

# **Big Bear Airport District**

Big Bear City, California

## **Annual Financial Report**

*For the Years Ended June 30, 2018 and 2017*





**Big Bear Airport District**  
**Annual Financial Report**  
**For the Years Ended June 30, 2018 and 2017**

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**FINANCIAL SECTION**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
of the Big Bear Airport District  
Big Bear City, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Big Bear Airport District (District), which comprise the balance sheets as of June 30, 2018 and 2017, and the related statements of revenues, expenses and changes in net position, and cash flows and the related notes to the financial statements, which collectively comprise the District's basic financial statements.

### *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 from material misstatement.

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

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

### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the District as of June 30, 2018 and 2017, and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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To the Board of Directors  
of the Big Bear Airport District  
Big Bear City, California  
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***Emphasis of Matter***

***Change in Accounting Principle***

As discussed in Note 1 to the financial statements, the District implemented Governmental Accounting Standards Board (“GASB”) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The adoption of this standard required retrospective application of previously reported net position as of July 1, 2017 as described in Note 9 to the basic financial statements. In addition, total OPEB liability is reported in the statement of Net position in the amount of \$596,840 as of the measurement date. The District hired a qualified actuary to evaluate the Total OPEB Liability as of the measurement date as required by GASB Statement No. 75. The Total OPEB Liability is calculated by actuaries using estimates and actuarial techniques from actuarial valuation as of June 30, 2017. The actuary applied the Section 3.7.7(c)(4) of the ASOP No. 6, as revised, and determined age-adjusted rates are not necessary and therefore, the Implicit Rate Subsidy is not applicable in calculating the total projection of benefits payments. Our opinion is not modified with respect to this matter.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis on pages 5 through 9 and the Schedule of the District’s Proportionate Share of the Plan’s Net Pension Liability, the Schedule of the District’s Contributions to the Pension Plan, the Schedule of Funding Progress – Other Post-Employment Benefits Plan, Schedule of Changes in Net OPEB Liability and Related Ratios, and the Schedule of the District’s Contributions to the OPEB Plan on pages 46 through 50, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2018, on our consideration of the District’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 of the District’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District’s internal control over financial reporting and compliance.



Santa Ana, California  
December 20, 2018





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

To the Board of Directors  
of the Big Bear Airport District  
Big Bear City, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Big Bear Airport District (District) as of and for the year ended June 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprises the District's basic financial statements, and have issued our report thereon dated December 20, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

**Compliance and Other Matters**

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

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To the Board of Directors  
of the Big Bear Airport District  
Big Bear City, California  
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**Purpose of this Report**

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

*The PwC Group, LLP*

Santa Ana, California  
December 20, 2018

**Big Bear Airport District**  
**Management's Discussion and Analysis (Unaudited)**  
**For the Years Ended June 30, 2018 and 2017**

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The following Management's Discussion and Analysis (MD&A) of activities and financial performance of the Big Bear Airport District (District) provides an introduction to the financial statements of the District for the fiscal years ended June 30, 2018 and 2017. We encourage readers to consider the information presented here in conjunction with the basic financial statements and related notes, which follow this section.

**Financial Highlights**

- The District incurred a net loss before capital contributions of \$(938,685) and \$(829,350) for fiscal years ended June 30, 2018 and 2017, respectively. Both losses are primarily attributable to depreciation expense.
- In 2018, total revenues before contributed capital increased by \$113,077 from \$2,111,431 to \$2,224,508, from 2017, primarily due to an increase in property and redevelopment taxes of \$59,892 and an increase in investment earnings of \$29,378.
- In 2017, total revenues before contributed capital decreased by \$(4,160) from \$2,115,591 to \$2,111,431, from 2016, primarily due to an increase in property and redevelopment taxes of \$62,004 and a decrease in investment earnings of \$(81,360).
- In 2018, total expenses for the District increased by \$222,412 from \$2,940,781 to \$3,163,193, from 2017, primarily due to an increase in all-expenses categories except utilities, repair and maintenance, professional services and board of directors expenses.
- In 2017, total expenses for the District increased by \$455,793 from \$2,484,988 to \$2,940,781, from 2016, primarily due to an increase in all-expenses categories except utilities and telephone, insurance and other – air fair.

**Required Financial Statements**

This annual report consists of a series of financial statements. The Statement of Net Position, Statement of Revenues, Expenses and Change in Net Position and Statement of Cash Flows provide information about the activities and performance of the District using accounting methods similar to those used by private sector companies.

The Statement of Net Position includes all of the District's investments in resources (assets) and the obligations to creditors (liabilities). It also provides the basis for computing a rate of return, evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District. All of the current year's revenue and expenses are accounted for in the Statement of Revenues, Expenses and Changes in Net Position. This statement measures the success of the District's operations over the past year and can be used to determine if the District has successfully recovered all of its costs through its rates and other charges. This statement can also be used to evaluate profitability and credit worthiness. The final required financial statement is the Statement of Cash Flows, which provides information about the District's cash receipts and cash payments during the reporting period. The Statement of Cash Flows reports cash receipts, cash payments and net changes in cash resulting from operations, investing, non-capital financing, and capital and related financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

**Financial Analysis of the District**

One of the most important questions asked about the District's finances is, "*Is the District better off or worse off as a result of this year's activities?*" The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position report information about the District in a way that helps answer this question.

These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting method used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

**Big Bear Airport District**  
**Management's Discussion and Analysis (Unaudited) (Continued)**  
**For the Years Ended June 30, 2018 and 2017**

These two statements report the District's *net position* and changes in them. You can think of the District's net position – the difference between assets and liabilities – as one way to measure the District's financial health, or *financial position*. Over time, *increases or decreases* in the District's net position are one indicator of whether its *financial health* is improving or deteriorating. However, one will need to consider other non-financial factors such as changes in economic conditions, population growth, zoning and new or changed government legislation.

**Notes to the Basic Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

**Statement of Net Position**

|                                       | <u>June 30, 2018</u> | <u>June 30, 2017</u> | <u>Change</u>         | <u>June 30, 2016</u> | <u>Change</u>    |
|---------------------------------------|----------------------|----------------------|-----------------------|----------------------|------------------|
| <b>Assets:</b>                        |                      |                      |                       |                      |                  |
| Current assets                        | \$ 5,721,066         | \$ 6,207,243         | \$ (486,177)          | \$ 7,139,902         | \$ (932,659)     |
| Non-current assets                    | -                    | 17,670               | (17,670)              | 60,407               | (42,737)         |
| Capital assets, net                   | 23,098,689           | 23,241,616           | (142,927)             | 22,123,206           | 1,118,410        |
| <b>Total assets</b>                   | <u>28,819,755</u>    | <u>29,466,529</u>    | <u>(646,774)</u>      | <u>29,323,515</u>    | <u>143,014</u>   |
| <b>Deferred outflows of resources</b> | <u>335,186</u>       | <u>283,118</u>       | <u>52,068</u>         | <u>199,507</u>       | <u>83,611</u>    |
| <b>Liabilities:</b>                   |                      |                      |                       |                      |                  |
| Current liabilities                   | 191,966              | 336,940              | (144,974)             | 299,924              | 37,016           |
| Non-current liabilities               | 1,112,828            | 419,059              | 693,769               | 230,689              | 188,370          |
| <b>Total liabilities</b>              | <u>1,304,794</u>     | <u>755,999</u>       | <u>548,795</u>        | <u>530,613</u>       | <u>225,386</u>   |
| <b>Deferred inflows of resources</b>  | <u>143,850</u>       | <u>205,634</u>       | <u>(61,784)</u>       | <u>276,354</u>       | <u>(70,720)</u>  |
| <b>Net position:</b>                  |                      |                      |                       |                      |                  |
| Net investment in capital assets      | 23,098,689           | 23,241,616           | (142,927)             | 22,123,206           | 1,118,410        |
| Unrestricted                          | 4,607,608            | 5,546,398            | (938,790)             | 6,592,849            | (1,046,451)      |
| <b>Total net position</b>             | <u>\$ 27,706,297</u> | <u>\$ 28,788,014</u> | <u>\$ (1,081,717)</u> | <u>\$ 28,716,055</u> | <u>\$ 71,959</u> |

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources of the District exceeded liabilities and deferred inflows of resources by \$27,706,297 and \$28,788,014 as of June 30, 2018 and 2017 respectively.

By far the largest portion of the District's net position (83% as of June 30, 2018 and 81% as of June 30, 2017) reflects the District's investment in capital assets (net of accumulated depreciation) less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to customers within the District's service area; consequently, these assets are not available for future spending.

At the end of fiscal years 2018 and 2017, the District showed a positive balance in its unrestricted net position of \$4,607,608 and \$5,546,398, respectively, which may be utilized in future years.



**Big Bear Airport District**  
**Management's Discussion and Analysis (Unaudited) (Continued)**  
**For the Years Ended June 30, 2018 and 2017**

**Statement of Revenues, Expenses and Change in Net Position**

|  | <u>June 30, 2018</u> | <u>June 30, 2017</u> | <u>Change</u>         | <u>June 30, 2016</u> | <u>Change</u>    |
|--|----------------------|----------------------|-----------------------|----------------------|------------------|
| Operating revenues                               | \$ 714,510           | \$ 690,703           | \$ 23,807             | \$ 673,726           | \$ 16,977        |
| Operating expenses                               | (1,565,725)          | (1,523,160)          | (42,565)              | (1,330,148)          | (193,012)        |
| <b>Operating loss before depreciation</b>        | <b>(851,215)</b>     | <b>(832,457)</b>     | <b>(18,758)</b>       | <b>(656,422)</b>     | <b>(176,035)</b> |
| Depreciation expense                             | (1,466,126)          | (1,417,621)          | (48,505)              | (1,154,840)          | (262,781)        |
| <b>Operating loss</b>                            | <b>(2,317,341)</b>   | <b>(2,250,078)</b>   | <b>(67,263)</b>       | <b>(1,811,262)</b>   | <b>(438,816)</b> |
| Non-operating revenues, net                      | 1,378,656            | 1,420,728            | (42,072)              | 1,441,865            | (21,137)         |
| <b>Net loss before capital contributions</b>     | <b>(938,685)</b>     | <b>(829,350)</b>     | <b>(109,335)</b>      | <b>(369,397)</b>     | <b>(459,953)</b> |
| Capital contributions                            | 381,537              | 901,309              | (519,772)             | 141,750              | 759,559          |
| <b>Change in net position</b>                    | <b>(557,148)</b>     | <b>71,959</b>        | <b>(629,107)</b>      | <b>(227,647)</b>     | <b>299,606</b>   |
| Net Position:                                    |                      |                      |                       |                      |                  |
| <b>Beginning of year, as previously reported</b> | 28,788,014           | 28,716,055           | 71,959                | 28,943,702           | (227,647)        |
| <b>Prior period adjustments</b>                  | (524,569)            | -                    | (524,569)             | -                    | -                |
| <b>End of year</b>                               | <b>\$ 27,706,297</b> | <b>\$ 28,788,014</b> | <b>\$ (1,081,717)</b> | <b>\$ 28,716,055</b> | <b>\$ 71,959</b> |

The statement of revenues, expenses and changes in net position shows how the District's net position changed during the fiscal years. In the case of the District, the District's net position decreased by \$(557,148) and increased by \$71,959 for the years ended June 30, 2018 and 2017, respectively.

