

**SOUTHERN CALIFORNIA
LOGISTICS AIRPORT AUTHORITY**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2021

**SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2021**

INDEPENDENT AUDITORS' REPORT	1
BASIC FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION	4
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION	6
STATEMENT OF CASH FLOWS	7
NOTES TO FINANCIAL STATEMENTS	9
REQUIRED SUPPLEMENTARY INFORMATION	
SCHEDULE OF PLAN'S PROPORTIONATE SHARE OF NET PENSION LIABILITY	42
SCHEDULE OF PLAN CONTRIBUTIONS	43
SCHEDULE OF PLAN'S PROPORTIONATE SHARE OF TOTAL OPEB LIABILITY	44
SUPPLEMENTARY INFORMATION	
COMBINING SCHEDULE OF NET POSITION	46
COMBINING SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION	47



INDEPENDENT AUDITORS' REPORT

Board of Directors
Southern California Logistics Airport Authority
Willows, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Southern California Logistics Airport Authority (SCLAA), a component unity of the City of Victorville, California, as of and for the year ended June 30 2021, and the related notes to the financial statements which collectively comprise SCLAA's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SCLAA as of June 30 2021, and the changes financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Prior-Year Comparative Information

We have previously audited the SCLAA's June 30, 2020 financial statements, and we expressed an unmodified opinion on the financial statements of the SCLAA in our report dated February 23, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the schedule of the plan's proportionate share of the net pension liability, schedule of plan contributions, and schedule of the plan's proportionate share of the total OPEB liability, identified as Required Supplementary Information (RSI) in the accompanying table of contents, 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise SCLAA's basic financial statements. The combining schedule of net position and the combining schedule of revenues, expenses and changes in net position (supplementary information), as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary 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. Such information has been subjected to the auditing procedures applied in the audit of the basic 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 other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the SCLAA as of and for the year ended June 30, 2020 (not presented herein), and have issued our report thereon dated February 23, 2021, which contained an unmodified opinion on the financial statements of the SCLAA. The combining schedule of net position and the combining schedule of revenues, expenses and changes in net position (supplementary information) for the year ended June 30, 2020, are presented for purposes of additional analysis and are 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 June 30, 2020 financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the June 30, 2020 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements or to those financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2020.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated February 25, 2022, on our consideration of SCLAA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness on SCLAA's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering SCLAA's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Irvine, California
February 25, 2022

SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY
STATEMENT OF NET POSITION
JUNE 30, 2021
(WITH COMPARATIVE DATA FOR JUNE 30, 2020)

ASSETS	<u>2021</u>	<u>2020</u>
CURRENT ASSETS		
Cash and Investments	\$ 17,453,500	\$ 18,656,468
Cash and Investments with Fiscal Agent	23,952,767	23,950,333
Accounts Receivable, Net	452,419	486,993
Due from Other Governments	2,241,469	849,543
Inventory	16,320	11,600
Total Current Assets	<u>44,116,475</u>	<u>43,954,937</u>
NONCURRENT ASSETS		
Prepaid Items	2,759	53,817
Advances to City of Victorville	1,940,095	1,929,269
Nondepreciable Capital Assets	15,806,452	13,871,003
Depreciable Capital Assets, Net	116,571,538	125,242,176
Total Noncurrent Assets	<u>134,320,844</u>	<u>141,096,265</u>
Total Assets	<u>178,437,319</u>	<u>185,051,202</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflow - OPEB Related	322,970	106,556
Deferred Outflow - Pension Related	789,736	745,881
Deferred Charge on Refunding	1,666,928	1,801,443
Total Deferred Outflows of Resources	<u>2,779,634</u>	<u>2,653,880</u>

See accompanying Notes to Financial Statements.

SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY
STATEMENT OF NET POSITION (CONTINUED)
JUNE 30, 2021
(WITH COMPARATIVE DATA FOR JUNE 30, 2020)

	<u>2021</u>	<u>2020</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts Payable	\$ 1,265,784	\$ 246,438
Interest Payable	1,283,294	1,308,493
Unearned Revenue	44,066	46,410
Total OPEB Liability - Due Within One Year	28,165	-
Long-Term Liabilities, Due Within One Year	<u>6,349,790</u>	<u>6,074,079</u>
Total Current Liabilities	8,971,099	7,675,420
NONCURRENT LIABILITIES		
Accrued Rent Credit Payable	601,572	585,416
Advances from City of Victorville	1,864,932	1,855,412
Advances from Other Governments	10,995,517	10,939,517
Total OPEB Liability	2,186,816	2,093,649
Net Pension Liability	3,838,581	3,546,936
Long-Term Liabilities, Due in More Than One Year	<u>283,655,913</u>	<u>288,491,963</u>
Total Noncurrent Liabilities	<u>303,143,331</u>	<u>307,512,893</u>
Total Liabilities	312,114,430	315,188,313
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows - OPEB Related	589,499	413,856
Deferred Inflows - Pension Related	<u>76,839</u>	<u>150,938</u>
Total Deferred Inflows of Resources	666,338	564,794
NET POSITION (DEFICIT)		
Net Investment in Capital Assets	(132,728,001)	(129,417,584)
Unrestricted	<u>1,164,186</u>	<u>1,369,559</u>
Total Net Position (Deficit)	<u><u>\$(131,563,815)</u></u>	<u><u>\$(128,048,025)</u></u>

See accompanying Notes to Financial Statements.

SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2021
(WITH COMPARATIVE DATA FOR THE YEAR ENDED JUNE 30, 2020)

	<u>2021</u>	<u>2020</u>
OPERATING REVENUES		
Charges for Services:		
Landing Fees	\$ 1,576,966	\$ 893,765
Fuel Flowage Fees	278,938	251,575
Rent and Lease Revenue	8,640,912	9,207,397
Total Charges for Services	<u>10,496,816</u>	<u>10,352,737</u>
Fines and Forfeitures	34,986	121,180
Other	524,539	724,410
Total Operating Revenues	<u>11,056,341</u>	<u>11,198,327</u>
OPERATING EXPENSES		
Personnel Services	2,794,061	2,812,135
Maintenance and Operations	11,570,873	4,827,337
Depreciation	9,073,542	9,097,915
Total Operating Expenses	<u>23,438,476</u>	<u>16,737,387</u>
OPERATING LOSS	(12,382,135)	(5,539,060)
NONOPERATING REVENUES (EXPENSES)		
Taxes	21,308,725	19,858,962
Investment Income	49,414	519,981
Interest Expense	(17,139,120)	(17,518,436)
Gain (Loss) on Sale of Capital Assets	6,775	(604,144)
Other Nonoperating Expenses	(19,487)	(19,537)
Total Nonoperating Revenues (Expenses)	<u>4,206,307</u>	<u>2,236,826</u>
LOSS BEFORE CAPITAL CONTRIBUTIONS	(8,175,828)	(3,302,234)
CAPITAL CONTRIBUTIONS		
Capital Grants	6,344,691	843,148
Capital Contributions to the City of Victorville	(1,684,653)	-
Total Capital Contributions	<u>4,660,038</u>	<u>843,148</u>
CHANGE IN NET POSITION	(3,515,790)	(2,459,086)
Net Position (Deficit) - Beginning of Year	<u>(128,048,025)</u>	<u>(125,588,939)</u>
NET POSITION (DEFICIT) - END OF YEAR	<u><u>\$(131,563,815)</u></u>	<u><u>\$(128,048,025)</u></u>

See accompanying Notes to Financial Statements.

SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2021
(WITH COMPARATIVE DATA FOR THE YEAR ENDED JUNE 30, 2020)

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Customers	\$ 11,085,240	\$ 10,894,428
Cash Payments to Employees for Services	(2,593,711)	(2,318,965)
Cash Payments to Suppliers for Goods and Services	<u>(10,505,189)</u>	<u>(5,638,483)</u>
Net Cash Provided (Used) by Operating Activities	(2,013,660)	2,936,980
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Cash Received from Other Governments	19,972,799	20,108,992
Cash Received from City of Victorville	-	15,369
Cash Paid to City of Victorville	<u>(1,751,479)</u>	<u>-</u>
Net Cash Provided by Noncapital Financing Activities	18,221,320	20,124,361
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Cash Received from the Sale of Capital Assets	6,775	14,874
Capital Grants	6,344,691	843,148
Cash Payments to Acquire Capital Assets	(2,338,353)	(36,297)
Principal Paid on Capital-Related Debt	(5,920,000)	(5,635,000)
Interest Paid on Capital-Related Debt	<u>(15,550,721)</u>	<u>(15,845,328)</u>
Net Cash Used by Capital and Related Financing Activities	(17,457,608)	(20,658,603)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received on Investments	<u>49,414</u>	<u>313,981</u>
Net Cash Provided by Investing Activities	<u>49,414</u>	<u>313,981</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,200,534)	2,716,719
Cash and Cash Equivalents - Beginning of Year	<u>42,606,801</u>	<u>39,890,082</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 41,406,267</u></u>	<u><u>\$ 42,606,801</u></u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENT OF NET POSITION:		
Cash and Investments	\$ 17,453,500	\$ 18,656,468
Cash and Investments with Fiscal Agent	<u>23,952,767</u>	<u>23,950,333</u>
Cash and Cash Equivalents	<u><u>\$ 41,406,267</u></u>	<u><u>\$ 42,606,801</u></u>

See accompanying Notes to Financial Statements.

SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY
STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED JUNE 30, 2021
(WITH COMPARATIVE DATA FOR THE YEAR ENDED JUNE 30, 2020)

	<u>2021</u>	<u>2020</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating Loss	\$ (12,382,135)	\$ (5,539,060)
Adjustments to Reconcile Operating Loss to Net Cash		
Provided (Used) By Operating Activities:		
Depreciation	9,073,542	9,097,915
Nonoperating Miscellaneous Expense	(19,487)	(19,537)
(Increase) Decrease in Assets:		
Accounts Receivable, Net	34,574	(294,741)
Inventory	(4,720)	5,019
Prepaid Items	51,058	(51,410)
Deferred Outflows - OPEB	(216,414)	(85,499)
Deferred Outflows - Pension	(43,855)	54,589
Increase (Decrease) in Liabilities:		
Accounts Payable	1,019,346	(764,755)
Unearned Revenue	(2,344)	14,709
Accrued Rent Credits Payable	16,156	(4,330)
Accrued Compensated Absences	(53,902)	21,477
Total OPEB Liability	121,332	205,277
Net Pension Liability	291,645	357,481
Deferred Inflows - OPEB	175,643	(48,438)
Deferred Inflows - Pension	(74,099)	(11,717)
Net Cash Provided (Used) by Operating Activities	<u><u>\$ (2,013,660)</u></u>	<u><u>\$ 2,936,980</u></u>
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITY		
Interest Accretion Expenses	\$ 1,321,695	\$ 1,229,608
Amortization of Bond Discounts and Premiums	91,868	91,868
Loss on Disposal of Capital Assets	-	(619,018)
Total	<u><u>\$ 1,413,563</u></u>	<u><u>\$ 702,458</u></u>

See accompanying Notes to Financial Statements.

SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Reporting Entity

The Southern California Logistics Airport Authority (SCLAA), a component unit of the City of Victorville, was formed in June of 1997 by the City of Victorville and the former Victorville Redevelopment Agency. Prior to the dissolution of the Victorville Redevelopment Agency in 2012, the Victorville Water District was added as a member of the JPA. The purpose of SCLAA is to provide for the coordination of long-range planning of the territory of George Air Force Base (now Southern California Logistics Airport, or the Airport). The Victor Valley Economic Development Authority (VVEDA), a Joint Powers Authority of the City of Victorville and other entities, was authorized to exclusively exercise the powers of a redevelopment agency in the area including and surrounding the Airport. VVEDA subsequently delegated to the SCLAA all of its redevelopment authority over the portion of the VVEDA project area comprised of the Airport.

B. Relationship to the City of Victorville

The SCLAA is an integral part of the reporting entity of the City of Victorville (City) and is reflected as a blended component unit within the City of Victorville. The SCLAA fund has been included within the scope of the basic financial statements of the City because the City Council is the governing board and has financial accountability over the operations of the SCLAA. Only the SCLAA fund is included herein and these financial statements, therefore, do not purport to represent the financial position or results of operations of the City of Victorville, California.

C. Basic Financial Statements

The basic financial statements are comprised of the statement of net position, the statement of revenues, expenses and changes in net position, the statement of cash flows and the notes to the basic financial statements.

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

The SCLAA is accounted for as an enterprise fund (proprietary fund type). A fund is an accounting entity with a self-balancing set of accounts established to record the financial position and results of operations of a specific governmental activity. The activities of enterprise funds closely resemble those ongoing businesses in which the purpose is to conserve and add to basic resources while meeting operating expenses from current revenues. Enterprise funds account for operations that provide services on a continuous basis and are substantially financed by revenues derived from user charges.

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Proprietary funds are presented using the economic resources measurement focus. This means that all assets, deferred outflows of resources, liabilities, and deferred inflows of resources (whether current or noncurrent) associated with their activity are included on their statement of net position.

Proprietary funds are presented using the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized when the related goods or services are delivered, regardless of when the related cash flows take place. Amounts paid to acquire capital assets are capitalized as assets. Proceeds of long-term debt and acquisitions under capital leases are recorded as a liability. Amounts paid to reduce long-term indebtedness are reported as a reduction of the related liability. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenses.

The SCLAA distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with airport and rental operations. The principal operating revenues of the SCLAA are charges to customers for services, which includes landing fees, fuel flowage fees, and rent and lease revenue, fines and forfeitures and other reimbursements. Operating expenses include personnel services, maintenance and operational costs and depreciation of capital assets. All revenues and expenses not meeting this definition, such as taxes, investment income, and interest expense, are reported as nonoperating revenues and expenses.

E. Cash and Investments

Investments are reported in the accompanying statement of net position at fair value. 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. Changes in fair value that occur during a fiscal year are recognized as investment income reported for that fiscal year. Investment income includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments.

F. Cash Equivalents

For purposes of the statement of cash flows, cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash or so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Cash equivalents include the cash and investments held by a fiscal agent.

SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Inventory and Prepaid Items

The SCLAA uses the consumption method of accounting for inventories. Inventory consists primarily of supplies for construction and repair that are valued at cost using the weighted average method.

Certain payments to vendors that reflect costs applicable to future accounting periods are recorded as prepaid items utilizing the consumption method.

H. Capital Assets

Capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at acquisition value on the date of donation. SCLAA capitalizes all assets with an initial individual cost of more than \$5,000 and a useful life in excess of one year. The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend the life are not capitalized.

Depreciation is computed utilizing the straight-line method over the following useful lives:

Buildings and Improvements	10 to 50 Years
Computer and Communications	5 Years
Furniture and Equipment	3 to 7 Years
Infrastructure	20 to 40 Years
Land Improvements	10 to 50 Years
Vehicles	8 to 15 Years

I. Compensated Absences

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 payments upon termination or retirement.

A liability is recorded for unused sick leave balances only to the extent that it is probable that the unused balances will result in termination payments. This is estimated by including in the liability the unused balances of employees currently entitled to receive termination payment, as well as those who are expected to become eligible to receive termination benefits as a result of continuing their employment with the City. Other amounts of unused sick leave are excluded from the liability since their payment is contingent solely upon the occurrence of a future event (illness), which is outside the control of the City and the employee.

The balance of unpaid vacation and vested sick leave at year-end is recorded as a long-term liability in the financial statements.

SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Deferred Outflows and Deferred Inflows of Resources

The statement of net position reports a separate section for deferred outflows of resources. Deferred outflows of resources represent outflows of resources (consumption of net position) that apply to future periods and that, therefore, are not recognized as an expense until that time. The SCLAA has the following items that qualify for reporting in this category:

- An unamortized loss on bond defeasance that results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the life of the refunding debt.
- Deferred outflow related to pensions and OPEB equal to employer contributions made after the measurement date of the net pension liability and the total OPEB liability.
- Deferred outflows related to pensions for differences between expected and actual experiences. These amounts are amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the plans.
- Deferred outflows related to pensions resulting from the net difference in projected and actual earnings on investments of the pension plan fiduciary net position. These amounts are amortized over five years.
- Deferred outflows related to OPEB for changes in assumptions. These amounts are amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with retiree healthcare benefits through the plans.

The statement of net position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent inflows of resources (acquisition of net position) that apply to future periods and that, therefore, are not recognized as an inflow of resources (revenue) until that time. The SCLAA has the following items that qualify for reporting in this category:

- Deferred inflows related to pensions changes in assumptions. These amounts are amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the plan.
- Deferred inflows related to OPEB for differences between expected and actual experiences and changes in assumptions. These amounts are amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with retiree healthcare benefits through the plan.

SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Net Position

Net position is classified in the following categories:

Net Investment in Capital Assets – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt (including premiums and discounts) and capital related payables that are attributed to the acquisition, construction, or improvement of the assets.

Restricted Net Position – This amount is restricted by enabling legislation (such as external creditors, grantors, contributors, laws or regulations of other governments).

Unrestricted Net Position – This amount is the remaining net position that does not meet the definition of “invested in capital assets” or “restricted net position.”

Sometimes the SCLAA will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position, a flow assumption must be made about the order in which the resources are considered to be applied. It is the SCLAA’s practice to consider restricted net position to have been depleted before unrestricted net position is applied, unless otherwise directed by Council.

L. Pensions

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the SCLAA’s California Public Employees’ Retirement System (CalPERS) plans (Plans) and additions to/deductions from the Plans’ fiduciary net position have been determined on the same basis as they are reported by the CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value. CalPERS audited financial statements are publicly available reports that can be obtained at CalPERS’ website under Forms and Publications.

M. Prior Year Data

Selected information regarding the prior year has been included in the accompanying financial statements. This information has been included for comparison purposes only and does not represent a complete presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the SCLAA’s prior year financial statements, from which this selected financial data was derived.

SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Estimates

The presentation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE 2 CASH AND INVESTMENTS

Cash and investments as of June 30, 2021 are classified in the accompanying financial statements as follows:

Statement of Net Position:

Cash and Investments	\$ 17,453,500
Cash and Investments With Fiscal Agent	<u>23,952,767</u>
Total Cash and Investments	<u><u>\$ 41,406,267</u></u>

Cash and investments as of June 30, 2021, consist of the following:

Equity in City of Victorville Pool	\$ 119,703
Investments	<u>41,286,564</u>
Total Cash and Investments	<u><u>\$ 41,406,267</u></u>

Investments Pool of the City of Victorville

The SCLAA has no separate bank accounts or investments other than investments held by bond trustee, and their investment in LAIF. The SCLAA's equity in the cash and investment pool is managed by the City of Victorville. The SCLAA is a voluntary participant in that pool. This pool is governed by and under the regulatory oversight of the Investment Policy adopted by the City Council of the City of Victorville. The SCLAA has not adopted an investment policy separate from that of the City of Victorville. The fair value of the Authority's investment in this pool is reported in the accompanying financial statements at amounts based upon the SCLAA's pro-rata share of the fair value calculated by the City for the entire City portfolio. The balance available for withdrawal is based on the accounting records maintained by the City, which are recorded on an original cost basis.

SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

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

The City adopts the investment policy for the SCLAA. The table below identifies the investment types that are authorized for the SCLAA by the California Government Code and the City's investment policy. The table also identifies certain provisions of the California Government Code (or the City's investment policy, if more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements of the City, rather than the general provisions of the California Government Code or the City's investment policy.

