

**BIG BEAR AIRPORT DISTRICT
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
For the Fiscal Years Ended
June 30, 2020 and 2019**



BIG BEAR AIRPORT DISTRICT

For the Fiscal Years Ended June 30, 2020 and 2019

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Financial Section



INDEPENDENT AUDITORS' REPORT

Board of Directors
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, 2020 and 2019, and the related statements of revenues, expenses and changes in net position and cash flows for the fiscal years then ended, 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Big Bear Airport District, as of June 30, 2020 and 2019, and the respective changes in financial position and cash flows thereof for the fiscal years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, Schedule of the District's Proportionate Share of the Plan's Net Pension Liability, Schedule of the District's Contributions to the Pension Plan, and Schedule of Changes in the District's Net OPEB Liability and Related Ratios 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 a separate report dated November 15, 2020, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Murrieta, California
November 15, 2020

BIG BEAR AIRPORT DISTRICT

Management's Discussion and Analysis (Unaudited) For the Fiscal Years Ended June 30, 2020 and 2019

Management's Discussion and Analysis (MD&A) offers readers of Big Bear Airport District's financial statements a narrative overview of the District's financial activities for the fiscal years ended June 30, 2020 and 2019. This MD&A presents financial highlights, an overview of the accompanying financial statements, an analysis of net position and results of operations, a current-to-prior year analysis, a discussion on restrictions, commitments and limitations, and a discussion of significant activity involving capital assets and long-term debt. Please read in conjunction with the financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District incurred a net loss before capital contributions of (\$1,027,643) and (\$1,373,192) for fiscal years ended June 30, 2020 and 2019, respectively. Both losses are primarily attributable to depreciation expense and not cash flows.
- In 2020, total revenues before capital contributions increased by \$74,609 or 8.54% from \$2,415,668 to \$2,490,277, from 2019, primarily due to an increase in property and redevelopment taxes of \$61,724 and an increase in fuel sales, net of \$25,629.
- In 2019, total revenues before capital contributions increased by \$190,160 or 3.08% from \$2,225,508 to \$2,415,668, from 2018, primarily due to an increase in property and redevelopment taxes of \$144,197 and an increase in investment earnings of \$60,842.
- In 2020, expenses for the District's operations before depreciation expense increased by \$243,750 or 14.46% from \$1,685,526 to \$1,929,276, from 2019, primarily due to an increase in employee-benefits from the pension and OPEB annual valuation accruals and cost for the bi-annual Air-Fair.
- In 2019, expenses for the District's operations before depreciation expense increased by \$118,801 or 7.58% from \$1,566,725 to \$1,685,526, from 2018, primarily due to an increase in employee-benefits from the pension and OPEB annual valuation accruals and a decrease in the cost of the Air-Fair as it is a bi-annual expense.

REQUIRED FINANCIAL STATEMENTS

This annual report consists of a series of financial statements. The Balance Sheet, Statement of Revenues, Expenses and Changes 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 Balance Sheet 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.

BIG BEAR AIRPORT DISTRICT

Management's Discussion and Analysis (Unaudited)

For the Fiscal Years Ended June 30, 2020 and 2019

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 Balance Sheet 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.

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, deferred outflows of resources, liabilities and deferred inflows of resources – 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.