A closer examination of the sources of changes in net position reveals that:

|  | <u>June 30, 2018</u> | <u>June 30, 2017</u> | <u>Increase<br/>(Decrease)</u> | <u>June 30, 2016</u> | <u>Increase<br/>(Decrease)</u> |
|--|----------------------|----------------------|--------------------------------|----------------------|--------------------------------|
| <b>Operating revenues:</b>                   |                      |                      |                                |                      |                                |
| Facility and hangar rentals                  | \$ 573,744           | \$ 569,168           | \$ 4,576                       | \$ 550,259           | \$ 18,909                      |
| Fuel and oil sales, net of cost              | 85,469               | 80,627               | 4,842                          | 83,523               | (2,896)                        |
| Aircraft tiedown fees, parking and souvenirs | 35,861               | 35,733               | 128                            | 35,605               | 128                            |
| Other operating revenue                      | 19,436               | 5,175                | 14,261                         | 4,339                | 836                            |
| <b>Total operating</b>                       | <b>714,510</b>       | <b>690,703</b>       | <b>23,807</b>                  | <b>673,726</b>       | <b>16,977</b>                  |
| <b>Non-operating:</b>                        |                      |                      |                                |                      |                                |
| Property taxes – ad valorem                  | 1,332,488            | 1,282,450            | 50,038                         | 1,225,932            | 56,518                         |
| Redevelopment taxes                          | 123,144              | 113,290              | 9,854                          | 107,804              | 5,486                          |
| Investment earnings                          | 44,366               | 14,988               | 29,378                         | 96,348               | (81,360)                       |
| State subsidy                                | 10,000               | 10,000               | -                              | 10,000               | -                              |
| Other revenue                                | -                    | -                    | -                              | 1,781                | (1,781)                        |
| <b>Total non-operating</b>                   | <b>1,509,998</b>     | <b>1,420,728</b>     | <b>89,270</b>                  | <b>1,441,865</b>     | <b>(21,137)</b>                |
| <b>Total revenues</b>                        | <b>\$ 2,224,508</b>  | <b>\$ 2,111,431</b>  | <b>\$ 113,077</b>              | <b>\$ 2,115,591</b>  | <b>\$ (4,160)</b>              |

In 2018, total revenues before contributed capital increased by \$113,077 from \$2,111,431 to \$2,224,508, from 2017, primarily due to an increase in property and redevelopment taxes of \$59,892 and an increase in investment earnings of \$29,378.

**Big Bear Airport District**  
**Management's Discussion and Analysis (Unaudited) (Continued)**  
**For the Years Ended June 30, 2018 and 2017**

**Statement of Revenues, Expenses and Change in Net Position (Continued)**

In 2017, total revenues before contributed capital decreased by \$(4,160) from \$2,115,591 to \$2,111,431, from 2016, primarily due to an increase in property and redevelopment taxes of \$62,004 and a decrease in investment earnings of \$(81,360).

|                             | <u>June 30, 2018</u> | <u>June 30, 2017</u> | <u>Increase<br/>(Decrease)</u> | <u>June 30, 2016</u> | <u>Increase<br/>(Decrease)</u> |
|-----------------------------|----------------------|----------------------|--------------------------------|----------------------|--------------------------------|
| <b>Operating expenses:</b>  |                      |                      |                                |                      |                                |
| Salaries and wages          | \$ 564,388           | \$ 489,815           | \$ 74,573                      | \$ 419,960           | \$ 69,855                      |
| Employee benefits           | 308,354              | 297,346              | 11,008                         | 216,515              | 80,831                         |
| Utilities and telephone     | 128,616              | 137,518              | (8,902)                        | 150,915              | (13,397)                       |
| Materials and supplies      | 98,426               | 95,258               | 3,168                          | 92,242               | 3,016                          |
| Insurance                   | 54,620               | 45,304               | 9,316                          | 45,660               | (356)                          |
| Repairs and maintenance     | 84,684               | 174,646              | (89,962)                       | 131,096              | 43,550                         |
| Professional services       | 210,805              | 249,510              | (38,705)                       | 160,079              | 89,431                         |
| Board of directors expenses | 21,578               | 33,763               | (12,185)                       | 30,597               | 3,166                          |
| Other – Air Fair            | 94,254               | -                    | 94,254                         | 83,084               | (83,084)                       |
| Depreciation                | 1,466,126            | 1,417,621            | 48,505                         | 1,154,840            | 262,781                        |
| <b>Total operating</b>      | <u>3,031,851</u>     | <u>2,940,781</u>     | <u>91,070</u>                  | <u>2,484,988</u>     | <u>455,793</u>                 |
| <b>Non-operating:</b>       |                      |                      |                                |                      |                                |
| Other expenses              | 131,342              | -                    | 131,342                        | -                    | -                              |
| <b>Total non-operating</b>  | <u>131,342</u>       | <u>-</u>             | <u>131,342</u>                 | <u>-</u>             | <u>-</u>                       |
| <b>Total expenses</b>       | <u>\$ 3,163,193</u>  | <u>\$ 2,940,781</u>  | <u>\$ 222,412</u>              | <u>\$ 2,484,988</u>  | <u>\$ 455,793</u>              |

In 2018, total expenses for the District increased by \$222,412 from \$2,940,781 to \$3,163,193, from 2017, primarily due to an increase in all-expenses categories except utilities, repair and maintenance, professional services and board of directors expenses.

In 2017, total expenses for the District increased by \$455,793 from \$2,484,988 to \$2,940,781, from 2016, primarily due to an increase in all-expenses categories except utilities and telephone, insurance and other – air fair.

**Capital Asset Administration**

|                                  | <u>Balance<br/>June 30, 2018</u> | <u>Balance<br/>June 30, 2017</u> | <u>Balance<br/>June 30, 2016</u> |
|----------------------------------|----------------------------------|----------------------------------|----------------------------------|
| <b>Capital assets:</b>           |                                  |                                  |                                  |
| Non-depreciable assets           | \$ 5,027,560                     | \$ 5,401,407                     | \$ 3,215,066                     |
| Depreciable assets               | 34,327,813                       | 32,974,647                       | 32,643,592                       |
| Accumulated depreciation         | <u>(16,256,684)</u>              | <u>(15,134,438)</u>              | <u>(13,735,452)</u>              |
| <b>Total capital assets, net</b> | <u>\$ 23,098,689</u>             | <u>\$ 23,241,616</u>             | <u>\$ 22,123,206</u>             |

At the end of fiscal year 2018 and 2017, the District's investment in capital assets amounted to \$23,098,689 and \$23,241,616 (net of accumulated depreciation), respectively. This investment in capital assets includes land, land improvements, structures, building, operating equipment and office equipment. See Note 4 for further information.

**Big Bear Airport District**  
**Management's Discussion and Analysis (Unaudited) (Continued)**  
**For the Years Ended June 30, 2018 and 2017**

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**Conditions Affecting Current Financial Position**

Management is unaware of any conditions which could have a significant impact on the District's current financial position, net position or operating results based on past, present and future events.

**Requests for Information**

This financial report is designed to provide the District's funding sources, customers, stakeholders and other interested parties with an overview of the District's financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact the District's General Manager at 501 Valley Blvd., Big Bear City, California 92314 – (909) 585-3219.

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## **BASIC FINANCIAL STATEMENTS**

**Big Bear Airport District**  
**Statements of Net Position**  
**June 30, 2018 and 2017**

| ASSETS   | 2018                 | 2017                 |
|--|----------------------|----------------------|
| <b>Current assets:</b>                             |                      |                      |
| Cash and cash equivalents                          | \$ 208,388           | \$ 702,958           |
| Investments  | 5,298,856            | 5,260,211            |
| Accrued interest receivable                        | 6,536                | 3,370                |
| Accounts receivable – customers, net               | 1,075                | 534                  |
| Accounts receivable – others                       | 69,975               | 51,610               |
| Property taxes receivable                          | 35,318               | 31,969               |
| Grants receivable                                  | 29,169               | 56,100               |
| Materials and supplies inventory                   | 67,140               | 40,329               |
| Prepaid items                                      | 4,609                | 60,162               |
| <b>Total current assets</b>                        | <b>5,721,066</b>     | <b>6,207,243</b>     |
| <b>Non-current assets:</b>                         |                      |                      |
| Net other post-employment benefits asset           | -                    | 17,670               |
| Capital assets – not being depreciated             | 5,027,560            | 5,401,407            |
| Capital assets, net – being depreciated            | 18,071,129           | 17,840,209           |
| Capital assets, net                                | 23,098,689           | 23,241,616           |
| <b>Total non-current assets</b>                    | <b>23,098,689</b>    | <b>23,259,286</b>    |
| <b>Total assets</b>                                | <b>28,819,755</b>    | <b>29,466,529</b>    |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>              |                      |                      |
| Pensions related deferred outflows of resources    | 294,100              | 283,118              |
| OPEB related deferred outflows of resources        | 41,086               | -                    |
| <b>Total deferred outflows of resources</b>        | <b>335,186</b>       | <b>283,118</b>       |
| <b>LIABILITIES</b>                                 |                      |                      |
| <b>Current liabilities:</b>                        |                      |                      |
| Accounts payable and accrued expenses              | 114,880              | 90,440               |
| Customer deposits and unearned revenue             | 36,559               | 197,992              |
| Long-term liabilities – due within one year:       |                      |                      |
| Compensated absences                               | 40,527               | 48,508               |
| <b>Total current liabilities</b>                   | <b>191,966</b>       | <b>336,940</b>       |
| <b>Noncurrent liabilities:</b>                     |                      |                      |
| Long-term liabilities – due in more than one year: |                      |                      |
| Compensated absences                               | 39,787               | 26,119               |
| Net pension liability                              | 476,201              | 392,940              |
| Net other post-employment benefits liability       | 596,840              | -                    |
| <b>Total noncurrent liabilities</b>                | <b>1,112,828</b>     | <b>419,059</b>       |
| <b>Total liabilities</b>                           | <b>1,304,794</b>     | <b>755,999</b>       |
| <b>DEFERRED INFLOWS OF RESOURCES</b>               |                      |                      |
| Pensions related deferred inflows of resources     | 143,850              | 205,634              |
| <b>Total deferred inflows of resources</b>         | <b>143,850</b>       | <b>205,634</b>       |
| <b>NET POSITION</b>                                |                      |                      |
| Investment in capital assets                       | 23,098,689           | 23,241,616           |
| Unrestricted                                       | 4,607,608            | 5,546,398            |
| <b>Total net position</b>                          | <b>\$ 27,706,297</b> | <b>\$ 28,788,014</b> |

**Big Bear Airport District**  
**Statements of Revenues, Expenses and Changes in Net Position**  
**For the Years Ended June 30, 2018 and 2017**

|  | <u>2018</u>          | <u>2017</u>          |
|--|----------------------|----------------------|
| <b>Operating revenues:</b>                     |                      |                      |
| Facility and hangar rentals                    | \$ 573,744           | \$ 569,168           |
| Fuel and oil sales, net of cost                | 85,469               | 80,627               |
| Aircraft tiedown fees, parking and souvenirs   | 35,861               | 35,733               |
| Other operating revenue                        | 19,436               | 5,175                |
| <b>Total operating revenues</b>                | <u>714,510</u>       | <u>690,703</u>       |
| <b>Operating expenses:</b>                     |                      |                      |
| Salaries and wages                             | 564,388              | 489,815              |
| Employee benefits                              | 308,354              | 297,346              |
| Utilities and telephone                        | 128,616              | 137,518              |
| Materials and supplies                         | 98,426               | 95,258               |
| Insurance                                      | 54,620               | 45,304               |
| Repairs and maintenance                        | 84,684               | 174,646              |
| Professional services                          | 210,805              | 249,510              |
| Board of directors expenses                    | 21,578               | 33,763               |
| Other – Air Fair                               | 94,254               | -                    |
| Depreciation expense                           | 1,466,126            | 1,417,621            |
| <b>Total operating expenses</b>                | <u>3,031,851</u>     | <u>2,940,781</u>     |
| <b>Operating (loss)</b>                        | <u>(2,317,341)</u>   | <u>(2,250,078)</u>   |
| <b>Non-operating revenues (expenses):</b>      |                      |                      |
| Property taxes – ad valorem                    | 1,332,488            | 1,282,450            |
| Redevelopment taxes                            | 123,144              | 113,290              |
| Investment earnings                            | 44,366               | 14,988               |
| State subsidy                                  | 10,000               | 10,000               |
| Other expenses                                 | (131,342)            | -                    |
| <b>Total non-operating revenues, net</b>       | <u>1,378,656</u>     | <u>1,420,728</u>     |
| <b>Net (loss) before capital contributions</b> | <u>(938,685)</u>     | <u>(829,350)</u>     |
| <b>Capital contributions:</b>                  |                      |                      |
| Federal capital grants                         | 381,537              | 894,221              |
| State capital grants                           | -                    | 7,088                |
| <b>Total capital contributions</b>             | <u>381,537</u>       | <u>901,309</u>       |
| <b>Change in net position</b>                  | (557,148)            | 71,959               |
| <b>Net Position:</b>                           |                      |                      |
| Beginning of year, as originally reported      | 28,788,014           | 28,716,055           |
| Prior period adjustment (Note 9):              |                      |                      |
| Restatement due to implementation of GASB 75   | (524,569)            | -                    |
| End of year                                    | <u>\$ 27,706,297</u> | <u>\$ 28,788,014</u> |