Investment Types Authorized by State Law	Authorized by Investment Policy	Maximum Maturity*	Maximum Percentage of Portfolio*	Maximum Investment in One Issuer*
Local Agency Bonds	Yes	5 Years	70%	None
U.S. Treasury Obligations	Yes	5 Years	70%	None
U.S. Agency Securities	Yes	5 Years	75%**	None
Banker's Acceptances	No	180 Days	40%	30%
Commercial Paper - Nonpooled Funds	No	270 Days	25%	10%
Commercial Paper - Pooled Funds	No	270 Days	40%	10%
Negotiable Certificates of Deposit	Yes	2 Years	30%	None
Repurchase Agreements	No	1 Year	None	None
Reverse Repurchase Agreements	No	92 Days	20% of Base Value	None
Medium-Term Notes	No	5 Years	30%	None
Mutual Funds***	No	5 Years	20%*	10%*
Money Market Mutual Funds***	Yes	5 Years	20%*	None
Mortgage Pass-Through Securities	No	5 Years	20%	None
County Pooled Investment Funds	No	N/A	None	None
Local Agency Investment Fund (LAIF)	Yes	N/A	None	None
JPA Pools (Other Investment Pools)	No	N/A	None	None

* Based on state law requirements or investment policy requirements, whichever is more restrictive.

** Ginnie Mae is not to exceed 20% of the total portfolio.

*** Fund must be an AAA rated Government or US Treasury money fund.

SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 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 SCLAA's investment policy. The table below identifies the investment types that are authorized for investments held by bond trustee. The table also identifies certain provisions of these debt agreements that address interest rate risk and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage Allowed	Investment in One Issuer
U.S. Treasury Obligations	None	None	None
U.S. Agency Securities	None	None	None
Banker's Acceptances	360 Days	None	None
Commercial Paper	270 Days	None	None
Money Market Mutual Funds	None	None	None
Repurchase Agreements	None	None	None
Investment Contracts	None	None	None
Certificate of Deposit	None	None	None
Local Agency Investment Fund (LAIF)	None	None	None

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 rate 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.

Information about the sensitivity of the fair values of the Authority's investments (including investments held by bond trustee) to market interest rate fluctuations is provided by the following table that shows the distribution of these investments by maturity.

Investment Type	Total	Remaining Maturities (in Months) Within 12
LAIF	\$ 17,333,797	\$ 17,333,797
Held by Bond Trustee:		
Money Market Mutual Funds	23,952,767	23,952,767
Total	<u>\$ 41,286,564</u>	<u>\$ 41,286,564</u>

SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

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, the City's investment policy, or debt agreements, and the actual Standard & Poor's rating as of year-end for each investment type.

Investment Type	Total	Minimum Legal Rating	Ratings as of Year End	
			AAA	Not Rated
LAIF	\$ 17,333,797	N/A	\$ -	\$ 17,333,797
Held by Bond Trustee:				
Money Market Mutual Funds	23,952,767	AAA	23,952,767	-
Total	<u>\$ 41,286,564</u>		<u>\$ 23,952,767</u>	<u>\$ 17,333,797</u>

Concentration of Credit Risk

The investment policy of the SCLAA contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. The SCLAA has no investments in any one issuer (other than LAIF and money market mutual funds) that represent 5% or more of the City's investments.

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 City'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 governmental 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 SCLAA deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. At June 30, 2021, the SCLAA's deposits (bank balances) were equity in the City of Victorville's pool, which was insured by the federal depository insurance limits or collateralized as required under California Law.

For investments identified herein as held by bond trustee, the bond trustee selects the investment under the terms of the applicable trust agreement, acquires the investment, and holds the investment on behalf of the reporting government.

SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Investment in State Investment Pool

The SCLAA is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the state of California. The fair value of the SCLAA's investment in this pool is reported in the accompanying financial statements at amounts based upon the SCLAA's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF.

Fair Value Measurements

The SCLAA categorizes its fair value measurement within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The fair value framework provides a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of fair value hierarchy are described as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 – Inputs other than quoted prices included within the Level 1 that are observable for the asset or liability, either directly or indirectly and fair value is determined through the use of models or other valuation methodologies including:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in markets that are inactive;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation of other items.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurements. These unobservable inputs reflect the SCLAA's own assumptions about the inputs market participants would use in pricing the asset or liability (including assumptions about risk). These unobservable inputs are developed based on the best information available in the circumstances and may include the SCLAA's own data.

The SCLAA's investments in LAIF and money market mutual funds (held by bond trustee) are not subject to the fair value measurement hierarchy.

SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 3 CAPITAL ASSETS

The following is a summary of changes in capital assets for SCLAA at June 30, 2021:

	Balance July 1, 2020	Additions	Transfers from City	Deletions	Balance June 30, 2021
Nondepreciable Assets:					
Land	\$ 13,848,689	\$ -	\$ -	\$ -	\$ 13,848,689
Construction in Progress	22,314	1,935,449	-	-	1,957,763
Total Nondepreciable Assets	13,871,003	1,935,449	-	-	15,806,452
Depreciable Assets:					
Buildings and Improvements	180,173,417	77,553	-	-	180,250,970
Computer and Communication	254,165	-	-	-	254,165
Furniture and Equipment	7,747,618	-	-	(306,648)	7,440,970
Infrastructure	96,466,741	325,351	-	-	96,792,092
Land Improvements	128,489	-	-	-	128,489
Vehicles	775,561	-	22,719	(18,083)	780,197
Total Depreciable Assets	285,545,991	402,904	22,719	(324,731)	285,646,883
Less Accumulated Depreciation:					
Buildings and Improvements	(104,689,923)	(4,077,097)	-	-	(108,767,020)
Computer and Communication	(233,548)	(5,122)	-	-	(238,670)
Furniture and Equipment	(5,339,904)	(354,349)	-	306,648	(5,387,605)
Infrastructure	(49,187,755)	(4,616,943)	-	-	(53,804,698)
Land Improvements	(112,428)	(12,849)	-	-	(125,277)
Vehicles	(740,257)	(7,182)	(22,719)	18,083	(752,075)
Total Accumulated Depreciation	(160,303,815)	(9,073,542)	(22,719)	324,731	(169,075,345)
Total Depreciable Assets, Net	125,242,176	(8,670,638)	-	-	116,571,538
Capital Assets, Net	\$ 139,113,179	\$ (6,735,189)	\$ -	\$ -	\$ 132,377,990

Depreciation expense for the SCLAA was \$9,073,542 for the year ended June 30, 2021.

NOTE 4 LONG-TERM LIABILITIES

A summary of changes in long-term liabilities for the year ended June 30, 2021 is noted below:

	Balance July 1, 2020	Additions	Retirements	Balance June 30, 2021	Due Within One Year
Other Long-Term Liabilities:					
Compensated Absences	\$ 283,554	\$ 164,669	\$ (218,571)	\$ 229,652	\$ 124,790
Other Debt:					
Tax Allocation Bonds:					
2005 Tax Allocation Parity Bonds	15,320,000	-	(1,115,000)	14,205,000	1,165,000
2006 Tax Allocation Bonds (Non-Housing)	48,995,000	-	(1,155,000)	47,840,000	1,205,000
2006 Tax Allocation Bonds (Housing)	13,160,000	-	(310,000)	12,850,000	325,000
2006 Allocation Parity Bonds	41,675,000	-	(145,000)	41,530,000	155,000
2006 Tax Allocation Revenue Parity Bonds	30,230,000	-	(575,000)	29,655,000	610,000
2006 Tax Allocation Revenue Bonds	54,810,000	-	(1,070,000)	53,740,000	1,135,000
2007 Tax Allocation Bonds	34,055,000	-	(720,000)	33,335,000	760,000
2007 Tax Allocation Bonds (Non-Housing)*	35,550,000	-	(725,000)	34,825,000	765,000
2008 Tax Allocation Bonds*	22,763,420	1,321,695	(105,000)	23,980,115	105,000
Tax Allocation Bonds Subtotal	296,558,420	1,321,695	(5,920,000)	291,960,115	6,225,000
Unamortized Discounts/Premiums	(2,275,932)	-	91,868	(2,184,064)	-
Total	\$ 294,566,042	\$ 1,486,364	\$ (6,046,703)	\$ 290,005,703	\$ 6,349,790

See pledged revenue information at the end of this note.

SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 4 LONG-TERM LIABILITIES (CONTINUED)

Tax Allocation Parity Bonds, Series 2005A

In June 2005, the SCLAA issued \$42,185,000 principal amount of Tax Allocation Parity Bonds, Series 2005A. This debt was issued to finance certain public capital improvements benefiting the SCLAA.

On February 8, 2006, \$1.8 million of bond proceeds was invested in land for the construction of a new City library. Prior to this purchase (on November 3, 2005), the Board of Directors of the SCLAA adopted a resolution with the intent of entering into a loan agreement between the SCLAA and the City with respect to this land purchase. On September 21, 2010 City Council approved this loan agreement. Legal counsel for the City has indicated that approval by the bond insurer is not required for the investment of proceeds not held by the bond trustee.

Bonds maturing on December 1, 2010, December 1, 2016, December 1, 2020, December 1, 2025, December 1, 2030, and December 1, 2035 in the amounts of \$2,765,000, \$3,365,000, \$5,140,000, \$6,335,000, \$7,870,000 and \$15,335,000 are term bonds. The outstanding bonds bear interest at 3.50% to 5.00% due June 1 and December 1 of each year.

The bonds are subject to redemption prior to maturity as described in the bond covenants. The bonds maturing on or after June 1, 2016 are subject to optional redemption in whole or in part by lot, without premium.

The bonds maturing on December 1, 2010, December 1, 2016, December 1, 2020, December 1, 2025, December 1, 2030, and December 1, 2035 are subject to mandatory redemption in part by lot, without premium, commencing December 1, 2007, December 1, 2012, December 1, 2016, December 1, 2021, December 1, 2026, and December 1, 2031, respectively, from sinking fund payments made by SCLAA.

In the fiscal year ended June 30, 2006 these bonds were partially defeased by the issuance of the Tax Allocation Revenue Parity Bonds, Refunding Series 2005 (Non-Housing). As of June 30, 2021, the required reserve for the Bonds was met with fiscal agent cash. The Bonds are a special obligation of the SCLAA payable from tax increment revenues. The amount of bonds outstanding at June 30, 2021 is \$14,205,000.