Condensed Balance Sheets

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>Change</u>	<u>June 30, 2018</u>	<u>Change</u>
Assets:					
Current assets	\$ 5,446,008	\$ 3,115,646	\$ 2,330,362	\$ 3,177,239	\$ (61,593)
Non-current assets	495,233	2,069,206	(1,573,973)	2,543,827	(474,621)
Capital assets, net	<u>20,971,142</u>	<u>22,416,712</u>	<u>(1,445,570)</u>	<u>23,098,689</u>	<u>(681,977)</u>
Total assets	<u>26,912,383</u>	<u>27,601,564</u>	<u>(689,181)</u>	<u>28,819,755</u>	<u>(1,218,191)</u>
Deferred outflows of resources	<u>834,635</u>	<u>318,645</u>	<u>515,990</u>	<u>335,186</u>	<u>(16,541)</u>
Total assets and deferred outflows of resources	<u>\$ 27,747,018</u>	<u>\$ 27,920,209</u>	<u>\$ (173,191)</u>	<u>\$ 29,154,941</u>	<u>\$ (1,234,732)</u>
Liabilities:					
Current liabilities	\$ 144,399	\$ 155,054	\$ (10,655)	\$ 205,008	\$ (49,954)
Non-current liabilities	<u>2,195,396</u>	<u>1,349,350</u>	<u>846,046</u>	<u>1,099,786</u>	<u>249,564</u>
Total liabilities	<u>2,339,795</u>	<u>1,504,404</u>	<u>835,391</u>	<u>1,304,794</u>	<u>199,610</u>
Deferred inflows of resources	<u>92,041</u>	<u>82,700</u>	<u>9,341</u>	<u>143,850</u>	<u>(61,150)</u>
Net position:					
Investment in capital assets	20,971,142	22,416,712	(1,445,570)	23,098,689	(681,977)
Unrestricted	<u>4,344,040</u>	<u>3,916,393</u>	<u>427,647</u>	<u>4,607,608</u>	<u>(691,215)</u>
Total net position	<u>25,315,182</u>	<u>26,333,105</u>	<u>(1,017,923)</u>	<u>27,706,297</u>	<u>(1,373,192)</u>
Total liabilities, deferred outflows of resources and net position	<u>\$ 27,747,018</u>	<u>\$ 27,920,209</u>	<u>\$ (173,191)</u>	<u>\$ 29,154,941</u>	<u>\$ (1,234,732)</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 \$25,315,182 and \$26,333,105 as of June 30, 2020 and 2019, respectively.

BIG BEAR AIRPORT DISTRICT*Management's Discussion and Analysis (Unaudited)**For the Fiscal Years Ended June 30, 2020 and 2019***FINANCIAL ANALYSIS OF THE DISTRICT (continued)****Condensed Balance Sheets (continued)**

By far the largest portion of the District's net position (83% as of June 30, 2020 and 85% as of June 30, 2019) 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 its customers; consequently, these assets are not available for future spending.

At the end of years 2020 and 2019, the District showed a positive balance in its unrestricted net position of \$4,344,040 and \$3,916,393, respectively, which may be utilized in future years.

Condensed Statements of Revenues, Expenses, and Changes in Net Position

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>Change</u>	<u>June 30, 2018</u>	<u>Change</u>
Operating revenues	\$ 734,004	\$ 700,631	\$ 33,373	\$ 715,510	\$ (14,879)
Operating expenses	<u>(1,929,276)</u>	<u>(1,685,526)</u>	<u>(243,750)</u>	<u>(1,566,725)</u>	<u>(118,801)</u>
Operating loss before depreciation	(1,195,272)	(984,895)	(210,377)	(851,215)	(133,680)
Depreciation expense	<u>(1,588,644)</u>	<u>(2,103,334)</u>	<u>514,690</u>	<u>(1,597,468)</u>	<u>(505,866)</u>
Operating loss	(2,783,916)	(3,088,229)	304,313	(2,448,683)	(639,546)
Non-operating revenues, net	<u>1,756,273</u>	<u>1,715,037</u>	<u>41,236</u>	<u>1,509,998</u>	<u>205,039</u>
Net loss before capital contributions	(1,027,643)	(1,373,192)	345,549	(938,685)	(434,507)
Capital contributions	<u>9,720</u>	<u>-</u>	<u>9,720</u>	<u>381,537</u>	<u>(381,537)</u>
Change in net position	(1,017,923)	(1,373,192)	355,269	(557,148)	(816,044)
Net Position:					
Beginning of year	26,333,105	27,706,297	(1,373,192)	28,788,014	(1,081,717)
Prior period adjustments	<u>-</u>	<u>-</u>	<u>-</u>	<u>(524,569)</u>	<u>524,569</u>
End of year	<u>\$ 25,315,182</u>	<u>\$ 26,333,105</u>	<u>\$ (1,017,923)</u>	<u>\$ 27,706,297</u>	<u>\$ (1,373,192)</u>

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 (\$1,017,923) and (\$1,373,192) for the years ended June 30, 2020 and 2019 respectively.