**Big Bear Airport District**  
**Statements of Cash Flows**  
**For the Years Ended June 30, 2018 and 2017**

|  | 2018               | 2017               |
|--|--------------------|--------------------|
| <b>Cash flows from operating activities:</b>                       |                    |                    |
| Cash receipts from customers and others                            | \$ 402,829         | \$ 769,544         |
| Cash paid to employees for salaries and wages                      | (828,711)          | (502,535)          |
| Cash paid to vendors and suppliers for materials and services      | (618,796)          | (1,014,522)        |
| <b>Net cash (used in) operating activities</b>                     | <b>(1,044,678)</b> | <b>(747,513)</b>   |
| <b>Cash flows from non-capital financing activities:</b>           |                    |                    |
| Proceeds from property taxes – ad valorem                          | 1,338,993          | 1,283,377          |
| Proceeds from property taxes – redevelopment increment             | 113,290            | 113,290            |
| State subsidy  | 10,000             | 10,000             |
| <b>Net cash provided by non-capital financing activities</b>       | <b>1,462,283</b>   | <b>1,406,667</b>   |
| <b>Cash flows from capital and related financing activities:</b>   |                    |                    |
| Acquisition and construction of capital assets                     | (1,323,199)        | (2,536,031)        |
| Proceeds from capital grants                                       | 408,468            | 878,941            |
| <b>Net cash (used in) capital and related financing activities</b> | <b>(914,731)</b>   | <b>(1,657,090)</b> |
| <b>Cash flows from investing activities:</b>                       |                    |                    |
| Purchases of investments   | (1,320,644)        | (233,930)          |
| Proceeds from the maturity of investments                          | 1,282,000          | 940,736            |
| Investment earnings  | 41,200             | 60,461             |
| <b>Net cash provided by investing activities</b>                   | <b>2,556</b>       | <b>767,267</b>     |
| <b>Net (decrease) in cash and cash equivalents</b>                 | <b>(494,570)</b>   | <b>(230,669)</b>   |
| <b>Cash and cash equivalents:</b>                                  |                    |                    |
| Beginning of year  | 702,958            | 933,627            |
| End of year  | <b>\$ 208,388</b>  | <b>\$ 702,958</b>  |



**Big Bear Airport District**  
**Statements of Cash Flows (Continued)**  
**For the Years Ended June 30, 2018 and 2017**

|  | 2018           | 2017           |
|--|----------------|----------------|
| <b>Reconciliation of operating (loss) to net cash (used in) operating activities:</b>        |                |                |
| Operating (loss)   | \$ (2,317,341) | \$ (2,250,078) |
| <b>Adjustments to reconcile operating (loss) to net cash (used in) operating activities:</b> |                |                |
| Depreciation   | 1,466,126      | 1,417,621      |
| Other expenses   | (131,342)      | -              |
| <b>Change in assets – (increase)decrease:</b>  |                |                |
| Accounts receivable – customers, net   | (541)          | 980            |
| Accounts receivable – others   | (18,365)       | 10,507         |
| Materials and supplies inventory   | (26,811)       | 4,508          |
| Prepaid items  | 55,553         | (44,843)       |
| Net other post-employment benefits liability   | 89,941         | 42,737         |
| <b>Change in deferred outflows of resources – (increase)decrease</b>                         |                |                |
| Deferred amounts related to net pension liability  | (10,982)       | (83,611)       |
| Deferred amounts related to net other post-employment liability                              | (41,086)       | -              |
| <b>Change in liabilities – increase(decrease):</b>   |                |                |
| Accounts payable and accrued expenses  | 24,439         | (37,327)       |
| Customer deposits and unearned revenue   | (161,433)      | 67,354         |
| Compensated absences   | 5,687          | 10,752         |
| Net pension liability  | 83,261         | 184,607        |
| <b>Change in deferred inflows of resources – increase(decrease)</b>                          |                |                |
| Deferred amounts related to net pension liability  | (61,784)       | (70,720)       |
| <b>Total adjustments</b>   | 1,272,663      | 1,502,565      |
| <b>Net cash (used in) operating activities</b>   | \$ (1,044,678) | \$ (747,513)   |
| <b>Non-cash investing, capital and financing transactions:</b>                               |                |                |
| Change in fair-market value of investments   | \$ (31,528)    | \$ (45,750)    |

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**Big Bear Airport District**  
**Notes to the Basic Financial Statements**  
**For the Years Ended June 30, 2018 and 2017**

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**Note 1 – Reporting Entity and Summary of Significant Accounting Policies**

The Big Bear Airport District (District) began operations before the 1940's. In 1972, the District became part of a San Bernardino County (County) Service Area (CSA-53) and was operated by the County. In 1979, the Big Bear Valley voted to form a duly constituted and existing airport district under the constitution and laws of the State of California. As a public corporation, the District at large is an independent, special distinct from, and not an agent of the State or any other of the State's political subdivisions, including the County. The enabling legislation is found at Public Utilities Code 22000.

The governing body consists of a five-member board elected from the Big Bear Valley. The Board members serve terms of four years. A variety of federal, state and local laws, agreements and regulations govern operations at the District. The Federal Aviation Administration (FAA) has jurisdiction over flying operations generally, including personnel, aircraft, ground facilities and other technical matters, as well as certain environmental matters. Federal law governs the District's noise limits, and imposes certain other restrictions on District operations.

The criteria used in determining the scope of the financial reporting entity is based on the provisions of U.S. GAAP. The District is the primary governmental unit based on the foundation of a separately elected governing board that is elected by the citizens in a general popular election. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The District is financially accountable for a component that has substantively the same governing body as the District's governing body, and additionally (1) the primary government and the component unit have a financial benefit or burden relationship or (2) management (below the level of the elected officials) of the primary government have operational responsibility for the activities of the component unit. There are no component units of the District.

***Basis of Presentation***

Financial statement presentation follows the recommendations promulgated by the Governmental Accounting Standards Board (GASB) commonly referred to as accounting principles generally accepted in the United States of America (U.S. GAAP). GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting standards.

***Measurement Focus, Basis of Accounting, and Financial Statement Presentation***

The Financial Statements (i.e., the statement of net position, the statement of revenues, expenses and change in net position, and statement of cash flows) report information on all of the activities of the primary government. The District accounts for its operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

The Financial Statements are reported using the “*economic resources*” measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as all eligibility requirements have been met. Interest associated with the current fiscal period is considered to be susceptible to accrual and so has been recognized as revenue of the current fiscal period.

**Big Bear Airport District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Years Ended June 30, 2018 and 2017**

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

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

Operating revenues are those revenues that are generated from the primary operations of the District. The District reports a measure of operations by presenting the change in net position from operations as *operating income* in the statement of revenues, expenses, and changes in net position. Operating activities are defined by the District as all activities other than financing and investing activities (interest expense and investment income), grants and subsidies, and other infrequently occurring transactions of a non-operating nature. Operating expenses are those expenses that are essential to the primary operations of the District. All other expenses are reported as non-operating expenses.

In accordance with U.S. GAAP, the Statement of Net Position reports separate sections for Deferred Outflows of Resources, and Deferred Inflows of Resources, when applicable.

**Deferred Outflows of Resources** represent outflows of resources (consumption of net position) that apply to future periods and that, therefore, will not be recognized as an expense until that time.

**Deferred Inflows of Resources** represent inflows of resources (acquisition of net position) that apply to future periods and that, therefore, are not recognized as revenue until that time.

***Use of Estimates***

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of the contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

***Cash and Cash Equivalents***

Cash and cash equivalents include all highly liquid investments with original maturities of 90 days or less and are carried at cost, which approximates fair value.

***Investments***

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

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

Level 1 – Inputs are unadjusted, quoted prices for identical assets and liabilities in active markets at the measurement date.

Level 2 – Inputs, other than quoted prices included in Level 1 that are observable for the assets or liabilities through corroboration with market data at the measurement date.

Level 3 – Unobservable inputs that reflect management’s best estimate of what market participants would use in pricing the assets or liabilities at the measurement date.

**Big Bear Airport District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Years Ended June 30, 2018 and 2017**

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

***Receivables and Allowance for Doubtful Accounts***

Customer accounts receivable consist of amounts owed by private individuals and organizations for services rendered in the regular course of business operations. Receivables are shown net of allowances for doubtful accounts. Uncollectable accounts are based on prior experience and management’s assessment of the collectability of existing accounts. As of June 30, 2018 and 2017, allowance for doubtful accounts was \$0 and \$506, respectively.

***Property Taxes***

Property taxes are levied on July 1 and are payable in two installments: November 1 and February 1 of each year. Property taxes become delinquent on December 10 and April 10, for the first and second installments, respectively. The lien date is January 1. The County of San Bernardino, California (County) bills and collects property taxes and remits them to the District according to a payment schedule established by the County.

The County is permitted by State law to levy properties at 1% of full market value (at time of purchase) and can increase the property tax rate at no more than 2% per year. The District receives a share of this basic tax levy proportionate to what it received during the years 1976-1978. Property taxes are recognized in the fiscal year for which the taxes have been levied.

***Materials and Supplies Inventory***

Inventories consist of fuel, oil and souvenirs, which are valued at the lower of cost or market using first-in first-out basis.

***Prepaid Items***

Payments made to vendors for services that will benefit periods beyond the fiscal year ended are recorded as prepaid expenses.

***Capital Assets***

Capital assets are valued at historical cost, or estimated historical cost, if actual historical cost was not available. Donated capital assets are valued at their estimated acquisition cost on the date donated. The District policy has set the capitalization threshold for reporting capital assets at \$5,000, all of which must have an estimated useful life in excess of one year. Depreciation is recorded on a straight-line basis over estimated useful lives of the assets as follows:

|                             |             |
|-----------------------------|-------------|
| Land improvements           | 10-40 years |
| Structures and improvements | 10-40 years |
| Building                    | 10 years    |
| Operating equipment         | 10-35 years |
| Office equipment            | 15 years    |

Major outlays for capital assets are capitalized as construction in progress until fully constructed. Once the construction is completed the capital asset is transferred and depreciated based on its useful life.

**Big Bear Airport District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Years Ended June 30, 2018 and 2017**

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

***Compensated Absences***

District policy permits its employees to accumulate earned vacation (up to 300 hours) and sick pay (unlimited) for subsequent use or for payment upon termination or retirement.

***Pensions***

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the plans and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans (Note 6). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value. The following timeframes are used for pension reporting:

|                    |                               |
|--------------------|-------------------------------|
| For the Year Ended | June 30, 2018                 |
| Valuation date     | June 30, 2016                 |
| Measurement date   | June 30, 2017                 |
| Measurement period | July 1, 2016 to June 30, 2017 |

Gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time. The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense. The amortization period differs depending on the source of the gain or loss. The difference between projected and actual earnings is amortized straight-line over 5 years. All other amounts are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period.

***Other Postemployment Benefits (“OPEB”)***

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District Retiree Benefits Plan (“OPEB Plan”) and additions to/deductions from OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the OPEB Plan recognizes benefit payments when due and payable in accordance with the benefit terms.

The following timeframes are used for OPEB reporting:

|                    |                               |
|--------------------|-------------------------------|
| For the Year Ended | June 30, 2018                 |
| Valuation Date     | June 30, 2017                 |
| Measurement Date   | June 30, 2017                 |
| Measurement Period | July 1, 2016 to June 30, 2017 |

**Big Bear Airport District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Years Ended June 30, 2018 and 2017**

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

*Net Position*

Net position represents the difference between all other elements in the statement of net position and should be displayed in the following three components:

**Investment in Capital Assets** – This component of net position consists of capital assets, net of accumulated depreciation.

**Restricted** – This component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. There were no restricted net position as of June 30, 2018.

**Unrestricted** – This component of net position is the amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

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

*Accounting Changes*

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement applies to government employers who provide OPEB to their employees and for governments that finance OPEB for employees of other governments. This statement basically parallels GASB Statement 68 and replaces GASB Statement 45. This statement was implemented in fiscal year ended June 30, 2018.

GASB Statement No. 81, *Irrevocable Split-Interest Agreements*. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. Application of this statement did not have a significant effect on the District's fiscal year ending June 30, 2018.

GASB Statement No. 85, *Omnibus 2017*. This Statement addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement also addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). Application of this statement did not have a significant effect on the District's fiscal year ending June 30, 2018.

GASB Statement No. 86, *Certain Debt Extinguishment Issues*. This Statement improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. Application of this statement did not have a significant effect on the District's fiscal year ending June 30, 2018.