Tax Allocation Revenue Parity Bonds, Refunding Series 2006 (Non-Housing)

In June 2006, the SCLAA issued \$62,780,000 principal amount of Tax Allocation Revenue Parity Bonds, Refunding Series 2006. The proceeds were used to refund the 2001 Tax Allocation Bonds, the 2003 Tax Allocation Bonds, and a portion of 2005 Tax Allocation Bonds. As a result, the 2001 and 2003 Tax Allocation Bonds are considered to be defeased, and the 2005 Tax Allocation Bonds are considered to be partially defeased. The respective liabilities have been removed from the statement of net position.

Bonds maturing on December 1, 2026, December 1, 2031, December 1, 2036 and December 1, 2043 in the amounts of \$6,895,000, \$8,595,000, \$10,810,000 and \$20,335,000 are term bonds. The outstanding bonds bear interest at 4.50% to 5.00% due June 1 and December 1 of each year.

SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 4 LONG-TERM LIABILITIES (CONTINUED)

Tax Allocation Revenue Parity Bonds, Refunding Series 2006 (Non-Housing) (Continued)

The bonds are subject to redemption prior to maturity as described in the bond covenants. The bonds maturing on or after June 1, 2016 are subject to optional redemption in whole or in part by lot without premium.

The bonds maturing on December 1, 2026, December 1, 2031, December 1, 2036 and December 1, 2043 are subject to mandatory redemption in part by lot, without premium, commencing December 1, 2022, December 1, 2027, December 1, 2032 and December 1, 2037, respectively, from sinking fund payments made by SCLAA.

As of June 30, 2021, the required reserve for the Bonds was met with fiscal agent cash. The bonds are a special obligation of the SCLAA payable from tax increment revenues. The amount of bonds outstanding at June 30, 2021 is \$47,840,000.

Tax Allocation Revenue Parity Bonds, Refunding Series 2006 (Housing Set-Aside)

In June 2006, the SCLAA issued \$16,855,000 principal amount of Housing Set-Aside Revenue Bonds, Refunding Series 2006. The proceeds were used to refund all of the 2003 Tax Allocation Bonds and a portion of the 2005 Tax Allocation Parity Bonds. As a result, the 2003 Tax Allocation Bond is considered to be defeased and the liability has been removed from the statement of net position.

Bonds maturing on December 1, 2026, December 1, 2031, December 1, 2036 and December 1, 2043 in the amounts of \$1,855,000, \$2,305,000, \$2,905,000 and \$5,460,000 are term bonds. The outstanding bonds bear interest at 4.50% to 5.00% due June 1 and December 1 of each year.

The bonds are subject to redemption prior to maturity as described in the bond covenants. The bonds maturing on or after June 1, 2016 are subject to optional redemption in whole or in part by lot without premium.

The bonds maturing on December 1, 2026, December 1, 2031, December 1, 2036 and December 1, 2043 are subject to mandatory redemption in part by lot, without premium, commencing December 1, 2022, December 1, 2027, December 1, 2032 and December 1, 2037, respectively, from sinking fund payments made by SCLAA.

As of June 30, 2021, the required reserve for the Bonds was met with fiscal agent cash. The bonds are a special obligation of the SCLAA payable from tax increment revenues. The amount of bonds outstanding at June 30, 2021 is \$12,850,000.

Tax Allocation Revenue Parity Bonds, Taxable Series 2006

In June 2006, the SCLAA issued \$45,020,000 principal amount of Tax Allocation Revenue Parity Bonds, Taxable Series 2006. The proceeds were used to finance certain redevelopment activities benefiting the SCLAA.

SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 4 LONG-TERM LIABILITIES (CONTINUED)

Tax Allocation Revenue Parity Bonds, Taxable Series 2006 (Continued)

Bonds maturing on December 1, 2036, and December 1, 2043 in the amounts of \$20,080,000, and \$24,940,000 are term bonds. The outstanding bonds bear interest at 6.10% due June 1 and December 1 of each year.

The bonds are subject to redemption prior to maturity as described in the bond covenants. The bonds are subject to optional redemption in whole or in part by lot, subject to a premium.

The bonds maturing on December 1, 2036, December 1, 2043 are subject to mandatory redemption in part by pro rata, without premium, commencing December 1, 2006, December 1, 2037, respectively, from sinking fund payments made by SCLAA.

As of June 30, 2021, the required reserve for the Bonds was met with fiscal agent cash. The bonds are a special obligation of the SCLAA payable from tax increment revenues. The amount of bonds outstanding at June 30, 2021 is \$41,530,000.

Taxable Tax Allocation Revenue Parity Bonds, Forward Series 2006

In November 2006, SCLAA issued \$34,980,000 principal amount of Taxable Tax Allocation Revenue Parity Bonds, Forward Series 2006. The proceeds were used to finance and refinance certain redevelopment activities benefiting the SCLAA.

The bonds mature from December 1, 2007 to December 1, 2043 in varying amounts. Principal is payable in annual installments ranging from \$50,000 to \$2,320,000, commencing December 1, 2007. The bonds accrue interest at rates between 6.25% and 6.30%. Interest on the bonds is payable semiannually on each June 1 and December 1, commencing June 1, 2007.

The bonds are subject to optional and mandatory redemption prior to maturity.

As of June 30, 2021, the required reserve for the Bonds was met with fiscal agent cash. The bonds are a special obligation of the SCLAA payable from tax increment revenues. The amount of bonds outstanding at June 30, 2021 is \$29,655,000.

Taxable Subordinate Tax Allocation Revenue Bonds, Series 2006

In November 2006, the SCLAA issued \$64,165,000 principal amount of Taxable Subordinate Tax Allocation Revenue Bonds, Series 2006. The proceeds were used to finance certain redevelopment activities benefiting the SCLAA.

The bonds mature from December 1, 2007 to December 1, 2043 in varying amounts. Principal is payable in annual installments ranging from \$395,000 to \$4,135,000, commencing December 1, 2007. The bonds accrue interest at 6.05%. Interest on the bonds is payable semiannually on each June 1 and December 1, commencing June 1, 2007.

SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 4 LONG-TERM LIABILITIES (CONTINUED)

Taxable Subordinate Tax Allocation Revenue Bonds, Series 2006 (Continued)

The bonds are subject to optional and mandatory redemption prior to maturity.

As of June 30, 2021, the required reserve for the Bonds was met with fiscal agent cash. The bonds are a special obligation of the SCLAA payable from tax increment revenues. The amount of bonds outstanding at June 30, 2021 is \$53,740,000.

Taxable Housing Set-Aside Revenue Parity Bonds, Series 2007

In March 2007, the SCLAA issued \$41,460,000 principal amount of Taxable Housing Set-Aside Revenue Parity Bonds, Series 2007. The proceeds were used to finance certain low- and moderate-income housing programs of the Authority. On July 7, 2009, \$20,000,000 of bond proceeds were invested in a loan to the Victorville Water District. Legal counsel for the City has indicated that approval by the bond insurer is not required for the investment of proceeds not held by the bond trustee. In February 2013 this loan was repaid in full with interest.

Bonds maturing on December 1, 2012, December 1, 2017, December 1, 2022, December 1, 2027, and December 1, 2043 in the amounts of \$3,265,000, \$2,800,000, \$3,620,000, \$4,685,000 and \$27,090,000 are term bonds. The outstanding bonds bear interest at 5.00%, 5.20%, 5.25%, 5.40% and 5.55% due June 1 and December 1 of each year.

The bonds are subject to optional redemption in whole or in part by lot, without premium.

As of June 30, 2021, the required reserve for the Bonds was met with fiscal agent cash and an insurance policy. The bonds are a special obligation of the SCLAA payable from tax increment revenues. The amount of bonds outstanding at June 30, 2021 is \$33,335,000.

Subordinate Tax Allocation Revenue Bonds, Series 2007

In December 2007, the SCLAA issued \$42,000,000 principal amount Subordinate Tax Allocation Revenue Bonds, Series 2007. The proceeds were used to finance certain redevelopment activities benefiting the SCLAA.

Bonds maturing on December 1, 2008, December 1, 2009, December 1, 2012, December 1, 2017, December 1, 2022, December 1, 2027, December 1, 2032, December 1, 2032, December 1, 2037, December 1, 2037, December 1, 2037, December 1, 2043 and December 1, 2043 in the amounts of \$480,000, \$425,000, \$1,395,000, \$2,805,000, \$3,640,000, \$4,745,000, \$3,000,000, \$3,275,000, \$3,325,000, \$3,800,000, \$1,250,000, \$9,210,000 and \$4,650,000 are term bonds. The outstanding bonds bear interest at 4.000%, 4.200%, 4.375%, 5.250%, 5.375%, 5.600%, 5.900%, 6.000%, 5.900%, 6.000%, 6.100%, 5.900% and 6.150% due June 1 and December 1 of each year.

The bonds are subject to redemption prior to maturity at the option of the Authority, on or after December 1, 2017, in whole or in part by lot, without premium.

SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 4 LONG-TERM LIABILITIES (CONTINUED)

Subordinate Tax Allocation Revenue Bonds, Series 2007 (Continued)

The bonds maturing on the dates described above are subject to mandatory redemption in part by lot, without premium, commencing December 1, 2010, December 1, 2013, December 1, 2018, December 1, 2023, December 1, 2028, December 1, 2028, December 1, 2033, December 1, 2033, December 1, 2038, and December 1, 2038, respectively, from sinking fund payments made by SCLAA.

As of June 30, 2021, the required reserve for the Bonds was met with fiscal agent cash. The bonds are a special obligation of the SCLAA payable from tax increment revenues. The amount of bonds outstanding at June 30, 2021 is \$34,825,000.

