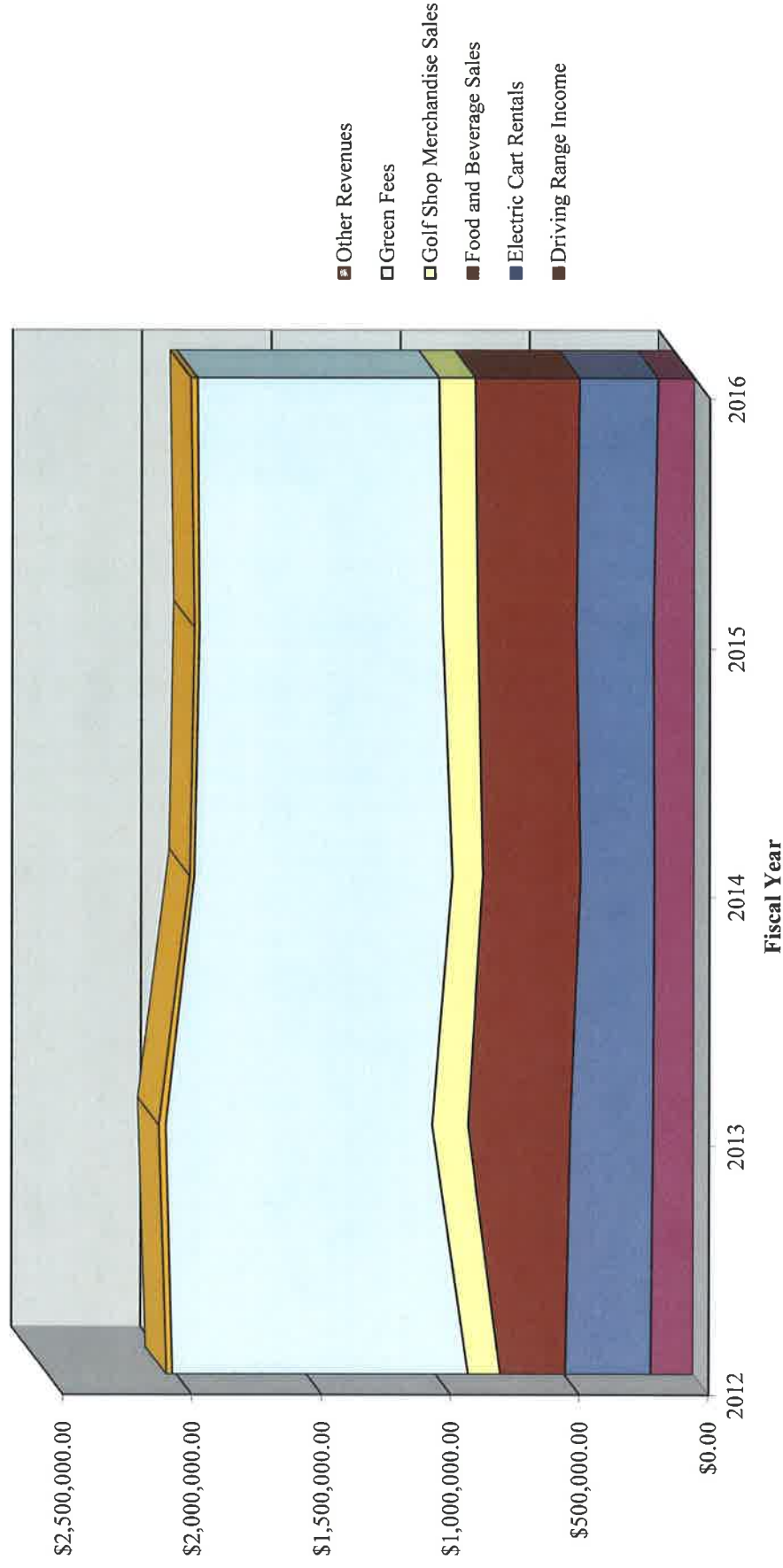
	Fiscal Year Ending				
	June 30, 2012	June 30, 2013	June 30, 2014	June 30, 2015	June 30, 2016
Driving Range Income	\$ 165,409.00	\$ 157,918.00	\$ 154,187.00	\$ 159,253.50	\$ 140,811.00
Electric Cart Rentals	330,159.00	320,139.40	285,572.78	297,497.71	303,907.25
Food and Beverage Sales	252,262.24	397,534.97	378,014.17	380,965.18	404,773.63
Golf Shop Merchandise Sales	126,512.34	138,559.29	119,306.64	137,738.16	140,300.60
Green Fees	1,141,949.00	1,029,882.79	997,735.23	940,978.09	934,539.45
Other Revenues	22,482.52	26,671.69	16,641.54	18,595.85	25,402.58
Total	\$ 2,038,774.10	\$ 2,070,706.14	\$ 1,951,457.36	\$ 1,935,028.49	\$ 1,949,734.51