**Big Bear Airport District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Years Ended June 30, 2018 and 2017**

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**Note 2 – Cash and Investments**

Cash and investments as June 30, 2018 were classified in the accompanying financial statements as follows:

| <u>Description</u>        | <u>June 30, 2018</u> | <u>June 30, 2017</u> |
|---------------------------|----------------------|----------------------|
| Cash and cash equivalents | \$ 208,388           | \$ 702,958           |
| Investments               | 5,298,856            | 5,260,211            |
| Total                     | <u>\$ 5,507,244</u>  | <u>\$ 5,963,169</u>  |

Cash and investments as of June 30, 2018 consisted of the following:

| <u>Description</u>                               | <u>June 30, 2018</u> | <u>June 30, 2017</u> |
|--|----------------------|----------------------|
| Cash on hand                                     | \$ 350               | \$ 350               |
| Demand deposits held with financial institutions | 208,038              | 702,608              |
| Investments                                      | 5,298,856            | 5,260,211            |
| Total  | <u>\$ 5,507,244</u>  | <u>\$ 5,963,169</u>  |

***Demand Deposits***

At June 30, 2018 and 2017, the carrying amount of the District's demand deposits was \$208,038 and 702,608, respectively, and the financial institution balance was \$347,422 and \$751,212, respectively. The \$139,384 and \$48,604 net difference as of June 30, 2018 and 2017 represents outstanding checks, deposits-in-transit and/or other reconciling items.

The California Government Code requires California banks and savings and loan associations to secure an entity's deposits by pledging government securities with a value of 110% of an entity's deposits. California law also allows financial institutions to secure entity deposits by pledging first trust deed mortgage notes having a value of 150% of an entity's total deposits. The entity's Treasurer may waive the collateral requirement for deposits which are fully insured up to \$250,000 by the FDIC.

The collateral for deposits in federal and state chartered banks is held in safekeeping by an authorized agent of depository recognized by the State of California Department of Banking. The collateral for deposits with savings and loan associations is generally held in safekeeping by the Federal Home Loan Bank in San Francisco, California as an agent of depository. These securities are physically held in an undivided pool for all California public agency depositors. Under Government Code Section 53655, the placement of securities by a bank or savings and loan association with an agent of depositor has the effect of perfecting the security interest in the name of the local governmental agency. Accordingly, all collateral held by California agents of depository are considered to be held for, and in the name of, the local government.

***Custodial Credit Risk for Deposits***

The 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 deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District's investment policy requires that collateral be held by an independent third party with whom the District has a current custodial agreement.



**Big Bear Airport District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Years Ended June 30, 2018 and 2017**

**Note 2 – Cash and Investments (Continued)**

**Investments**

The District's investments as of June 30, 2018 were as follows:

| Type of Investments                    | Measurement Input | Credit Rating | Fair Value          | Maturity            |                     |                   |
|--|-------------------|---------------|---------------------|---------------------|---------------------|-------------------|
|  |                   |               |                     | 12 Months or Less   | 13 to 24 Months     | 25 to 60 Months   |
| Money market funds                     | N/A               | AAA           | \$ 1,412,529        | \$ 1,412,529        | \$ -                | \$ -              |
| Local Agency Investment Fund (LAIF)    | Uncategorized     | N/A           | 1,342,500           | 1,342,500           | -                   | -                 |
| Non-negotiable certificates-of-deposit | Level 2           | N/A           | 2,543,827           | 738,941             | 1,329,747           | 475,139           |
| <b>Total investments</b>               |                   |               | <b>\$ 5,298,856</b> | <b>\$ 3,493,970</b> | <b>\$ 1,329,747</b> | <b>\$ 475,139</b> |

The District's investments as of June 30, 2017 were as follows:

| Type of Investments                    | Measurement Input | Credit Rating | Fair Value          | Maturity            |                   |                     |
|--|-------------------|---------------|---------------------|---------------------|-------------------|---------------------|
|  |                   |               |                     | 12 Months or Less   | 13 to 24 Months   | 25 to 60 Months     |
| Money market funds                     | N/A               | AAA           | \$ 75,408           | \$ 75,408           | \$ -              | \$ -                |
| Local Agency Investment Fund (LAIF)    | Uncategorized     | N/A           | 1,327,866           | 1,327,866           | -                 | -                   |
| Non-negotiable certificates-of-deposit | Level 2           | N/A           | 3,856,937           | 1,522,184           | 500,670           | 1,834,083           |
| <b>Total investments</b>               |                   |               | <b>\$ 5,260,211</b> | <b>\$ 2,925,458</b> | <b>\$ 500,670</b> | <b>\$ 1,834,083</b> |

**Investment in State Investment Pool**

The District is a voluntary participant in LAIF which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District'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, which are recorded on an amortized cost basis.

The District's investments with LAIF at June 30, 2018 and 2017 included a portion of the pool funds invested in structured notes and asset-backed securities:

**Structured Notes:** debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options.

**Asset-Backed Securities:** generally mortgage-backed securities that entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (for example, Collateralized Mortgage Obligations) or credit card receivables.

The District had \$1,342,500 and \$1,327,866 invested in LAIF, which had invested 2.67% and 2.89% of the pooled investment funds as of June 30, 2018 and June 30, 2017, respectively, in structured notes and medium-term asset-backed securities. The LAIF fair value factor of 0.998126869 and 0.998940671 was used to calculate the fair value of the investments in LAIF as of June 30, 2018 and 2017, respectively.

**Big Bear Airport District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Years Ended June 30, 2018 and 2017**

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**Note 2 – Cash and Investments (Continued)**

***Fair Value Measurement Input***

The District categorizes its fair value measurement inputs within the fair value hierarchy established by generally accepted accounting principles. The District has presented its measurement inputs as noted in the table above.

***Custodial Credit Risk for Investments***

The custodial credit risk for *investments* is the risk that in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The District’s investment policy requires that all security transactions are conducted on a delivery-versus-payment (DVP) method and that all securities are held by a qualified, third-party custodian, as evidenced by safekeeping receipts. The trust department of the District’s bank may act as third-party custodian, provided that the custodian agreement is separate from the banking agreement. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government’s indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

***Credit Risk***

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. As of June 30, 2018 and 2017, the District’s investment in the LAIF was not rated as noted in the table above.

***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 fair values of investments with longer maturities have greater sensitivity to changes in market interest rates. The District’s investment policy follows the Code as it relates to limits on investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates. The District has elected to use the segmented time distribution method of disclosure for the maturities of its investments as related to interest rate risk as noted in the table above.

***Concentration of Credit Risk***

The District’s investment policy contains no limitations on the amount that can be invested in any one governmental agency or non-governmental issuer beyond that stipulated by the California Government Code. There were no investments in any one governmental or non-governmental issuer that represented 5% or more of the District’s total investments except for those in LAIF or non-negotiable certificates-of-deposit.

**Note 3 – Accounts Receivable – Customers, Net**

Accounts receivable – customers, net as of June 30 consisted of the following:

| <u>Description</u>                   | <u>June 30, 2018</u> | <u>June 30, 2017</u> |
|--------------------------------------|----------------------|----------------------|
| Accounts receivable – customers      | \$ 1,075             | \$ 1,040             |
| Allowance for doubtful accounts      | -                    | (506)                |
| Accounts receivable – customers, net | <u>\$ 1,075</u>      | <u>\$ 534</u>        |

**Big Bear Airport District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Years Ended June 30, 2018 and 2017**

**Note 4 – Capital Assets**

Summary changes in capital asset balances for the year ended June 30, 2018 were as follows:

| Description                           | Balance<br>July 1, 2017 | Additions           | Deletions/<br>Transfers | Balance<br>June 30, 2018 |
|---------------------------------------|-------------------------|---------------------|-------------------------|--------------------------|
| <b>Non-depreciable assets:</b>        |                         |                     |                         |                          |
| Land                                  | \$ 3,035,000            | \$ 657,512          | \$ -                    | \$ 3,692,512             |
| Construction-in-process               | 2,366,407               | 1,322,172           | (2,353,531)             | 1,335,048                |
| <b>Total non-depreciable assets</b>   | <b>5,401,407</b>        | <b>1,979,684</b>    | <b>(2,353,531)</b>      | <b>5,027,560</b>         |
| <b>Depreciable assets:</b>            |                         |                     |                         |                          |
| Land improvements                     | 22,112,135              | 1,704,754           | (424,861)               | 23,392,028               |
| Structures and improvements           | 5,812,653               | 62,318              | -                       | 5,874,971                |
| Building                              | 2,643,000               | -                   | -                       | 2,643,000                |
| Operating equipment                   | 2,374,685               | 10,955              | -                       | 2,385,640                |
| Office equipment                      | 32,174                  | -                   | -                       | 32,174                   |
| <b>Total depreciable assets</b>       | <b>32,974,647</b>       | <b>1,778,027</b>    | <b>(424,861)</b>        | <b>34,327,813</b>        |
| <b>Accumulated depreciation:</b>      |                         |                     |                         |                          |
| Land improvements                     | (10,329,023)            | (743,622)           | 343,880                 | (10,728,765)             |
| Structures and improvements           | (3,298,817)             | (262,743)           | -                       | (3,561,560)              |
| Building                              | (726,825)               | (264,300)           | -                       | (991,125)                |
| Operating equipment                   | (770,233)               | (189,225)           | -                       | (959,458)                |
| Office equipment                      | (9,540)                 | (6,236)             | -                       | (15,776)                 |
| <b>Total accumulated depreciation</b> | <b>(15,134,438)</b>     | <b>(1,466,126)</b>  | <b>343,880</b>          | <b>(16,256,684)</b>      |
| <b>Total depreciable assets, net</b>  | <b>17,840,209</b>       | <b>311,901</b>      | <b>(80,981)</b>         | <b>18,071,129</b>        |
| <b>Total capital assets, net</b>      | <b>\$ 23,241,616</b>    | <b>\$ 2,291,585</b> | <b>\$ (2,434,512)</b>   | <b>\$ 23,098,689</b>     |

Summary changes in capital asset balances for the year ended June 30, 2017 were as follows:

| Description                           | Balance<br>July 1, 2016 | Additions           | Deletions/<br>Transfers | Balance<br>June 30, 2017 |
|---------------------------------------|-------------------------|---------------------|-------------------------|--------------------------|
| <b>Non-depreciable assets:</b>        |                         |                     |                         |                          |
| Land                                  | \$ 2,675,000            | \$ 360,000          | \$ -                    | \$ 3,035,000             |
| Construction-in-process               | 540,066                 | 1,832,611           | (6,270)                 | 2,366,407                |
| <b>Total non-depreciable assets</b>   | <b>3,215,066</b>        | <b>2,192,611</b>    | <b>(6,270)</b>          | <b>5,401,407</b>         |
| <b>Depreciable assets:</b>            |                         |                     |                         |                          |
| Land improvements                     | 22,032,287              | 87,626              | (7,778)                 | 22,112,135               |
| Structures and improvements           | 5,812,653               | -                   | -                       | 5,812,653                |
| Building                              | 2,643,000               | -                   | -                       | 2,643,000                |
| Operating equipment                   | 2,138,478               | 247,064             | (10,857)                | 2,374,685                |
| Office equipment                      | 17,174                  | 15,000              | -                       | 32,174                   |
| <b>Total depreciable assets</b>       | <b>32,643,592</b>       | <b>349,690</b>      | <b>(18,635)</b>         | <b>32,974,647</b>        |
| <b>Accumulated depreciation:</b>      |                         |                     |                         |                          |
| Land improvements                     | (9,611,281)             | (725,520)           | 7,778                   | (10,329,023)             |
| Structures and improvements           | (3,004,853)             | (293,964)           | -                       | (3,298,817)              |
| Building                              | (462,525)               | (264,300)           | -                       | (726,825)                |
| Operating equipment                   | (652,656)               | (128,434)           | 10,857                  | (770,233)                |
| Office equipment                      | (4,137)                 | (5,403)             | -                       | (9,540)                  |
| <b>Total accumulated depreciation</b> | <b>(13,735,452)</b>     | <b>(1,417,621)</b>  | <b>18,635</b>           | <b>(15,134,438)</b>      |
| <b>Total depreciable assets, net</b>  | <b>18,908,140</b>       | <b>(1,067,931)</b>  | <b>-</b>                | <b>17,840,209</b>        |
| <b>Total capital assets, net</b>      | <b>\$ 22,123,206</b>    | <b>\$ 1,124,680</b> | <b>\$ (6,270)</b>       | <b>\$ 23,241,616</b>     |