Subordinate Tax Allocation Revenue Bonds, Series 2008

In May 2008, the SCLAA issued \$13,334,925 principal amount of Subordinate Tax Allocation Revenue Bonds, Series 2008A. The proceeds were used to finance certain redevelopment activities benefiting the SCLAA and to partially refund the \$35,000,000 principal amount of Subordinate Tax Allocation Revenue Notes, Series 2008.

Bonds maturing on December 1, 2010, December 1, 2013, December 1, 2018, December 1, 2023, December 1, 2033, December 1, 2038, and December 1, 2043 in the amounts of \$130,000, \$215,000, \$340,000, \$530,000, \$1,675,000, \$1,285,000, and \$1,720,000 are Current Interest Bonds. The outstanding bonds bear interest at 4.25%, 4.50%, 5.00%, 5.25%, 6.00%, 6.00% and 6.00% due June 1 and December 1 of each year.

Bonds maturing on December 1 of each year beginning 2044 through 2050 in the initial principal amounts of \$1,316,266, \$1,216,397, \$1,123,621, \$1,037,536, \$957,600, \$883,633, and \$814,910 are Capital Appreciation Bonds. The outstanding bonds bear yields to maturity of 7.300%, 7.320%, 7.340%, 7.360%, 7.380%, 7.400% and 7.420%. All of the bonds have a future maturity value of \$131,805,000 at June 30, 2021.

The current interest bonds are subject to redemption prior to maturity at the option of the Authority, on or after December 1, 2018, in whole or in part by lot, without premium. The Capital Appreciation Bonds are subject to optional redemption in whole or in part by lot, without premium.

As of June 30, 2021, the required reserve for the Bonds was met with fiscal agent cash. The bonds are a special obligation of the SCLAA payable from tax increment revenues. The amount of bonds outstanding at June 30, 2021 is \$23,980,115, which includes an accretion balance of \$11,620,190.

SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 4 LONG-TERM LIABILITIES (CONTINUED)

Debt Service Requirements to Maturity

The annual requirements to amortize outstanding SCLAA debt as of June 30, 2021, are as follows for each fiscal year ending June 30:

<u>Year Ending June 30,</u>	<u>Tax Allocation Bonds</u>	
	<u>Principal*</u>	<u>Interest</u>
2022	\$ 6,225,000	\$ 15,238,104
2023	6,550,000	14,906,577
2024	6,885,000	14,555,859
2025	7,245,000	14,184,559
2026	7,630,000	13,792,810
2027-31	44,665,000	62,262,070
2032-36	58,425,000	48,026,395
2037-41	77,350,000	28,526,413
2042-46	94,184,999	47,291,605
2047-2051	90,425,001	77,127,009
Subtotal	399,585,000	<u>\$ 335,911,401</u>
Discounts/Premiums	(2,184,064)	
Total	<u>\$ 397,400,936</u>	

* This total includes capital appreciation of \$107,624,885 for tax allocation bonds that will be accrued in the future years.

Pledged Revenue

All of the above Tax Allocation Bonds are collateralized by the pledging of certain revenues. The amount and term of the remainder of these commitments are indicated in the debt service to maturity tables presented in the accompanying notes. The purposes for which the proceeds of the related debt issuances were utilized are disclosed in the debt descriptions in the accompanying notes.

The SCLAA contains a portion of the Victor Valley Economic Development Authority (VVEDA) Successor Agency (see Note 8 for additional information). The RPTTF (tax increment distributions) from VVEDA represent the primary revenue of the SCLAA.

As a result of the state's action to dissolve all redevelopment agencies in the state of California, the VVEDA Successor Agency no longer receives the full amount of tax increment previously pledged by the dissolved redevelopment agency to its bondholders. In its place is a new revenue stream (RPTTF distributions) provided to the VVEDA Successor Agency that represents only that portion of tax increment that is necessary to pay the approved enforceable obligations that come due for that fiscal year.

SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 4 LONG-TERM LIABILITIES (CONTINUED)

Pledged Revenue (Continued)

For the current year, pledged gross revenue (net of certain expenses were so required by the debt agreement) as a percentage of debt service payments are indicated in the table below:

<u>Description of Pledged Revenue</u>	<u>Annual Amount of Pledged Revenue (Net of Expenses, Where Required)</u>	<u>Annual Debt Service Payment (of All Debt Secured by This Revenue)</u>	<u>Pledged Revenue as a Percentage of Debt Service</u>
Property Tax Increment Pledged by the Southern California Logistics Airport Authority	\$ 23,020,692	\$ 21,470,720	107%

NOTE 5 ADVANCES TO/FROM

Advances to/from the City

<u>Fund Reporting Receivable</u>	<u>Fund Reporting Payable</u>	<u>Amount</u>
City of Victorville	SCLAA	\$ 1,864,932 a)
Successor Agency*	SCLAA	10,995,517 b)
SCLAA	City of Victorville	1,940,095 c)

*Advances from the Successor Agency have been classified as Advances from Other Governments in the statement of net position.

- a) Per a loan agreement approved on October 20, 2009 by the Board of the Victorville Redevelopment Agency (RDA), a \$1,700,000 advance was made from the Low and Moderate Housing Fund to the SCLAA. The advance is to be used for SCLAA redevelopment activities. The advance has an interest rate equal to the annualized Local Agency Investment Fund (LAIF) rate of return. The loan had a repayment term of five years, which was due June 30, 2014, but has not yet been repaid due to funding issues with the SCLAA. There is no current payment schedule available for this advance. The outstanding balance of the advance as of June 30, 2021 is \$1,864,932.
- b) Per a loan agreement approved on September 15, 2009 by the Board of Victorville RDA, a \$10,000,000 advance was made from the Bear Valley Road Redevelopment Project Area (RDA Capital Project Fund) to the SCLAA. The advance is to be used to continue redevelopment at SCLAA and to fund prior years' capital improvements and redevelopment project expenses. The advance bears interest at 3% using the simple interest method in accordance with SB-107. The outstanding balance of the advance as of June 30, 2021 is \$10,995,517.

SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 5 ADVANCES TO/FROM (CONTINUED)

Advances to/from the City (Continued)

Due to the uncertainty on when sufficient tax increment will be available to make payments on this loan, the obligation has not yet been included on the ROPS to request funding for repayment. Beginning in FY 2022-2023, the loan will be added to the ROPS.

- c) Per a loan agreement signed on September 21, 2010, by the Board of the SCLAA, a \$1,895,000 advance was made from the SCLAA to the Capital Impact Facilities Fund. The advance is to be used for the purchase of land. The advance has a term of repayment to automatically renew the loan until there are sufficient funds to repay. The City is working on a plan to repay this loan in fiscal year 2021-2022. The advance has an interest rate equal to the annualized Local Agency Investment Fund (LAIF) rate of return. The outstanding balance of the advance as of June 30, 2021 is \$1,940,095.

NOTE 6 PENSION PLAN

General Information about the Pension Plan

Plan Description

All qualified permanent and probationary employees are eligible to participate in the City's Miscellaneous Plan, agent multiple employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS), which acts as a common investment and administrative agent for its participating member employers. The SCLAA's share of the net pension liability is reported as a cost-sharing plan in these financial statements. Benefit provisions under the Plan are established by State statute and Local Government resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 to 62 with statutorily reduced benefits. For employees hired into a plan with the 1.5% at 65 formula, eligibility for service retirement is age 55 with at least five years of services. PEPR miscellaneous members become eligible for service retirement upon attainment of age 52 with at least five years of service. All members are eligible for nonduty disability benefits after five 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.

SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 6 PENSION PLAN (CONTINUED)

General Information about the Pension Plan (Continued)

Benefits Provided (Continued)

The Plan's provisions and benefits in effect as of the measurement period ended June 30, 2020, are summarized as follows:

	Miscellaneous	
	Prior to January 1, 2013	on or after January 1, 2013
Hire Date		
Benefit Formula	2.5%@55	2.0%@62
Benefit Vesting Schedule	5 Years of Service	5 Years of Service
Benefit Payments	Monthly for Life	Monthly for Life
Retirement Age	50 to 55	52 to 67
Required Employee Contribution Rates	8.00%	6.75%
Required Employer Contribution Rates:		
Normal Cost Rate	10.59%	9.69%
Payment of Unfunded Liability	\$215,495	N/A

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The SCLAA is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. SCLAA contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contributions requirements are classified as plan member contributions. For the fiscal year ended June 30, 2021, SCLAA made contributions totaling \$381,393.

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

Actuarial Assumptions

The total pension liability for the Miscellaneous Plan for the June 30, 2020 measurement period was determined by an actuarial valuation as of June 30, 2019, with update procedures used to roll forward the total pension liability to June 30, 2020. The total pension liability for the Miscellaneous Plan was based on the following assumptions:

SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 6 PENSION PLAN (CONTINUED)

Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

Actuarial Assumptions (Continued)

Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
Actuarial Cost Method	Entry-Age Normal Cost Method
Asset Valuation Method	Market Value of Assets
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Salary Increases	(1)
Mortality Rate Table	(2)
Post Retirement Benefit Income	(3)

(1) Varies by entry age and service.

(2) The mortality table used was developed based on CalPERS-specific data. The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement and Post-retirement mortality rates includes 15 years of projected mortality improvement using 90% of Scale MP-2016 published by the Society of Actuaries. For more details on this table, please refer to the CalPERS Experience Study and Review of Actuarial Assumptions report from December 2017 that can be found on the CalPERS website.

(3) Contract COLA up to 2.00% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.50% thereafter.

Long-term Expected Rate of Return

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

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

SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 6 PENSION PLAN (CONTINUED)

Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

Long-term Expected Rate of Return (Continued)

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

Asset Class (a)	Assumed Asset Allocation	Real Return Years 1 - 10 (b)	Real Return Years 11+ (c)
Global Equity	50.00 %	4.80 %	5.98 %
Fixed Income	28.00	1.00	2.62
Inflation Assets	-	0.77	1.81
Private Equity	8.00	6.30	7.23
Real Assets	13.00	3.75	4.93
Liquidity	1.00	-	(0.92)
	<u>100.00 %</u>		

(a) In the CalPERS CAFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities

(b) An expected inflation of 2.0% used for this period

(c) An expected inflation of 2.92% used for this period

Discount Rate

The discount rate used to measure the total pension liability was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Proportionate Share of Net Pension Liability – City's Miscellaneous Agent Multiple-Employer Plan Allocation to the SCLAA

The SCLAA's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The SCLAA's proportionate share of the net pension liability was based on a projection of the SCLAA's long-term share of contributions to the Miscellaneous Plan relative to the projected contributions of the City, actuarially determined.

SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 6 PENSION PLAN (CONTINUED)

Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

Proportionate Share of Net Pension Liability – City's Miscellaneous Agent Multiple-Employer Plan Allocation to the SCLAA (Continued)

The SCLAA's proportionate share of the net pension liability for the Miscellaneous Plan as of the measurement date ended June 30, 2019 and 2020 was as follows:

	Increase (Decrease)			
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability	Proportionate Share
	(a)	(b)	(c) = (a) - (b)	
Balance at: 6/30/2019 (MD)	\$ 13,910,894	\$ 10,363,958	\$ 3,546,936	6.86%
Balance at: 6/30/2020 (MD)	14,580,525	10,741,944	3,838,581	6.84%
Net Changes During 2019-20	<u>\$ 669,631</u>	<u>\$ 377,986</u>	<u>\$ 291,645</u>	-0.02%

Pension Expense and Deferred Outflows and Inflows of Resources

For the year ended June 30, 2021, the SCLAA recognized pension expense of \$588,058 for the Miscellaneous Plan. At June 30, 2021, the SCLAA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources for the Miscellaneous Plan:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension Contributions Subsequent to the Measurement Date	\$ 381,393	\$ -
Changes of Assumptions	-	(76,839)
Differences Between Expected and Actual Experience	260,444	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	147,899	-
Total	<u>\$ 789,736</u>	<u>\$ (76,839)</u>

\$381,393 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 ending June 30, 2022. Differences between projected and actual investment earnings are amortized on a five-year straight-line basis and all other amounts are amortized over the expected average remaining service lives of all members that are provided with benefits.

SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 6 PENSION PLAN (CONTINUED)

Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

Pension Expense and Deferred Outflows and Inflows of Resources (Continued)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Measurement Period Ended June 30,	Deferred Inflows of Resources
2022	\$ 65,794
2023	121,291
2024	84,637
2025	59,782
2026	-
Thereafter	-

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

The following presents the SCLAA's proportionate share of the net pension liability for the Miscellaneous Plan, calculated using the discount rate of 7.15%, as well as what the SCLAA's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	Discount Rate		
	1% Decrease (6.15%)	Current Rate (7.15%)	1% Increase (8.15%)
Net Pension Liability	\$ 5,897,758	\$ 3,838,581	\$ 2,149,170

Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in the separate issued CalPERS financial reports.

Payable to the Pension Plan

At June 30, 2021, the SCLAA had no outstanding amount of contributions to the Miscellaneous Plan required for the year ended June 30, 2021.

SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 7 OTHER POSTEMPLOYMENT BENEFITS PLAN

Plan Descriptions

The SCLAA participates in the City's Other Postemployment Benefits Defined Benefit Pension Plan and the SCLAA's share of the total OPEB liability is reported as a cost sharing plan in these financial statements.

The City Plan provides medical benefits to eligible retired City employees and beneficiaries in accordance with various labor agreements. The plan covers employees who retire directly from the City with 8 years of service. The City provides a contribution up to a certain amount (a portion of the HMO single premium). The percentage varies based on years of service.

Funding Policy

The contribution requirements of plan members and the City are established and may be amended by City Council. The contribution required to be made under City Council and labor agreement requirements is based on a pay-as-you-go basis (i.e., as medical insurance premiums become due). The City has not established a trust that is administered by the City for the purpose of holding assets accumulated for plan benefits.

Contributions

The City Plan and its contribution requirements are established by Memoranda of Understanding with the applicable employee bargaining units and may be amended by agreements between the City and the bargaining units. The annual contribution is based on the year's retiree medical premiums (pay-as-you-go basis). For the fiscal year ended June 30, 2021, the SCLAA's cash contributions were \$15,564 in cash benefit payments, \$72 in administrative costs, and the estimated implied subsidy was \$6,184, resulting in total payments of \$21,820.

Total OPEB Liability

The City's total OPEB liability was measured as of June 30, 2020 and determined by an actuarial valuation as of June 30, 2020.

Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	2.21%
Inflation	2.75%
Salary Increases	3.0% per annum, in aggregate
Investment Rate of Return	N/A
Mortality, Retirement, Disability	
Termination	1997-2015 Experience Study
Mortality Improvement	Post-retirement mortality projected fully generational with Scale MP-2020
Healthcare Trend Rate	Non-Medicare: 7.0% for 2022, decreasing to an ultimate rate of 4.0% in 2076 Medicare (Non-Kaiser) - 6.1% for 2022, decreasing to an ultimate rate of 4.0% in 2076 Medicare (Kaiser) - 5.0% for 2022, decreasing to an ultimate rate of 4.0% in 2076

SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 7 OTHER POSTEMPLOYMENT BENEFITS PLAN (CONTINUED)

Discount Rate

The discount rate used to measure the total OPEB liability was 2.21%. The discount rate is determined based on the Bond Buyer 20-bond index since the City has not established a trust.

Change in Actuarial Assumptions

The discount rate changed from 3.50% at the beginning of the measurement period to 2.21% based on changes in the index. In addition, the medical trend rate for Kaiser Senior Advantage plans decreased from 6.5% to 5.0%.

Allocation of Total OPEB Liability

The SCLAA's proportionate share of the total OPEB liability as of the measurement dates ended June 30, 2019 and 2020 was as follows:

	Total OPEB Liability	Proportionate Share
Balance - June 30, 2019 (MD)	\$ 2,093,649	8.19%
Balance - June 30, 2020 (MD)	2,214,981	7.99%
Net Changes During 2019-20	<u>\$ (121,332)</u>	-0.20%

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

The following presents the SCLAA's proportionate share of the total OPEB liability if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	Discount Rate		
	1% Decrease (1.21%)	Current Rate (2.21%)	1% Increase (3.21%)
Total OPEB Liability	\$ 2,678,876	\$ 2,214,981	\$ 1,853,306

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

The following presents the SCLAA's proportionate share of the total OPEB liability if it were calculated using health care cost trend rates that are one percentage point lower (Non-Medicare: 6.0% for 2022 decreasing to 3.0% in 2076; Medicare (Non-Kaiser): 5.1% for 2022, decreasing to an ultimate rate of 3.0% in 2076; Medicare (Kaiser): 4.0% for 2022, decreasing to an ultimate rate of 3.0% in 2076) or one percentage point higher (Non-Medicare: 8.0% for 2022 decreasing to 5.0% in 2076; Medicare (Non-Kaiser): 7.1% for 2022, decreasing to an ultimate rate of 5.0% in 2076; Medicare (Kaiser): 6.0% for 2022, decreasing to an ultimate rate of 5.0% in 2076) than the current rate:

	Healthcare Trend Rate		
	1% Decrease	Current Rate	1% Increase
Total OPEB Liability	\$ 1,782,492	\$ 2,214,981	\$ 2,796,861

SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 7 OTHER POSTEMPLOYMENT BENEFITS PLAN (CONTINUED)

Recognition of Deferred Outflows and Deferred Inflows of Resources

Gains and losses related to changes in total OPEB liability are recognized in OPEB expense systematically over time. Amounts are first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense.

The recognition period differs depending on the source of the gain or loss:

Net Difference Between Projected and Actual
Earnings on OPEB Plan Investments
Plan Investments

5 Years

All Other Amounts

Expected average remaining service
lifetime (EARSL) (9.1 Years at
June 30, 2020 measurement date)

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the fiscal year ended June 30, 2021, the SCLAA recognized OPEB expense of \$102,380. As of fiscal year ended June 30, 2021, the SCLAA reported deferred outflows/inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Employer Contributions Subsequent to the Measurement Date	\$ 21,820	\$ -
Differences Between Expected and Actual Experience	-	(395,973)
Changes of Assumptions	301,150	(193,526)
Total	<u>\$ 322,970</u>	<u>\$ (589,499)</u>

The \$21,820 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the Total OPEB liability during the fiscal year ending June 30, 2022. Other amounts reported as deferred outflows of resources related to OPEB will be recognized as expense as follows:

Measurement Period Ended June 30,	Deferred Inflows of Resources
2022	\$ (55,856)
2023	(55,856)
2024	(55,856)
2025	(55,856)
2026	(55,855)
Thereafter	(9,070)

SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 7 OTHER POSTEMPLOYMENT BENEFITS PLAN (CONTINUED)

Payable to the Pension Plan

At June 30, 2021, the SCLAA had no outstanding amount of contributions to the OPEB plan required for the year ended June 30, 2021.

NOTE 8 COMMITMENTS AND CONTINGENCIES

Litigation

The SCLAA is a defendant in certain legal actions arising in the normal course of operations. The accompanying basic financial statements reflect a liability for the probable amounts of loss associated with these claims.

Southern California Logistics Airport Authority and Stirling Enterprise LLC

In the early 1990's the US Air Force closed George Air Force Base (former Base). In response the local communities formed the Victor Valley Economic Development Authority (VVEDA). VVEDA and the Air Force entered into agreements to lease and ultimately transfer title to the former Base to VVEDA. The subject land is designated as either Public Benefit Transfer (PBT) Parcels or Economic Development Conveyance (EDC) Parcels. The PBT Parcels are made up of approximately 2,200 acres previously used by the U.S. Air Force and are restricted to use as an airport. These parcels were transferred to SCLAA at no cost.

The EDC Parcels are made up of approximately 1,800 acres of adjacent property which may be developed for use as commercial property. SCLAA paid \$1,636,489 and is required to pay additional \$37,176 for these EDC Parcels. In 1993 a Redevelopment Plan was adopted by VVEDA establishing a redevelopment project area encompassing the former Base as well as approximately 55,000 additional acres. VVEDA delegated its decision making authority relative to the former Base, now known as SCLAA.