Other Revenues					
Cost Merchandise Sales ⁽²⁾	\$ 16,000.84	\$ 22,883.25	\$ 12,000.00	\$ 12,000.00	\$ 9,500.00
Cash Over/Short	1,287.76	(582.69)	(267.38)	(858.89)	(743.80)
Rental/Repair	2,830.05	2,570.30	3,367.50	5,668.60	3,710.00
Interest Income	99.06	63.11	2.66	0.00	3.23
Other Income	556.84	185.61	200.00	0.00	11,200.00
Purchase Discount	1,707.97	1,552.11	1,338.76	1,786.14	1,733.15
Total	\$ 22,482.52	\$ 26,671.69	\$ 16,641.54	\$ 18,595.85	\$ 25,402.58

(1) Source: Donovan Bros. Golf, Inc.

(2) These revenues/cost of goods sold reflect merchandise sold at cost to employees for little to no gross profit.

FIVE YEAR TREND OF GOLF COURSE REVENUES



GENERAL OLD GOLF COURSE
FIVE YEAR TREND ANALYSIS OF GOLF COURSE MERCHANDISE

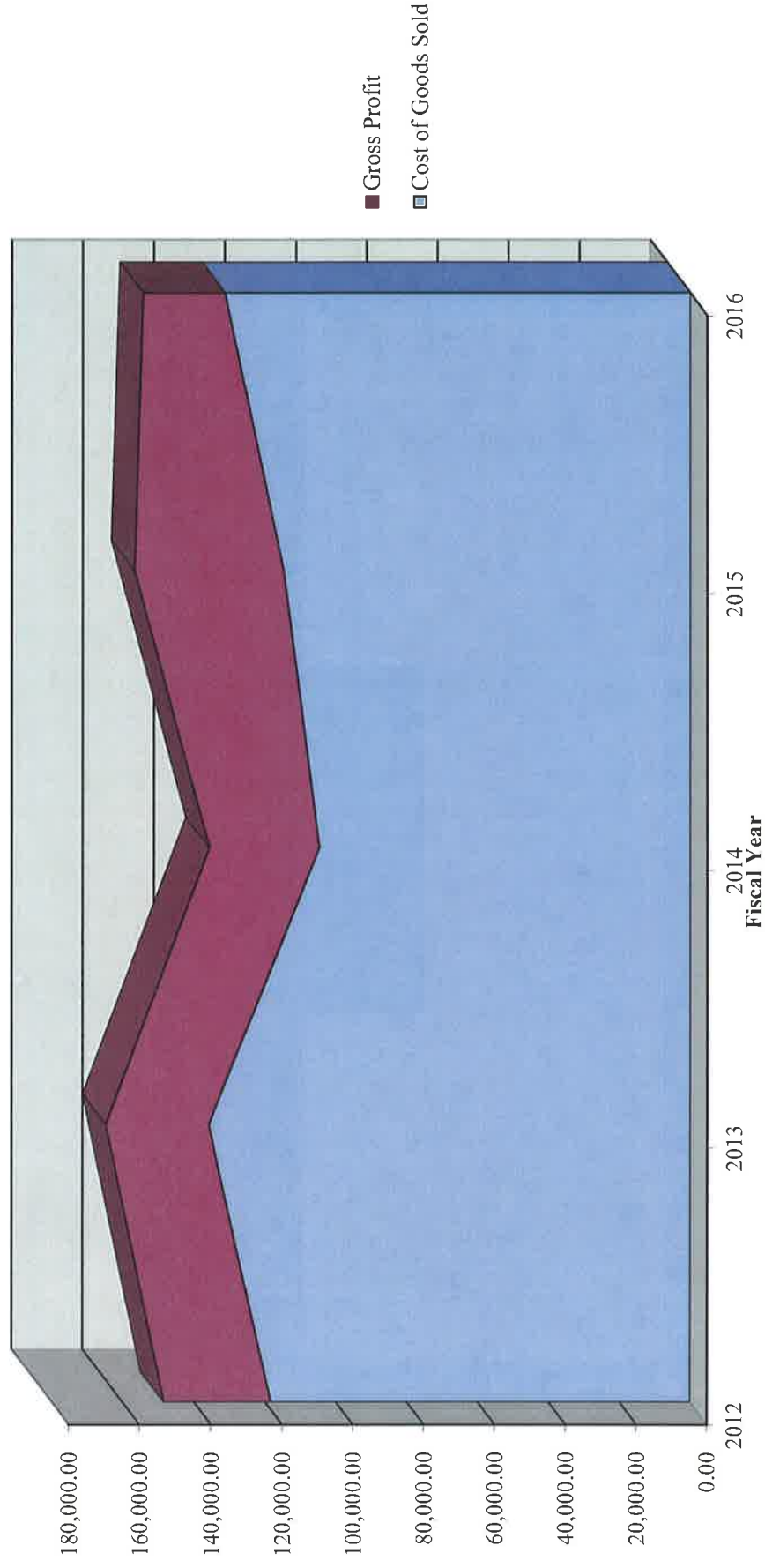
	Fiscal Year Ending				
	June 30, 2012	June 30, 2013	June 30, 2014	June 30, 2015	June 30, 2016
Golf Shop Merchandise Sales	\$ 126,512.34	\$ 138,559.29	\$ 119,306.64	\$ 137,738.16	\$ 140,300.60
Cost Merchandise Sales ⁽²⁾	16,000.84	22,883.25	12,000.00	12,000.00	9,500.00
Cash Over/Short	1,279.82	(790.09)	(269.23)	(471.16)	(908.38)
Rental/Repair	2,830.05	2,570.30	3,367.50	5,668.60	3,710.00
Purchase Discount	1,707.97	1,552.11	1,338.76	1,786.14	1,733.15
Total Revenue	148,331.02	164,774.86	135,743.67	156,721.74	154,335.37
Cost of Sales - Golf Shop	102,351.54	113,023.65	92,739.91	102,860.81	121,778.20
Cost of Merchandise Sales ⁽²⁾	16,000.84	22,883.25	12,000.00	12,000.00	9,500.00
Total Cost of Goods Sold	118,352.38	135,906.90	104,739.91	114,860.81	131,278.20
Gross Profit	\$ 29,978.64	\$ 28,867.96	\$ 31,003.76	\$ 41,860.93	\$ 23,057.17