**Big Bear Airport District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Years Ended June 30, 2018 and 2017**

**Note 5 – Compensated Absences**

Summary changes to compensated absences balances for the year ended June 30, 2018 were as follows:

| <u>Balance</u><br><u>July 1, 2017</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance</u><br><u>June 30, 2018</u> | <u>Current</u><br><u>Portion</u> | <u>Long-term</u><br><u>Portion</u> |
|---------------------------------------|------------------|------------------|--|----------------------------------|------------------------------------|
| \$ 74,627                             | \$ 52,692        | \$ (47,005)      | \$ 80,314                              | \$ 40,527                        | \$ 39,787                          |

Summary changes to compensated absences balances for the year ended June 30, 2017 were as follows:

| <u>Balance</u><br><u>July 1, 2016</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance</u><br><u>June 30, 2017</u> | <u>Current</u><br><u>Portion</u> | <u>Long-term</u><br><u>Portion</u> |
|---------------------------------------|------------------|------------------|--|----------------------------------|------------------------------------|
| \$ 63,875                             | \$ 44,801        | \$ (34,049)      | \$ 74,627                              | \$ 48,508                        | \$ 26,119                          |

**Note 6 – Defined Benefits Plan – CalPERS Miscellaneous Plan**

Pensions related deferred outflows of resources, net pension liability and pensions related deferred inflows of resources consisted of the following at June 30, 2018 and 2017:

|   | <u>June 30, 2018</u> | <u>June 30, 2017</u> |
|---|----------------------|----------------------|
| <b>Deferred Outflows of Resources:</b>  |                      |                      |
| Pension contributions made after the measurement date                         | \$ 68,232            | \$ 55,115            |
| Difference between actual and proportionate share of employer contributions   | 43,707               | 98,340               |
| Adjustment due to differences in proportions                                  | 22,383               | 32,923               |
| Differences between projected and actual earnings on pension plan investments | 29,278               | 95,248               |
| Differences between expected and actual experience                            | 1,043                | 1,492                |
| Changes in assumptions  | 129,457              | -                    |
| <b>Total deferred outflows of resources</b>                                   | <u>\$ 294,100</u>    | <u>\$ 283,118</u>    |
| <b>Net Pension Liability</b>  | <u>\$ 476,201</u>    | <u>\$ 392,940</u>    |
| <b>Deferred Inflows of Resources:</b>   |                      |                      |
| Differences between expected and actual experience                            | \$ 14,948            | \$ -                 |
| Difference between actual and proportionate share of employer contributions   | 50,261               | 32,606               |
| Adjustment due to differences in proportions                                  | 68,770               | 154,728              |
| Changes in assumptions  | 9,871                | 18,300               |
| <b>Total deferred inflows of resources</b>                                    | <u>\$ 143,850</u>    | <u>\$ 205,634</u>    |

**Big Bear Airport District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Years Ended June 30, 2018 and 2017**

**Note 6 – Defined Benefits Plan – CalPERS Miscellaneous Plan (Continued)**

*General Information about the Pension Plans*

The Plans Description Schedule

The District has engaged with CalPERS to administer the following pension plans for its employees (members):

|   | <b>Classic<br/>Tier 1</b>   | <b>PEPRA<br/>Tier 2</b>        |
|---|-----------------------------|--------------------------------|
| Hire date   | Prior to<br>January 1, 2013 | On or after<br>January 1, 2013 |
| Benefit formula                                   | 2.0% @ 55                   | 2.0% @ 62                      |
| Benefit vesting schedule                          | 5-years or service          | 5-years or service             |
| Benefits payments                                 | monthly for life            | monthly for life               |
| Retirement age                                    | 50 - 67 & up                | 52 - 67 & up                   |
| Monthly benefits, as a % of eligible compensation | 1.426% to 2.418%            | 1.0% to 2.5%                   |
| Required member contribution rates                | 7.000%                      | 7.000%                         |
| Required employer contribution rates – FY 2016    | 11.448%                     | 7.191%                         |
| Required employer contribution rates – FY 2015    | 14.183%                     | 6.752%                         |

Plan Description

The District contributes to the California Public Employees’ Retirement System (CalPERS), a cost-sharing multiple-employer defined benefit pension plan. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. A full description of the pension plan, benefit provisions, assumptions (for funding, but not accounting purposes), and membership information are listed in the June 30, 2016 and 2015 Annual Actuarial Valuation Reports. These reports and CalPERS’ audited financial statements are publicly available reports that can be obtained at CalPERS’ website under Forms and Publications.

Members Covered by Benefit Terms

At June 30, 2017 (Measurement Date), the following members were covered by the benefit terms:

| <b>Plan Members</b>                | <b>Classic<br/>Tier 1</b> | <b>PEPRA<br/>Tier 2</b> | <b>Total</b> |
|------------------------------------|---------------------------|-------------------------|--------------|
| Active members                     | 4                         | 2                       | 6            |
| Transferred and terminated members | 2                         | -                       | 2            |
| Retired members and beneficiaries  | 8                         | -                       | 8            |
| <b>Total plan members</b>          | <b>14</b>                 | <b>2</b>                | <b>16</b>    |

At June 30, 2016 (Measurement Date), the following members were covered by the benefit terms:

| <b>Plan Members</b>                | <b>Classic<br/>Tier 1</b> | <b>PEPRA<br/>Tier 2</b> | <b>Total</b> |
|------------------------------------|---------------------------|-------------------------|--------------|
| Active members                     | 4                         | 1                       | 5            |
| Transferred and terminated members | 2                         | -                       | 2            |
| Retired members and beneficiaries  | 8                         | -                       | 8            |
| <b>Total plan members</b>          | <b>14</b>                 | <b>1</b>                | <b>15</b>    |

**Big Bear Airport District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Years Ended June 30, 2018 and 2017**

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**Note 6 – Defined Benefits Plan – CalPERS Miscellaneous Plan (Continued)**

*General Information about the Pension Plans (Continued)*

Benefits Provided

CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. A Classic CalPERS Miscellaneous member becomes eligible for service retirement upon attainment of age 55 with at least 5 years of credited service. Public Employees' Pension Reform Act (PEPRA) Miscellaneous members become eligible for service retirement upon attainment of age 62 with at least 5 years of service. The service retirement benefit is a monthly allowance equal to the product of the benefit factor, years of service, and final compensation. The final compensation is the monthly average of the member's highest 36 full-time equivalent monthly pay. Retirement benefits for Classic Miscellaneous and Safety members are calculated as a percentage of their plan based the average final 36 months compensation. Retirement benefits for PEPRA Miscellaneous members are calculated as a percentage of their plan based the average final 36 months compensation.

Participant members are eligible for non-industrial disability retirement if they become disabled and have at least 5 years of credited service. There is no special age requirement. The standard non-industrial disability retirement benefit is a monthly allowance equal to 1.8% of final compensation, multiplied by service. Industrial disability benefits are not offered to miscellaneous employees.

A member's beneficiary may receive the basic death benefit if the member dies while actively employed. The member must be actively employed with the District to be eligible for this benefit. A member's survivor who is eligible for any other pre-retirement death benefit may choose to receive that death benefit instead of this basic death benefit. The basic death benefit is a lump sum in the amount of the members' accumulated contributions, where interest is currently credited at 7.65 percent per year, plus a lump sum in the amount of one month's salary for each completed year of current service, up to a maximum of six months' salary. For purposes of this benefit, one month's salary is defined as the member's average monthly full-time rate of compensation during the 12 months preceding death.

Upon the death of a retiree, a one-time lump sum payment of \$500 will be made to the retiree's designated survivor(s), or to the retiree's estate.

Benefit terms provide for annual cost-of-living adjustments to each member's retirement allowance. Beginning the second calendar year after the year of retirement, retirement and survivor allowances will be annually adjusted on a compounding basis by 3%.

Contributions

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers will be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The public agency cost-sharing plans covered by the Miscellaneous risk pool, the Plan's actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of members. For the measurement period ending June 30, 2017 and 2016 (Measurement Dates), the active member contribution rate for the Classic Miscellaneous Plan and the PEPRA Miscellaneous Plan are based above in the Plans Description schedule.

**Big Bear Airport District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Years Ended June 30, 2018 and 2017**

**Note 6 – Defined Benefits Plan – CalPERS Miscellaneous Plan (Continued)**

*General Information about the Pension Plans (Continued)*

Contributions

Contributions for the measurement year ended June 30, 2017 were as follows:

| Contribution Type          | Classic<br>Tier 1 | PEPRA<br>Tier 2  | Total             |
|----------------------------|-------------------|------------------|-------------------|
| Contributions – employer   | \$ 59,958         | \$ 8,274         | \$ 68,232         |
| Contributions – members    | 26,034            | 8,078            | 34,112            |
| <b>Total contributions</b> | <b>\$ 85,992</b>  | <b>\$ 16,352</b> | <b>\$ 102,344</b> |

Contributions for the measurement year ended June 30, 2016 were as follows:

| Contribution Type          | Classic<br>Tier 1 | PEPRA<br>Tier 2 | Total            |
|----------------------------|-------------------|-----------------|------------------|
| Contributions – employer   | \$ 50,731         | \$ 3,384        | \$ 54,115        |
| Contributions – members    | 20,051            | 3,398           | 23,449           |
| <b>Total contributions</b> | <b>\$ 70,782</b>  | <b>\$ 6,782</b> | <b>\$ 77,564</b> |

*Net Pension Liability, Pension Expenses, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension Plans*

Actuarial Methods and Assumptions Used to Determine the Total Pension Liability

For the measurement periods ending June 30, 2017 and 2016 (Measurement Dates), the total pension liability was determined by rolling forward the June 30, 2016 and 2015 total pension liabilities. The June 30, 2017 and 2016 total pension liabilities were based on the following actuarial methods and assumptions:

|                                  |   |
|----------------------------------|---|
| Actuarial Cost Method            | Entry Age Normal  |
| Actuarial Assumptions:           |   |
| Discount Rate                    | 7.15% - measurement date of June 30, 2017<br>7.65% - measurement date of June 30, 2016                                    |
| Inflation                        | 2.75%   |
| Salary Increases                 | Varies by Entry Age and Service   |
| Mortality Rate Table             | Derived using CalPERS' Membership Data for all Funds.   |
| Post Retirement Benefit Increase | Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter |

All other actuarial assumptions used in the June 30, 2017 and 2016 Valuations were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.



**Big Bear Airport District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Years Ended June 30, 2018 and 2017**

**Note 6 – Defined Benefits Plan – CalPERS Miscellaneous Plan (Continued)**

*Net Pension Liability, Pension Expenses, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension Plans (Continued)*

Discount Rate

The discount rate used to measure the total pension liability was 7.15 and 7.65 percent for June 30, 2017 and 2016, respectively. The long-term expected rate of return on the pension plan investments was determined in which best-estimate ranges of expected future real rates are developed for each major asset class. In determining the long-term expected rate of return, both short-term and long-term market return expectations as well as the expected pension fund cash flows were considered. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years.

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

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

| 2017                          |                          |                                       |                                    |
|-------------------------------|--------------------------|---------------------------------------|------------------------------------|
| Investment Type               | New Strategic Allocation | Real Return Years 1 - 10 <sup>1</sup> | Real Return Years 11+ <sup>2</sup> |
| Global Equity                 | 47.00%                   | 4.90%                                 | 5.38%                              |
| Global Fixed Income           | 19.00%                   | 0.80%                                 | 2.27%                              |
| Inflation Sensitive           | 6.00%                    | 0.60%                                 | 1.39%                              |
| Private Equity                | 12.00%                   | 6.60%                                 | 6.63%                              |
| Real Estate                   | 11.00%                   | 2.80%                                 | 5.21%                              |
| Infrastructure and Forestland | 3.00%                    | 3.90%                                 | 5.36%                              |
| Liquidity                     | 2.00%                    | -0.40%                                | -0.90%                             |
|                               | <u>100.00%</u>           |                                       |                                    |
| 2016                          |                          |                                       |                                    |
| Investment Type               | New Strategic Allocation | Real Return Years 1 - 10 <sup>1</sup> | Real Return Years 11+ <sup>2</sup> |
| Global Equity                 | 51.00%                   | 5.25%                                 | 5.71%                              |
| Global Fixed Income           | 20.00%                   | 0.99%                                 | 2.43%                              |
| Inflation Sensitive           | 6.00%                    | 45.00%                                | 3.36%                              |
| Private Equity                | 10.00%                   | 6.83%                                 | 6.95%                              |
| Real Estate                   | 10.00%                   | 4.50%                                 | 5.13%                              |
| Infrastructure and Forestland | 2.00%                    | 4.50%                                 | 5.09%                              |
| Liquidity                     | 1.00%                    | -0.55%                                | -1.05%                             |
|                               | <u>100.00%</u>           |                                       |                                    |

<sup>1</sup> An expected inflation rate-of-return of 2.5% is used for years 1 – 10.