BIG BEAR AIRPORT DISTRICT*Management's Discussion and Analysis (Unaudited)**For the Fiscal Years Ended June 30, 2020 and 2019***FINANCIAL ANALYSIS OF THE DISTRICT (continued)****Total Revenues**

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>Increase Change</u>	<u>June 30, 2019</u>	<u>Increase (Decrease)</u>
Operating revenues:					
Facility and hangar rentals	\$ 580,383	\$ 584,413	\$ (4,060)	\$ 573,744	\$ 10,669
Fuel and oil sales, net of cost	103,006	77,377	25,629	85,469	(8,092)
Aircraft tiedown fees, parking and souvenirs	31,162	32,735	(1,573)	35,861	(3,126)
Other operating revenue	19,483	6,106	13,377	20,436	(14,380)
Total operating	734,004	700,631	33,373	715,510	(14,879)
Non-operating:					
Property taxes – ad valorem	1,473,892	1,469,168	4,724	1,332,488	136,680
Redevelopment taxes	187,661	130,661	57,000	123,144	7,517
Investment earnings	84,720	105,208	(20,488)	44,366	60,842
State subsidy	10,000	10,000	-	10,000	-
Total non-operating	1,756,273	1,715,037	41,236	1,509,998	205,039
Total revenues	\$ 2,490,277	\$ 2,415,668	\$ 74,609	\$ 2,225,508	\$ 190,160

In 2020, total revenues before capital contributions increased by \$74,609 or 8.54% from \$2,415,668 to \$2,490,277, from 2019, primarily due to an increase in property and redevelopment taxes of \$61,724 and an increase in fuel sales, net of \$25,629.

In 2019, total revenues before capital contributions increased by \$190,160 or 3.08% from \$2,225,508 to \$2,415,668, from 2019, primarily due to an increase in property and redevelopment taxes of \$144,197 and an increase in investment earnings of \$60,842.

Total Expenses

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>Increase Change</u>	<u>June 30, 2018</u>	<u>Increase (Decrease)</u>
Operating expenses:					
Salaries and wages	\$ 593,285	\$ 581,568	\$ 11,717	\$ 564,389	\$ 17,179
Employee benefits	622,618	451,039	171,579	292,925	158,114
Utilities and telephone	18,349	26,601	(8,252)	21,578	5,023
Materials and supplies	84,092	71,859	12,233	70,049	1,810
Insurance	88,625	95,528	(6,903)	100,724	(5,196)
Repairs and maintenance	193,017	208,957	(15,940)	210,804	(1,847)
Professional services	82,979	91,024	(8,045)	84,668	6,356
Board of directors expenses	132,072	158,950	(26,878)	128,616	30,334
Other – Air Fair	114,239	-	114,239	92,972	(32,972)
Operating expenses before depreciation	1,929,276	1,685,526	243,750	1,566,725	118,801
Depreciation	1,588,644	2,103,334	(514,690)	1,597,468	505,866
Total expenses	\$ 3,517,920	\$ 3,788,860	\$ (270,940)	\$ 3,164,193	\$ 624,667

In 2020, expenses for the District's operations before depreciation expense increased by \$243,750 or 14.46% from \$1,685,526 to \$1,929,276, from 2019, primarily due to an increase in employee-benefits from the pension and OPEB annual valuation accruals and cost for the bi-annual Air-Fair.

In 2019, expenses for the District's operations before depreciation expense increased by \$118,801 or 7.58% from \$1,566,725 to \$1,685,526, from 2019, primarily due to an increase in employee-benefits from the pension and OPEB annual valuation accruals and a decrease in the cost of the Air-Fair as it is a bi-annual expense.