SCLAA adopted a Specific Plan in conformity with the Redevelopment Plan and adopted a Master Development Plan establishing its goal to develop the area as a cargo and aircraft maintenance facility and a business/industrial center thereby creating jobs and improving economic conditions in the Victor Valley.

In July 1998 SCLAA and Stirling Enterprises, LLC and its related entities (Stirling) entered into the first of several agreements for the marketing, acquisition, operation and development of SCLAA. The Fourth Amended and Restated Master Agreement (Stirling Agreement) is the current agreement superseding all previous versions.

SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 8 COMMITMENTS AND CONTINGENCIES (CONTINUED)

Revenues from Sales of Land

In August 2016, three agreements with Stirling were approved by the SCLAA Board of Directors that were intended to serve as a framework that encourages development before the expiration of the Master Agreement (MA). The three agreements are a Satisfaction and Termination Agreement, a Disposition, Exchange and Development Agreement (#2) and an Option and Development Agreement.

The Disposition, Exchange and Development Agreement allows for the removal of approximately 280-acres of Airport-owned property from the definition of EDC Parcels and the title transfer in fee to Stirling, of approximately 280-acres. The Airport-owned property will become available for the Airport for revenue-producing purposes and the Airport will have the flexibility to develop the subject property on a ground-lease basis with aviation and nonaviation (Section 2.01 of the Development and Exchange Agreement). Revenue sharing will only exist relating to these parcels if the respective transaction is procured by Stirling and be split 80/20 with the larger share to benefit SCLAA.

The Agreement also provides for the disposition of additional off-airport property. In addition to the Stirling Exchange Parcels, SCLAA will then transfer, in fee, 200-acres of property for the \$.0203/psf purchase price (\$176,448) and participate in revenue sharing for net proceeds in an amount equal to 30% (Section 2.03 of the Development and Exchange Agreement). Net proceeds are generally defined to be revenues generated from the eventual sale by Stirling that are residual to infrastructure costs, EIR costs and developer credits. The Agreement also transfers the public infrastructure obligations of the Authority pursuant to the MA and DDA to Stirling.

Finally, the Option Agreement, in connection with performance obligations related to the Development and Exchange Agreement, will provide Stirling the ability to acquire additional acreage currently provided for in the Master Agreement. Such an exercise of option will occur in 50-acre increments based on Stirling having developed 500,000 square feet of property owned by it. The Option Agreement is set up to run through December 2050 and can terminate sooner due to nonperformance described in Section 1.5 of the Option and Development Agreement.

Management

Stirling is allowed to lease or cause to be leased the EDC Parcels and shall participate in 20% of the Net Lease Revenue from any such leases. The Authority has retained the right to lease the PBT Parcels and retain revenues from those leases, but shall allow Stirling to participate in 20% of any net lease revenues from tenants who may be procured by Stirling and approval by the Authority. Any revenues from other interim uses on the former Base such as filming will be shared on a 50%/50% basis between Stirling and Authority.

SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 9 SCLAA'S FINANCIAL CONDITION SIGNIFICANT FINANCIAL OBLIGATIONS AND MANAGEMENT'S PLANS

In Fiscal Year 08/09, the assessed value for the Victor Valley Redevelopment Project Area was approximately \$9.49 billion. Beginning in FY 09/10, there were significant decreases in assessed value for the Victor Valley Redevelopment Project Area. Assessed values for the Project Area reached a low point of \$6.6 Billion in FY 12/13. The decrease was largely the result of the Great Recession. Since FY 12/13, assessed values have increased steadily. For Fiscal Year 2020-2021, the assessed value for the Project Area was approximately \$9.99 billion. The steady increase in assessed values have resulted in the SCLAA paying all past due debt service in the previous fiscal year. As of the December 1, 2018 tax distribution, the SCLAA was no longer in default. In 2018, Moody's issued an upgraded rating on the Successor Agency to the Victor Valley Economic Development Authority (VVEDA) housing set-aside Tax Allocation Bonds and the Non-Housing Tax Allocation Bonds to "stable" outlook as a result of resolving the outstanding defaults, and the prospective analysis on increasing assessed values in the project area.

During the current fiscal year and prior year, SCLAA had results that were not as favorable as fiscal year 2018-2019 with a net loss of \$3.5 million and \$2.5 million, respectively. A summary of the financial condition of the SCLAA enterprise fund is as follows:

Beginning Net Position	\$ (128,048,025)
Net Income	<u>(3,515,790)</u>
Ending Net Position	<u><u>\$ (131,563,815)</u></u>

Management's Plans with Respect to its Financial Condition

Management plans to ensure that annual expenditures do not exceed annual revenues and to build the reserves that are necessary to provide for economic uncertainties.

The SCLAA has continued to maintain a balance budget since 2007-2008 and all revenues are projected to cover current liabilities.

Regarding the SCLAA's financial condition, an Interfund loan agreement was signed July 1, 2016 by the Board of SCLAA and a \$10,000,000 advance was made available from the 2007 SCLA Housing bond fund to the Airport Operations Fund and has been used to subsidize operations. The advance has a term repayment of five years, with an annualized Wall Street Journal Prime Rate as the interest rate. The outstanding balance of the advance as of June 30, 2021 is \$8,824,244, which has been eliminated for financial statement purposes within the SCLAA since the advance is within the fund itself. SCLAA is currently preparing for payment of this loan in FY 2021-2022 using funding from property sales.

SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 10 JOINTLY GOVERNED ORGANIZATIONS

Victor Valley Economic Development Authority

The Victor Valley Economic Development Authority (VVEDA) was formed in 1992 by the Cities of Victorville and Hesperia, the Town of Apple Valley and the County of San Bernardino to provide the mechanism and funding to manage development of the property formerly known as the George Air Force Base, facilitate the successful reuse of the property and promote economic development within the area surrounding the Air Base. In 2000, the City of Adelanto was added as a member of the Authority. In December 2011 Assembly Bill 1X 26 (the bill) dissolved VVEDA, and as such all assets of the former VVEDA have been transferred to the VVEDA Successor Agency and are subject to the distribution's provisions of the bill. The SCLAA contains a portion of the VVEDA Successor Agency with the Town of Apple Valley and City of Adelanto comprising the rest of the VVEDA Successor Agency. The RPTTF (tax increment distributions) from VVEDA represent the primary revenue of the SCLAA. Financial statements may be obtained by sending a written request to Victor Valley Economic Development Authority, 18374 Phantom Street, Victorville, CA 92394.

NOTE 11 SUCCESSOR AGENCY TRUST FOR ASSETS OF THE 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 SCLAA because the SCLAA has historically funded its operations and debt service using significant tax increment revenue from the Victor Valley Economic Development Agency (VVEDA). VVEDA has acted as a pass-through agency for the various recipients of tax increment revenue in the Victor Valley and is subject to the dissolution requirements of the Bill.

The Bill provides that upon dissolution of a redevelopment agency, either the city 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 17, 2012, the Victorville City Council elected to become the Successor Agency for the former redevelopment agency in accordance with the Bill as part of City resolution number 12-005.

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).

SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 12 LEASES

The SCLAA has various leases for rental of portions certain real property and improvements for which the cost and accumulated depreciation cannot readily be determined. Lease terms vary. Future minimum rental payments to be received on the leases that are contractually due as of June 30, 2021 are estimated as follows:

<u>Year Ending June 30,</u>	<u>Lease Payments</u>
2022	\$ 8,022,722
2023	8,185,944
2024	8,433,322
2025	8,700,875
2026	8,909,364
2027-2031	48,720,055
2032-2036	55,915,099
2037-2041	63,504,771
Total	<u><u>\$ 210,392,152</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

**SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY
SCHEDULE OF PLAN'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
(COST SHARING PLAN)
LAST TEN FISCAL YEARS***

	Reporting Fiscal Year (Measurement Date)						
	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)
Plan's Proportion of the Net Pension Liability	6.84%	6.86%	6.90%	6.95%	7.07%	6.87%	6.76%
Plan's Proportionate Share of the Net Pension Liability	\$ 3,838,581	\$ 3,546,936	\$ 3,189,455	\$ 3,210,086	\$ 2,805,052	\$ 2,090,587	\$ 1,880,791
Plan's Covered Payroll	\$ 1,686,096	\$ 1,534,654	\$ 1,565,360	\$ 1,579,911	\$ 1,368,422	\$ 1,343,244	\$ 1,310,612
Plan's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	227.66%	231.12%	203.75%	203.18%	204.98%	155.64%	143.50%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	5.04%	5.11%	5.22%	5.18%	5.33%	5.50%	6.76%

Notes to Schedule:

Benefit Changes:

There were no changes in benefits.

Changes in Assumptions:

From fiscal year June 30, 2015 to June 30, 2016:

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% used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense.

From fiscal year June 30, 2016 to June 30, 2017:

There were no changes in assumptions.

From fiscal year June 30, 2017 to June 30, 2018:

The discount rate was reduced from 7.65% to 7.15%.

From fiscal year June 30, 2018 to June 30, 2021:

There were no significant changes in assumptions.

*Fiscal year 2015 was the first year of implementation, therefore only seven years are shown.

**SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY
SCHEDULE OF PLAN CONTRIBUTIONS
(COST SHARING PLAN)
LAST TEN FISCAL YEARS***

	Fiscal Year						
	2020-2021	2019-2020	2018-2019	2017-2018	2016-2017	2015-2016	2014-2015
Actuarially Determined Contribution	\$ 381,393	\$ 345,578	\$ 279,699	\$ 275,299	\$ 273,075	\$ 233,116	\$ 197,631
Contributions in relation to the Actuarially Determined Contribution	(381,393)	(345,578)	(279,699)	(275,299)	(273,075)	(233,116)	(197,631)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 1,676,551	\$ 1,686,096	\$ 1,534,654	\$ 1,565,360	\$ 1,579,911	\$ 1,368,422	\$ 1,343,244
Contributions as a Percentage of Covered Payroll	22.75%	20.50%	18.23%	17.59%	17.28%	17.04%	14.71%

Notes to Schedule:

Valuation Date	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014	6/30/2013	6/30/2012
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Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age
Amortization Method	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Asset Valuation Method	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	15-Year Smoothed Market Method
Inflation	2.50%	2.63%	2.75%	2.75%	2.75%	2.75%	2.75%
Salary increases	(2)	(2)	(2)	(2)	(2)	(2)	(2)
Investment Rate of Return	7.00% (3)	7.25% (3)	7.375% (3)	7.50% (3)	7.50% (3)	7.50% (3)	7.50% (3)
Retirement Age	(4)	(4)	(4)	(4)	(4)	(4)	(4)
Mortality	(5)	(5)	(5)	(5)	(5)	(5)	(5)

(1) Level percentage of payroll, closed

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

(3) Net of pension plan investment expense, including inflation

(4) 50 - 55 for 2.5%@55; 52 - 67 for 2.0%@62

(5) Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board.

*Fiscal year 2015 was the first year of implementation, therefore only seven years are shown.

SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY
SCHEDULE OF PLAN'S PROPORTIONATE SHARE OF TOTAL OPEB LIABILITY
(COST SHARING PLAN)
LAST TEN FISCAL YEARS*

	Fiscal Year Ended (Measurement Date)			
	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)
Plan's Proportion of the Total OPEB Liability	0.00%	8.19%	8.57%	8.43%
Plan's Proportionate Share of the Total OPEB Liability	\$ 2,214,981	\$ 2,093,649	\$ 1,888,372	\$ 2,014,829
Plan's Covered Payroll	\$ 2,348,399	\$ 1,993,268	\$ 1,735,340	\$ 1,494,600
Plan's Proportionate Share of the Total OPEB Liability as a Percentage of Covered Employee Payroll	94.32%	105.04%	108.82%	134.81%

Notes to Schedule:

Changes in Assumptions:

Discount rate	2.21%	3.50%	3.87%	3.58%
Mortality improvement rates	Scale MP-2020	Scale MP-2018	Scale MP-2018	Scale MP-2016

The mortality, retirement, disability, and termination rates for the measurement periods ended June 30, 2017 and 2018 were based on the CalPERS 1997-2011 Experience Study and CalPERS 1997-2015 Experience Study, respectively.

In the June 30, 2018 measurement period, the pre-65 waived retiree re-election was updated to be 10% after age 65.

In the June 30, 2020 measurement period, the medical trend rate for Kaiser Senior Advantage plans decreased from 6.5% to 5.0%.

*Fiscal year 2018 was the first year of implementation, therefore only four years are shown.

SUPPLEMENTARY INFORMATION

SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY
COMBINING SCHEDULE OF NET POSITION
JUNE 30, 2021
(WITH COMPARATIVE DATA FOR JUNE 30, 2020)

	Aeronautical	Non Aeronautical	Other Services	Elimination	Totals	
					2021	2020
ASSETS						
Current Assets						
Cash and Investments	\$ 1,591,498	\$ 111,244	\$ 15,750,758	\$ -	\$ 17,453,500	\$ 18,656,468
Cash and Investments with Fiscal Agent	-	-	23,952,767	-	23,952,767	23,950,333
Accounts Receivable, Net	452,419	-	-	-	452,419	486,993
Due from Other Funds	-	-	-	-	-	-
Due from Other Governments	2,241,469	-	-	-	2,241,469	849,543
Inventory	16,320	-	-	-	16,320	11,600
Total Current Assets	4,301,706	111,244	39,703,525	-	44,116,475	43,954,937
Noncurrent Assets						
Prepaid Items	2,759	-	-	-	2,759	53,817
Advances to Other Funds	-	-	9,078,004	(9,078,004)	-	-
Advances to City of Victorville	-	-	1,940,095	-	1,940,095	1,929,269
Advances to Other Governments	-	-	-	-	-	-
Nondepreciable Capital Assets	2,052,694	-	13,753,758	-	15,806,452	13,871,003
Depreciable Capital Assets, Net	20,218,289	-	96,353,249	-	116,571,538	125,242,176
Total Noncurrent Assets	22,273,742	-	121,125,106	(9,078,004)	134,320,844	141,096,265
Total Assets	26,575,448	111,244	160,828,631	(9,078,004)	178,437,319	185,051,202
Deferred Outflow of Resources						
Deferred Outflows - OPEB Related	322,970	-	-	-	322,970	106,556
Deferred Outflow - Pension Related	781,130	8,606	-	-	789,736	745,881
Deferred Charge on Refunding	-	-	1,666,928	-	1,666,928	1,801,443
Total Deferred Outflow of Resources	1,104,100	8,606	1,666,928	-	2,779,634	2,653,880
LIABILITIES						
Current Liabilities						
Accounts Payable	1,251,784	14,000	-	-	1,265,784	246,438
Interest Payable	-	-	1,283,294	-	1,283,294	1,308,493
Unearned Revenue	44,066	-	-	-	44,066	46,410
Due to Other Funds	-	-	-	-	-	-
Bonds Subject to Call	-	-	-	-	-	-
Total OPEB Liability - Due Within One Year	28,165	-	-	-	28,165	-
Long-Term Liabilities, Due Within One Year	124,790	-	6,225,000	-	6,349,790	6,074,079
Total Current Liabilities	1,448,805	14,000	7,508,294	-	8,971,099	7,675,420
Noncurrent Liabilities						
Accrued Rent Credit Payable	600,572	1,000	-	-	601,572	585,416
Advances from Other Funds	9,078,004	-	-	(9,078,004)	-	-
Advances from City of Victorville	-	-	1,864,932	-	1,864,932	1,855,412
Advances from Other Governments	-	-	10,995,517	-	10,995,517	10,939,517
Total OPEB Liability	2,186,816	-	-	-	2,186,816	2,093,649
Net Pension Liability	3,825,101	13,480	-	-	3,838,581	3,546,936
Long-Term Liabilities, Due Beyond One Year	104,862	-	283,551,051	-	283,655,913	288,491,963
Total Noncurrent Liabilities	15,795,355	14,480	296,411,500	(9,078,004)	303,143,331	307,512,893
Total Liabilities	17,244,160	28,480	303,919,794	(9,078,004)	312,114,430	315,188,313
Deferred Inflows of Resources						
Deferred Inflows - OPEB Related	589,499	-	-	-	589,499	413,856
Deferred Inflows - Pension Related	74,754	2,085	-	-	76,839	150,938
Total Deferred Inflows of Resources	664,253	2,085	-	-	666,338	564,794
Net Position (Deficit)						
Net Investment in Capital Assets	21,321,348	-	(154,049,349)	-	(132,728,001)	(129,417,584)
Unrestricted	(11,550,213)	89,285	12,625,114	-	1,164,186	1,369,559
Total Net Position (Deficit)	\$ 9,771,135	\$ 89,285	\$ (141,424,235)	\$ -	\$ (131,563,815)	\$ (128,048,025)

SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY
COMBINING SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2021
(WITH COMPARATIVE DATA FOR THE YEAR ENDED JUNE 30, 2020)

	Aeronautical	Non Aeronautical	Other Services	Elimination	Totals	
					2021	2020
Operating Revenues						
Charges for Services:						
Landing Fees	\$ 1,576,966	\$ -	\$ -	\$ -	\$ 1,576,966	\$ 893,765
Fuel Flowage Fees	278,938	-	-	-	278,938	251,575
Rent and Lease Revenue	7,535,912	105,000	1,000,000	-	8,640,912	9,207,397
Total Charges for Services	9,391,816	105,000	1,000,000	-	10,496,816	10,352,737
Fines and Forfeitures	34,986	-	-	-	34,986	121,180
Other	524,539	-	-	-	524,539	724,410
Total Operating Revenues	9,951,341	105,000	1,000,000	-	11,056,341	11,198,327
Operating Expenses						
Personnel Services	2,792,194	1,867	-	-	2,794,061	2,812,135
Maintenance and Operations	11,486,449	64,477	19,947	-	11,570,873	4,827,337
Depreciation	2,834,129	-	6,239,413	-	9,073,542	9,097,915
Total Operating Expenses	17,112,772	66,344	6,259,360	-	23,438,476	16,737,387
Operating Loss	(7,161,431)	38,656	(5,259,360)	-	(12,382,135)	(5,539,060)
Nonoperating Revenues (Expenses)						
Taxes	180,308	-	21,128,417	-	21,308,725	19,858,962
Investment Income	7,224	132	295,818	(253,760)	49,414	519,981
Interest Expense	(253,760)	-	(17,139,120)	253,760	(17,139,120)	(17,518,436)
Gain on Sale of Capital Assets	6,775	-	-	-	6,775	(604,144)
Other Nonoperating Expenses	-	-	(19,487)	-	(19,487)	(19,537)
Total Nonoperating Revenues (Expenses)	(59,453)	132	4,265,628	-	4,206,307	2,236,826
Income (Loss) Before Capital Contributions	(7,220,884)	38,788	(993,732)	-	(8,175,828)	(3,302,234)
Capital Contributions						
Capital Grants	6,344,691	-	-	-	6,344,691	843,148
Capital Contribution to the City of Victorville	(1,684,653)	-	-	-	(1,684,653)	-
Total Capital Contributions	4,660,038	-	-	-	4,660,038	843,148
Change in Net Position	(2,560,846)	38,788	(993,732)	-	(3,515,790)	(2,459,086)
Net Position (Deficit) - Beginning of Year	12,331,981	50,497	(140,430,503)	-	(128,048,025)	(125,588,939)
Net Position (Deficit) - End of Year	<u>\$ 9,771,135</u>	<u>\$ 89,285</u>	<u>\$ (141,424,235)</u>	<u>\$ -</u>	<u>\$ (131,563,815)</u>	<u>\$ (128,048,025)</u>