<sup>2</sup> An expected inflation rate-of-return of 3.0% is used for years 11+.



**Big Bear Airport District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Years Ended June 30, 2018 and 2017**

**Note 6 – Defined Benefits Plan – CalPERS Miscellaneous Plan (Continued)**

*Net Pension Liability, Pension Expenses, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension Plans (Continued)*

*Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate*

The following presents the District's proportionate share of the net pension liability of the Plan as of the measurement date, calculated using the discount rate of 7.15%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.15%) or 1 percentage-point higher (8.15%) than the current rate for the June 30, 2017 Valuation Date as follows:

| <u>Plan Type</u>             | <u>Plan's Net Pension Liability/(Asset)</u> |                         |                            |
|------------------------------|---|-------------------------|----------------------------|
|                              | <u>Discount Rate - 1 %</u>                  | <u>Current Discount</u> | <u>Discount Rate + 1 %</u> |
|                              | <u>6.15%</u>                                | <u>Rate 7.15%</u>       | <u>8.15%</u>               |
| CalPERS – Miscellaneous Plan | \$ 902,927                                  | \$ 476,201              | \$ 122,779                 |

The following presents the District's proportionate share of the net pension liability of the Plan as of the measurement date, calculated using the discount rate of 7.65%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.65%) or 1 percentage-point higher (8.65%) than the current rate for the June 30, 2015 Valuation Date as follows:

| <u>Plan Type</u>             | <u>Plan's Net Pension Liability/(Asset)</u> |                         |                            |
|------------------------------|---|-------------------------|----------------------------|
|                              | <u>Discount Rate - 1 %</u>                  | <u>Current Discount</u> | <u>Discount Rate + 1 %</u> |
|                              | <u>6.65%</u>                                | <u>Rate 7.65%</u>       | <u>8.65%</u>               |
| CalPERS – Miscellaneous Plan | \$ 780,413                                  | \$ 392,940              | \$ 72,713                  |

*Pension Plan Fiduciary Net Position*

Detail information about the plan's fiduciary net position is available in the separately issued CalPERS financial report and can be obtained from CalPERS' website under Forms and Publications.

*Proportionate Share of Net Pension Liability and Pension Expense*

The following table shows the plan's proportionate share of the risk pool collective net pension liability over the measurement period for the Miscellaneous Plan for the fiscal year ended June 30, 2018:

| <u>Plan Type and Balance Descriptions</u>      | <u>Plan Total</u>        | <u>Plan Fiduciary</u> | <u>Change in Plan Net</u> |
|--|--------------------------|-----------------------|---------------------------|
|  | <u>Pension Liability</u> | <u>Net Position</u>   | <u>Pension Liability</u>  |
| <b>CalPERS – Miscellaneous Plan:</b>           |                          |                       |                           |
| Balance as of June 30, 2016 (Measurement Date) | \$ 2,878,031             | \$ 2,485,091          | \$ 392,940                |
| Balance as of June 30, 2017 (Measurement Date) | \$ 2,788,767             | \$ 2,375,856          | \$ 412,911                |
| <b>Change in Plan Net Pension Liability</b>    | <u>\$ (89,264)</u>       | <u>\$ (109,235)</u>   | <u>\$ 19,971</u>          |

**Big Bear Airport District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Years Ended June 30, 2018 and 2017**

**Note 6 – Defined Benefits Plan – CalPERS Miscellaneous Plan (Continued)**

*Net Pension Liability, Pension Expenses, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension Plans (Continued)*

*Proportionate Share of Net Pension Liability and Pension Expense (Continued)*

The following table shows the plan’s proportionate share of the risk pool collective net pension liability over the measurement period for the Miscellaneous Plan for the fiscal year ended June 30, 2017:

| <u>Plan Type and Balance Descriptions</u>      | <u>Plan Total Pension Liability</u> | <u>Plan Fiduciary Net Position</u> | <u>Change in Plan Net Pension Liability</u> |
|--|-------------------------------------|------------------------------------|---|
| <b>CalPERS – Miscellaneous Plan:</b>           |                                     |                                    |   |
| Balance as of June 30, 2015 (Measurement Date) | \$ 2,615,806                        | \$ 2,171,871                       | \$ 443,935                                  |
| Balance as of June 30, 2016 (Measurement Date) | \$ 2,878,031                        | \$ 2,485,091                       | \$ 392,940                                  |
| <b>Change in Plan Net Pension Liability</b>    | <b>\$ 262,225</b>                   | <b>\$ 313,220</b>                  | <b>\$ (50,995)</b>                          |

The following is the approach established by the plan actuary to allocate the net pension liability and pension expense to the individual employers within the risk pool.

- (1) In determining a cost-sharing plan’s proportionate share, total amounts of liabilities and assets are first calculated for the risk pool as a whole on the valuation date (June 30, 2016 and 2015). The risk pool’s fiduciary net position (“FNP”) subtracted from its total pension liability (TPL) determines the net pension liability (NPL) at the valuation date.
- (2) Using standard actuarial roll forward methods, the risk pool TPL is then computed at the measurement date (June 30, 2017 and 2016). Risk pool FNP at the measurement date is then subtracted from this number to compute the NPL for the risk pool at the measurement date. For purposes of FNP in this step and any later reference thereto, the risk pool’s FNP at the measurement date denotes the aggregate risk pool’s FNP at June 30, 2017 less the sum of all additional side fund (or unfunded liability) contributions made by all employers during the measurement period (2017 fiscal year and the 2016 fiscal year).
- (3) The individual plan’s TPL, FNP and NPL are also calculated at the valuation date.
- (4) Two ratios are created by dividing the plan’s individual TPL and FNP as of the valuation date from (3) by the amounts in step (1), the risk pool’s total TPL and FNP, respectively.
- (5) The plan’s TPL as of the Measurement Date is equal to the risk pool TPL generated in (2) multiplied by the TPL ratio generated in (4). The plan’s FNP as of the Measurement Date is equal to the FNP generated in (2) multiplied by the FNP ratio generated in (4) plus any additional side fund (or unfunded liability) contributions made by the employer on behalf of the plan during the measurement period.
- (6) The plan’s NPL at the Measurement Date is the difference between the TPL and FNP calculated in (5).

**Big Bear Airport District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Years Ended June 30, 2018 and 2017**

**Note 6 – Defined Benefits Plan – CalPERS Miscellaneous Plan (Continued)**

*Net Pension Liability, Pension Expenses, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension Plans (Continued)*

*Proportionate Share of Net Pension Liability and Pension Expense (Continued)*

The District's proportionate share of the net pension liability for the June 30, 2017 measurement date was as follows:

|   | <u>Percentage Share of Risk Pool</u>            |   | <u>Change<br/>Increase/<br/>(Decrease)</u> |
|---|---|---|--|
|   | <u>Fiscal Year<br/>Ending<br/>June 30, 2018</u> | <u>Fiscal Year<br/>Ending<br/>June 30, 2017</u> |  |
| Measurement Date                                  | <u>June 30, 2017</u>                            | <u>June 30, 2016</u>                            |  |
| Percentage of Risk Pool Net Pension Liability     | 0.019370%                                       | 0.019990%                                       | -0.000620%                                 |
| Percentage of Plan (PERF C) Net Pension Liability | 0.004802%                                       | 0.004541%                                       | 0.000261%                                  |

The District's proportionate share of the net pension liability for the June 30, 2016 measurement date was as follows:

|   | <u>Percentage Share of Risk Pool</u>            |   | <u>Change<br/>Increase/<br/>(Decrease)</u> |
|---|---|---|--|
|   | <u>Fiscal Year<br/>Ending<br/>June 30, 2017</u> | <u>Fiscal Year<br/>Ending<br/>June 30, 2016</u> |  |
| Measurement Date                                  | <u>June 30, 2016</u>                            | <u>June 30, 2015</u>                            |  |
| Percentage of Risk Pool Net Pension Liability     | 0.019990%                                       | 0.019743%                                       | 0.000247%                                  |
| Percentage of Plan (PERF C) Net Pension Liability | 0.004541%                                       | 0.003035%                                       | 0.001506%                                  |

For the years ended June 30, 2018 and 2017, the District recognized pension expense (income) in the amounts of \$78,721 and \$85,381, respectively, for the CalPERS Miscellaneous Plan.

The amortization period differs depending on the source of the gain or loss. The difference between projected and actual earnings is amortized over 5-years straight line. All other amounts are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive and retired) as of the beginning of the measurement period.

The expected average remaining service lifetime (EARSL) for PERF C for the measurement date ended June 30, 2017 is 3.8 years, which was obtained by dividing the total service years of 490,088 (the sum of remaining service lifetimes of the active employees) by 130,595 (the total number of participants: active, inactive, and retired) in PERF C. Inactive employees and retirees have remaining service lifetimes equal to 0. Total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

The expected average remaining service lifetime (EARSL) for PERF C for the measurement date ended June 30, 2016 is 3.7 years, which was obtained by dividing the total service years of 475,689 (the sum of remaining service lifetimes of the active employees) by 127,009 (the total number of participants: active, inactive, and retired) in PERF C. Inactive employees and retirees have remaining service lifetimes equal to 0. Total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

**Big Bear Airport District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Years Ended June 30, 2018 and 2017**

**Note 6 – Defined Benefits Plan – CalPERS Miscellaneous Plan (Continued)**

*Net Pension Liability, Pension Expenses, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension Plans (Continued)*

*Deferred Outflows of Resources and Deferred Inflows of Resources*

At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| <u>Account Description</u>  | <u>Deferred Outflows<br/>of Resources</u> | <u>Deferred Inflows<br/>of Resources</u> |
|---|---|--|
| Pension contributions made after the measurement date                         | \$ 68,232                                 | \$ -                                     |
| Difference between actual and proportionate share of employer contributions   | 43,707                                    | 50,261                                   |
| Adjustment due to differences in proportions                                  | 22,383                                    | 68,770                                   |
| Differences between expected and actual experience                            | 1,043                                     | 14,948                                   |
| Differences between projected and actual earnings on pension plan investments | 29,278                                    | -  |
| Changes in assumptions  | 129,457                                   | 9,871                                    |
| <b>Total Deferred Outflows/(Inflows) of Resources</b>                         | <u>\$ 294,100</u>                         | <u>\$ 143,850</u>                        |

The District will recognize \$68,232 reported as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date as a reduction of the net pension liability in the fiscal year ended June 30, 2019, as noted above.

*Amortization of Deferred Outflows of Resources and Deferred Inflows of Resources*

Other remaining amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be amortized to pension expense in future periods as follows:

| <u>Amortization<br/>Period Fiscal Year<br/>Ended June 30</u> | <u>Deferred<br/>Outflows/(Inflows)<br/>of Resources</u> |
|--|---|
| 2019   | \$ (3,077)  |
| 2020   | 65,749  |
| 2021   | 36,732  |
| 2022   | (17,386)  |
| <b>Total</b>   | <u>\$ 82,018</u>  |

**Big Bear Airport District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Years Ended June 30, 2018 and 2017**

**Note 6 – Defined Benefits Plan – CalPERS Miscellaneous Plan (Continued)**

*Net Pension Liability, Pension Expenses, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension Plans (Continued)*

*Deferred Outflows of Resources and Deferred Inflows of Resources (Continued)*

At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| <u>Account Description</u>  | <u>Deferred Outflows<br/>of Resources</u> | <u>Deferred Inflows<br/>of Resources</u> |
|---|---|--|
| Pension contributions made after the measurement date                         | \$ 55,115                                 | \$ -                                     |
| Difference between actual and proportionate share of employer contributions   | 98,340                                    | 32,606                                   |
| Adjustment due to differences in proportions                                  | 32,923                                    | 154,728                                  |
| Differences between expected and actual experience                            | 1,492                                     | -  |
| Differences between projected and actual earnings on pension plan investments | 95,248                                    | -  |
| Changes in assumptions  | -   | 18,300                                   |
| <b>Total Deferred Outflows/(Inflows) of Resources</b>                         | <b>\$ 283,118</b>                         | <b>\$ 205,634</b>                        |

The District will recognize \$55,115 reported as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date as a reduction of the net pension liability in the fiscal year ended June 30, 2018, as noted above.