(1) Source: Donovan Bros. Golf, Inc.

(2) These revenues/cost of goods sold reflect merchandise sold at cost to employees for little to no gross profit.

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FIVE YEAR TREND OF GOLF COURSE MERCHANDISE



GENERAL OLD GOLF COURSE
FIVE YEAR TREND ANALYSIS OF GOLF COURSE FOOD AND BEVERAGES

	Fiscal Year Ending				
	June 30, 2012	June 30, 2013	June 30, 2014	June 30, 2015	June 30, 2016
Food & Beverage Sales - C.S.	\$ 173,009.99	\$ 268,852.02	\$ 256,819.36	\$ 251,039.01	\$ 254,112.42
Cash Over/short - Coffee Shop ⁽²⁾	6.07	272.21	1.85	(387.73)	164.58
Food & Beverage Sales - Bar	79,252.25	128,682.95	121,194.81	129,926.17	150,661.21
Cash Over/Short - Bar ⁽²⁾	1.87	(21.81)	0.00	0.00	0.00
Total Revenue	252,270.18	397,785.37	378,016.02	380,577.45	404,938.21
Cost of Sales - Coffee Shop	84,796.34	120,816.01	118,047.26	120,799.19	115,909.57
Cost of Sales - Bar	20,500.92	46,279.92	45,974.48	44,745.25	48,096.58
Total Cost of Goods Sold	105,297.26	167,095.93	164,021.74	165,544.44	164,006.15
Gross Profit	\$ 146,972.92	\$ 230,689.44	\$ 213,994.28	\$ 215,033.01	\$ 240,932.06

(1) Source: Donovan Bros. Golf, Inc.

(2) For Food and Beverages, the Golf Course uses a single cash register for coffee shop and bar sales.
Cash Over/short - Coffee Shop reflects this single cash register.

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FIVE YEAR TREND OF GOLF COURSE FOOD AND BEVERAGES