*Amortization of Deferred Outflows of Resources and Deferred Inflows of Resources*

Other remaining amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be amortized to pension expense in future periods as follows:

| <u>Amortization<br/>Period Fiscal Year<br/>Ended June 30</u> | <u>Deferred<br/>Outflows/(Inflows)<br/>of Resources</u> |
|--|---|
| 2017   | \$ (28,797)   |
| 2018   | (17,277)  |
| 2019   | 43,771  |
| 2020   | 24,672  |
| <b>Total</b>   | <b>\$ 22,369</b>  |

**Big Bear Airport District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Years Ended June 30, 2018 and 2017**

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**Note 7 – Deferred Compensation Savings Plan**

For the benefit of its employees, the District participates in a 457 Deferred Compensation Program. The purpose of this Program is to provide deferred compensation for public employees that elect to participate in the Program. Generally, eligible employees may defer receipt of a portion of their salary until termination, retirement, death or unforeseeable emergency. Until the funds are paid or otherwise made available to the employee, the employee is not obligated to report the deferred salary for income tax purposes.

Federal law requires deferred compensation assets to be held in trust for the exclusive benefit of the participants. Accordingly, the District is in compliance with this legislation. Therefore, these assets are not the legal property of the District, and are not subject to claims of the District’s general creditors.

The District has implemented GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. Since the District has little administrative involvement and does not perform the investing function for this plan, the assets and related liabilities are not shown on the statement of net position.

**Note 8 – Other Post-Employment Benefits (“OPEB”)**

The District provides Other Post-Employment Benefits (OPEB) to employees who retire from the District and meet certain eligibility requirements. The contribution requirements of Plan members and the District are established and may be amended by the Board of Directors.

For fiscal year ended June 30, 2018, the District implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Due to practical reason, the District did not retrospective value the Total OPEB Liability under GASB 75 for the fiscal year ended June 30, 2017. Therefore, the District reported its Net OPEB Liability under GASB Statement No. 45.

**A. For the fiscal year ended June 30, 2018 - GASB Statement No. 75**

Aggregate net OPEB liability and deferred outflows of resources are reported in the accompanying Statement of Net Position as follows:

|   | <b>2018</b>       |
|---|-------------------|
| <b>Deferred outflows of resources:</b>      |                   |
| OPEB contribution after measurement date    | \$ 41,086         |
| <b>Total deferred outflows of resources</b> | <b>\$ 41,086</b>  |
| <b>Net OPEB liabilities:</b>                |                   |
| Net OPEB liabilities                        | \$ 596,840        |
| <b>Total net OPEB liabilities</b>           | <b>\$ 596,840</b> |

**Big Bear Airport District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Years Ended June 30, 2018 and 2017**

**Note 8 – Other Post-Employment Benefits (“OPEB”) (Continued)**

**A. For the fiscal year ended June 30, 2018 - GASB Statement No. 75 (Continued)**

*General Information about the OPEB Plan (Continued)*

*Plan Description (Continued)*

The District participates in the *California Employers' Retiree Benefit Trust* (the "Trust") in order to provide a means to fund the annual OPEB costs, referred to as the *Actuarially Determined Contribution (ADC)*. The ADC includes the normal cost (current accrual for benefits being earned) plus an amortization of the unfunded accrued liability or net OPEB liability over 15 years on level-percentage of pay basis.

*Eligibility*

Employees of the District are eligible for retiree health benefits if they retire from the District and commence pension benefits under PERS (typically on or after age 50 with at least five years of PERS eligible service). Membership in the plan consisted of the following at June 30, 2017, the date of the latest actuarial valuation.

|                                      | 2018 |
|--------------------------------------|------|
| Active employees                     | 6    |
| Transferred and terminated employees | -    |
| Retired employees and beneficiaries  | 6    |
|                                      | 12   |

***Net OPEB Liability***

*Actuarial Assumptions*

The net OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

|                           |   |
|---------------------------|---|
| Actuarial Cost Method     | Entry Age Normal                                  |
| Actuarial Assumptions:    |   |
| Discount Rate             | 6.00%   |
| Inflation                 | 2.75%   |
| Salary Increases          | Varies by Entry Age and Service                   |
| Investment Rate of Return | 6.00%   |
| Mortality Rate Table      | 2014 CalPERS Active Mortality for Miscellaneous   |
| Retirement Rates          | Hired before 2013: 2009 CalPERS 2.0%@55 Rates for |

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2016 to June 30, 2017.

The actuary applied Section 3.7.7(c) 4 of Actuarial Standard of Practice No. 6, as revised, and determined age-adjusted rates are not necessary and therefore, the Implicit Rate Subsidy is not applicable in calculating the total projection of benefits payments.



**Big Bear Airport District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Years Ended June 30, 2018 and 2017**

**Note 8 – Other Post-Employment Benefits (“OPEB”) (Continued)**

**A. For the fiscal year ended June 30, 2018 - GASB Statement No. 75 (Continued)**

*Net OPEB Liability (Continued)*

*Discount Rate (Continued)*

The discount rate used to measure the net OPEB liability was 6.0%. This discount rate assumes the District continues to fully fund for its retiree health benefits through the California Employers’ Retiree Benefit Trust (CERBT) under its investment allocation strategy 1. The rate reflects the CERBT published median interest rate for strategy 1 of 7.28% with an additional margin for adverse deviation.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

| Asset Class                                    | Percentage of<br>Portfolio | Real Return <sup>1</sup> |
|--|----------------------------|--------------------------|
| US Large Cap                                   | 24.00%                     | 7.795%                   |
| Long-Term Corporate Bonds                      | 34.00%                     | 5.295%                   |
| Long-Term Government Bonds                     | 8.00%                      | 4.500%                   |
| US Small Cap                                   | 8.00%                      | 7.795%                   |
| Treasury Inflation Protected Securities (TIPS) | 15.00%                     | 7.795%                   |
| US Real Estate                                 | 8.00%                      | 7.795%                   |
| All Commodities                                | 3.00%                      | 7.795%                   |
|  | <u>100.00%</u>             |                          |

*Change in the Net OPEB Liability*

|   | Increase (Decrease)               |                                       |   |
|---|-----------------------------------|---------------------------------------|---|
|   | Total Pension<br>Liability<br>(a) | Plan Fiduciary Net<br>Position<br>(b) | Net Pension<br>Liability/(Asset)<br>(c) = (a) - (b) |
| Balance at June 30, 2016 (Valuation Date)                     | \$ 740,253                        | \$ 192,268                            | \$ 547,985  |
| Changes Recognized for the Measurement Period:                |                                   |                                       |   |
| Service Cost  | 17,933                            | -                                     | 17,933  |
| Interest on the total OPEB liability                          | 51,075                            | -                                     | 51,075  |
| Contributions from the employer                               | -                                 | 20,325                                | (20,325)  |
| Benefit payments, including refunds of employee contributions | (38,662)                          | (38,662)                              | -   |
| Administrative Expense  | -                                 | (172)                                 | 172   |
| Net Changes during July 1, 2016 to June 30, 2017              | <u>30,346</u>                     | <u>(18,509)</u>                       | <u>48,855</u>                                       |
| Balance at June 30, 2017 (Measurement Date)                   | <u>\$ 770,599</u>                 | <u>\$ 173,759</u>                     | <u>\$ 596,840</u>                                   |



**Big Bear Airport District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Years Ended June 30, 2018 and 2017**

**Note 8 – Other Post-Employment Benefits (“OPEB”) (Continued)**

**A. For the fiscal year ended June 30, 2018 - GASB Statement No. 75 (Continued)**

*Sensitivity of the Net OPEB Liability to Changes in the Discount Rate*

The following presents the net OPEB liability of the District, as well as what the District’s net OPEB liability would be if it were calculated using a discount rate 1-percentage point lower (5.00%) or 1-percentage point higher (7.00%) than the current discount rate:

|                                | Plan's OPEB Liability/(Asset) |                  |                    |
|--------------------------------|-------------------------------|------------------|--------------------|
|                                | Discount Rate - 1%            | Current Discount | Discount Rate + 1% |
|                                | (5.00%)                       | Rate (6.00%)     | (7.00%)            |
| June 30, 2017 Measurement Date | \$ 681,244                    | \$ 596,840       | \$ 525,468         |

*Sensitivity of the Net OPEB Liability to Changes in Healthcare Cost Trend Rates*

The following presents the total OPEB liability of the District, as well as what the total OPEB liability would be if it were calculated using a health care cost trend rates that are one percentage point lower or one percentage point higher than the current rates, for the measurement period ended June 30, 2017:

|                                | Plan's OPEB Liability/(Asset) |            |            |
|--------------------------------|-------------------------------|------------|------------|
|                                | Healthcare                    |            |            |
|                                | -1.00%                        | Trend Rate | +1.00%     |
| June 30, 2017 Measurement Date | \$ 523,935                    | \$ 596,840 | \$ 681,029 |

*OPEB Liabilities, OPEB Expense and Deferred Outflows/Inflows of Resources to OPEB*

For the year ended June 30, 2018, the City recognized OPEB expense of \$1,118,700 for the District Plan. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

|  | Deferred outflows<br>of Resources | Deferred inflows<br>of Resources |
|--|-----------------------------------|----------------------------------|
| Pension contribution made after the measurement period | \$ 41,086                         | \$ -                             |
| Total  | \$ 41,086                         | \$ -                             |

For the year ended June 30, 2018, the District did not reported any deferred outflows or inflows of resources related to OPEB due to initial valuation of OPEB under GASB Statement No. 75.

**Big Bear Airport District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Years Ended June 30, 2018 and 2017**

**Note 8 – Other Post-Employment Benefits (“OPEB”) (Continued)**

**B. For the fiscal year ended June 30, 2017 - GASB Statement No. 45 (Superseded in 2018 by GASB 75)**

*Funding Policy*

As required by GASB Statement No. 45, an actuary will determine the District's Annual Required Contributions (ARC) at least once every three fiscal years. The ARC is calculated in accordance with certain parameters, and includes (1) the Normal Cost for one year, and (2) a component for amortization of the total Unfunded Actuarial Accrued Liability (UAAL) over a period not to exceed 30 years.

*Annual OPEB Cost and Net OPEB Asset*

The following table shows the components of the District's Annual OPEB cost for the past three fiscal years ended June 30th, the amount actually contributed to the plan and the changes in the District's net OPEB asset:

Summary changes in net other post-employment benefits balance as of June 30, 2017 was as follows:

|  |             |
|--|-------------|
| <b>Annual OPEB cost:</b>                   |             |
| Annual required contribution (ARC)         | \$ 42,737   |
| Interest on beginning net OPEB obligation  | -           |
| Adjustment to annual required contribution | -           |
| <b>Total annual OPEB cost</b>              | 42,737      |
| <b>Contributions made:</b>                 |             |
| Contributions made                         | -           |
| <b>Total change in net OPEB obligation</b> | 42,737      |
| <b>Net OPEB (asset):</b>                   |             |
| <b>Beginning of year</b>                   | (60,407)    |
| <b>End of year</b>                         | \$ (17,670) |

The District's annual OPEB cost, the amounts contributed, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation payable/asset for the fiscal year ended June 30, 2017 and the two preceding years are shown in the following table.

| <i>Three-Year History of Net OPEB Obligation</i> |                  |                    |  |                             |
|--|------------------|--------------------|--|-----------------------------|
| Fiscal Year Ended of                             | Annual OPEB Cost | Contributions Made | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation (Asset) |
| June 30, 2017                                    | \$ 42,737        | \$ -               | 0.00%                                      | \$ (17,670)                 |
| June 30, 2016                                    | 41,593           | -                  | 0.00%                                      | (60,407)                    |
| June 30, 2015                                    | 21,700           | -                  | 0.00%                                      | (102,000)                   |

**Big Bear Airport District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Years Ended June 30, 2018 and 2017**

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**Note 8 – Other Post-Employment Benefits (“OPEB”) (Continued)**

**B. For the fiscal year ended June 30, 2017 - GASB Statement No. 45 (Superseded in 2018 by GASB 75) (Continued)**

The most recent valuation (dated July 1, 2015) includes an Actuarial Accrued Liability of \$659,197. Plan assets amounted to \$218,554. The covered payroll (annual payroll of active employees covered by the plan) for the year ended June 30, 2014 was \$367,574. The ratio of the funded actuarial accrued liability to annual covered payroll was 119.88%.

***Actuarial Methods and Assumptions***

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and the pattern of sharing of costs between the employer and plan members to that point. Consistent with the long-term perspective of actuarial calculations, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities for benefits.

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

|                               |                                   |
|-------------------------------|-----------------------------------|
| Valuation date                | July 1, 2015                      |
| Actuarial cost method         | Entry age normal cost method      |
| Amortization method           | Level percent, closed 30 years    |
| Remaining amortization period | 24 Years as of the valuation date |
| Asset valuation method        | 30 Year smoothed market           |
| Actuarial assumptions:        |                                   |
| Investment rate of return     | 7.00%                             |
| Projected salary increase     | 2.75%                             |
| Inflation - discount rate     | 2.75%                             |
| Health care trend rate        | 4.00% per year                    |

**Note 9 – Prior Period Adjustment**

The District recorded the following prior period adjustments to the beginning net position in order to record beginning balances of OPEB-related items as part of GASB Statement 75 implementations:

|  |                      |
|--|----------------------|
| Fund balance at July 1, 2017, as originally reported | \$ 28,788,014        |
| Prior period adjustments: OPEB liability adjustment  | <u>(524,569)</u>     |
| Fund balance at July 1, 2017, as restated            | <u>\$ 28,263,445</u> |

**Big Bear Airport District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Years Ended June 30, 2018 and 2017**

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**Note 10 – Risk Management**

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District is a member of the Special District Risk Management Authority (SDRMA), an intergovernmental risk sharing joint powers authority created to provide self-insurance programs for California special districts. The purpose of the SDRMA is to arrange and administer programs of self-insured losses and to purchase excess insurance coverage. At June 30, 2018, the District participated in the liability and property programs of the SDRMA as follows:

- General and auto liability, public officials and employees' errors and omissions: Total risk financing self-insurance limits of \$2,500,000, combined single limit at \$2,500,000 per occurrence. The District purchased additional excess coverage layers: \$10,000,000 for general, auto and public officials liability, which increases the limits on the insurance coverage noted above.

In addition to the above, the District also has the following insurance coverage:

- Employee dishonesty coverage up to \$400,000 per loss includes public employee dishonesty, forgery or alteration and theft, disappearance and destruction coverage's.
- Property loss is paid at the replacement cost for property on file, if replaced within three years after the loss, otherwise paid on an actual cash value basis, to a combined total of \$1.0 billion per occurrence, subject to a \$2,000 deductible per occurrence.
- Boiler and machinery coverage for the replacement cost up to \$100 million per occurrence, subject to a \$1,000 deductible per occurrence.
- Public officials personal liability up to \$500,000 each occurrence, with an annual aggregate of \$500,000 per each elected/appointed official to which this coverage applies, subject to the terms, with a deductible of \$500 per claim.
- Workers' compensation insurance per statutory requirements and Employer's Liability Coverage up to \$5 million.

Settled claims have not exceeded any of the coverage amounts in any of the last three fiscal years. There were no reductions in insurance coverage in fiscal year 2018, 2017 and 2016. Liabilities are recorded when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated net of the respective insurance coverage. Liabilities include an amount for claims that have been incurred but not reported (IBNR). There were no IBNR claims payable as of June 30, 2018, 2017 and 2016.

**Note 11 – Commitments and Contingencies**

***Grant Awards***

Grant funds received by the District are subject to audit by the grantor agencies. Such audit could lead to requests for reimbursements to the grantor agencies for expenditures disallowed under terms of the grant. Management of the District believes that such disallowances, if any, would not be significant.

**Big Bear Airport District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Years Ended June 30, 2018 and 2017**

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**Note 11 – Commitments and Contingencies (Continued)**

*Litigation*

In the ordinary course of operations, the District is subject to claims and litigation from outside parties. After consultation with legal counsel, the District believes the ultimate outcome of such matters, if any, will not materially affect its financial condition.

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**REQUIRED SUPPLEMENTARY INFORMATION  
(UNAUDITED)**

**Big Bear City Airport District**  
**Required Supplementary Information (Unaudited)**  
**Schedule of the District's Proportionate Share of the Plan's Net Pension Liability**  
**For the Year Ended June 30, 2018**

**Last Ten Fiscal Years**

**California Public Employees' Retirement System (CalPERS) Miscellaneous Plan**

| <b>Measurement Date:</b>  | <u>June 30, 2017<sup>1</sup></u> | <u>June 30, 2016<sup>1</sup></u> | <u>June 30, 2015<sup>1</sup></u> | <u>June 30, 2014<sup>1</sup></u> |
|---|----------------------------------|----------------------------------|----------------------------------|----------------------------------|
| District's Proportion of the Net Pension Liability  | 0.004802%                        | 0.004541%                        | 0.003035%                        | 0.007134%                        |
| District's Proportionate Share of the Net Pension Liability   | \$ 476,201                       | \$ 392,940                       | \$ 208,333                       | \$ 443,935                       |
| District's Covered-Employee Payroll   | \$ 374,574                       | \$ 323,140                       | \$ 302,904                       | \$ 294,081                       |
| District's Proportionate Share of the Net Pension Liability as a Percentage of Covered-Employee Payroll | <u>127.13%</u>                   | <u>121.60%</u>                   | <u>68.78%</u>                    | <u>150.96%</u>                   |
| Plan's Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability                     | <u>73.31%</u>                    | <u>74.06%</u>                    | <u>78.40%</u>                    | <u>79.82%</u>                    |

<sup>1</sup> Historical information is presented only for measurement periods for which GASB No. 68 is applicable.



**Big Bear City Airport District**  
**Required Supplementary Information (Unaudited)**  
**Schedule of the District's Contributions to the Pension Plan**  
**For the Year Ended June 30, 2018**

Last Ten Fiscal Years

California Public Employees' Retirement System (CalPERS) Miscellaneous Plan

| Fiscal Year:   | 2017-18 <sup>1</sup> | 2016-17 <sup>1</sup> | 2015-16 <sup>1</sup> | 2014-15 <sup>1</sup> | 2013-14 <sup>1</sup> |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|
| Actuarially Determined Contribution <sup>2</sup>                                 | \$ 68,232            | \$ 55,115            | \$ 54,116            | \$ 43,547            | \$ 37,042            |
| Contribution in Relation to the Actuarially Determined Contribution <sup>2</sup> | <u>(68,232)</u>      | <u>(55,115)</u>      | <u>(54,116)</u>      | <u>(293,547)</u>     | <u>(37,042)</u>      |
| Contribution Deficiency (Excess)   | <u>\$ -</u>          | <u>\$ -</u>          | <u>\$ -</u>          | <u>\$ (250,000)</u>  | <u>\$ -</u>          |
| District's Covered-Employee Payroll <sup>3</sup>                                 | <u>\$ 487,305</u>    | <u>\$ 374,574</u>    | <u>\$ 323,140</u>    | <u>\$ 302,904</u>    | <u>\$ 294,081</u>    |
| Contributions as a Percentage of Covered-Employee Payroll                        | <u>14.00%</u>        | <u>14.71%</u>        | <u>16.75%</u>        | <u>14.38%</u>        | <u>12.60%</u>        |

<sup>1</sup> Historical information is presented only for measurement periods for which GASB No. 68 is applicable.

<sup>2</sup> Employers are assumed to make contributions equal to the actuarially determined contributions (which is the actuarially determined contribution). However, some employers may choose to make additional contributions towards their side-fund or their unfunded liability. Employer contributions for such plan exceed the actuarial determined contributions. CalPERS has determined that employer obligations referred to as *side-funds* are not considered separately financed specific liabilities.

<sup>3</sup> Covered-Employee Payroll represented above is based on pensionable earnings provided by the employer. However, GASB No. 68 defines covered-employee payroll as the total payroll of employees that are provided pensions through the pension plan. Accordingly, if pensionable earnings are different than total earnings for covered-employees, the employer should display in the disclosure footnotes the payroll based on total earnings for the covered group and recalculate the required payroll-related ratios.

**Notes to the Schedule:**

Change in Benefit Terms: The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2013 as they have minimal cost impact. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes)

**Big Bear City Airport District**  
**Required Supplementary Information (Unaudited)**  
**Schedule of Funding Status – Other Post-Employment Benefits Plan**  
**For the Years Ended June 30, 2018 and 2017**

| Actuarial<br>Valuation<br>Date | Actuarial<br>Value of<br>Plan Assets<br>(a) | Actuarial<br>Accrued<br>Liability<br>(b) | Unfunded<br>Actuarial<br>Accrued<br>Liability (UAAL)<br>(b-a) | Funded<br>Ratio<br>(a/b) | Covered<br>Payroll<br>(c) | UAAL as a<br>Percentage<br>of Covered<br>Payroll<br>(b-a)/c |
|--------------------------------|---|--|---|--------------------------|---------------------------|---|
| July 1, 2015                   | \$ 218,554                                  | \$ 659,197                               | \$ 440,643  | 33.15%                   | \$ 367,574                | 119.88%   |
| July 1, 2013                   | \$ 50,000                                   | \$ 475,378                               | \$ 425,378  | 10.52%                   | \$ 357,288                | 119.06%   |
| July 1, 2011                   | -   | \$ 956,801                               | \$ 956,801  | 0.00%                    | \$ 312,105                | 306.56%   |

**Notes to the Schedule:**

Funding progress is presented for the year(s) that an actuarial study has been prepared since the effective date of GASB Statement 45. Actuarial review and analysis of the post-employment benefits liability and funding status is performed every three years or annually, if there are significant changes in the plan. The next scheduled actuarial review and analysis of the post-employment benefits liability and funding status will be performed in fiscal year 2018, based on the year ending June 30, 2017.

**Big Bear City Airport District**  
**Required Supplementary Information (Unaudited)**  
**Schedule of Changes in Net OPEB Liability and Related Ratios**  
**For the Year Ended June 30, 2018**

|  | 2016-17 <sup>1</sup> |
|--|----------------------|
| Measurement period   |                      |
| <b>Total OPEB liability</b>  |                      |
| Service cost   | \$ 17,933            |
| Interest   | 51,075               |
| Changes of benefit terms   | -                    |
| Differences between expected and actual experience                             | -                    |
| Changes of assumptions   | -                    |
| Benefit payments, including refunds of employee contributions                  | (38,662)             |
| <b>Net change in total OPEB liability</b>                                      | 30,346               |
| <b>Total OPEB liability - beginning</b>  | 740,253              |
| <b>Total OPEB liability - ending (a)</b>                                       | \$ 770,599           |
| <b>OPEB fiduciary net position</b>   |                      |
| Contributions - employer   | \$ -                 |
| Contributions - employee   | -                    |
| Net investment income <sup>2</sup>   | 20,325               |
| Benefit payments, including refunds of employee contributions                  | (38,662)             |
| Other  | (172)                |
| <b>Net change in plan fiduciary net position</b>                               | (18,509)             |
| <b>Plan fiduciary net position - beginning</b>                                 | 192,268              |
| <b>Plan fiduciary net position - ending (b)</b>                                | \$ 173,759           |
| <b>District's net OPEB liability - ending (a) - (b)</b>                        | \$ 596,840           |
| <b>Plan fiduciary net position as a percentage of the total OPEB liability</b> | 22.55%               |
| <b>Covered payroll</b>   | \$ 487,305           |
| <b>District's net OPEB liability as a percentage of covered payroll</b>        | 122.48%              |

<sup>1</sup> Ten year historical information is not available.

**Big Bear City Airport District**  
**Required Supplementary Information (Unaudited)**  
**Schedule of the District's Contributions to the OPEB Plan**  
**For the Year Ended June 30, 2018**

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Last Ten Fiscal Years

California Public Employees' Retirement System (CalPERS) Miscellaneous Plan

| Fiscal Year:   | <u>2017-18<sup>1</sup></u> |
|--|----------------------------|
| Actuarially Determined Contribution                                    | \$ 41,086                  |
| Contribution in Relation to the Actuarially<br>Determined Contribution | <u>(41,086)</u>            |
| Contribution Deficiency (Excess)                                       | <u>\$ -</u>                |
| District's Covered-Employee Payroll                                    | <u>\$ 487,305</u>          |
| Contributions as a Percentage of Covered-<br>Employee Payroll          | <u>8.43%</u>               |

<sup>1</sup> Historical information is presented only for measurement periods for which GASB No. 75 is applicable.