BIG BEAR AIRPORT DISTRICT*Management's Discussion and Analysis (Unaudited)**For the Fiscal Years Ended June 30, 2020 and 2019***FINANCIAL ANALYSIS OF THE DISTRICT (continued)****Capital Assets**

	<u>Balance</u> <u>June 30, 2020</u>	<u>Balance</u> <u>June 30, 2019</u>	<u>Balance</u> <u>June 30, 2018</u>
Capital assets:			
Non-depreciable assets	\$ 3,852,386	\$ 3,731,586	\$ 5,027,560
Depreciable assets	36,168,660	36,146,386	34,327,813
Accumulated depreciation	<u>(19,049,904)</u>	<u>(17,461,260)</u>	<u>(16,256,684)</u>
Total capital assets, net	<u>\$ 20,971,142</u>	<u>\$ 22,416,712</u>	<u>\$ 23,098,689</u>

At the end of fiscal year 2020 and 2019, the District's investment in capital assets amounted to \$20,971,142 and \$22,416,712 (net of accumulated depreciation), respectively. The investment in capital assets includes land, land improvements, structures, building, operating equipment, and office equipment. See Note 3 for further information.

FACTORS AFFECTING CURRENT FINANCIAL POSITION

At the end of the first quarter of calendar year 2020, the United States and global economy suffered a major decline due to the impact of the COVID-19 virus. This economic decline may affect the District's operations and investment earnings for the remainder of calendar year 2020 and beyond. However, the potential impact to the District is unknown at this time.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

The District's basic financial statements are designed to present users with a general overview of the District's finances and to demonstrate the District's accountability. If you have any questions about the report or need additional information, please contact the District's General Manager at 501 Valley Blvd., Big Bear City, California 92314 or (909) 585-3219.

BIG BEAR AIRPORT DISTRICT*Balance Sheets**June 30, 2020 and 2019*

<u>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</u>	<u>2020</u>	<u>2019</u>
Current assets:		
Cash and cash equivalents (Note 2)	\$ 5,267,842	\$ 2,850,497
Accrued interest receivable	2,632	1,423
Accounts receivable - customers	10,237	24,847
Accounts receivable - others	58,308	56,055
Property taxes receivable	30,935	23,978
Materials and supplies inventory	66,560	58,865
Prepaid items	9,494	99,981
Total current assets	<u>5,446,008</u>	<u>3,115,646</u>
Non-current assets:		
Investments (Note 2)	495,233	2,069,206
Capital assets - not being depreciated (Note 3)	3,852,386	3,731,586
Capital assets, net - being depreciated (Note 3)	<u>17,118,756</u>	<u>18,685,126</u>
Total non-current assets	<u>21,466,375</u>	<u>24,485,918</u>
Total assets	<u>26,912,383</u>	<u>27,601,564</u>
Deferred outflows of resources:		
Deferred amounts related to net OPEB obligation (Note 5)	632,035	111,713
Deferred amounts related to net pension liability (Note 6)	<u>202,600</u>	<u>206,932</u>
Total deferred outflows of resources	<u>834,635</u>	<u>318,645</u>
Total assets and deferred outflows of resources	<u>\$ 27,747,018</u>	<u>\$ 27,920,209</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</u>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 23,082	\$ 52,958
Customer deposits and unearned revenue	48,939	42,683
Long-term liabilities - due within one year:		
Compensated absences (Note 4)	<u>72,378</u>	<u>59,413</u>
Total current liabilities	<u>144,399</u>	<u>155,054</u>
Noncurrent liabilities:		
Long-term liabilities - due in more than one year:		
Compensated absences (Note 4)	35,649	29,662
Net OPEB obligation (Note 5)	1,636,969	867,085
Net pension liability (Note 6)	<u>522,778</u>	<u>452,603</u>
Total noncurrent liabilities	<u>2,195,396</u>	<u>1,349,350</u>
Total liabilities	<u>2,339,795</u>	<u>1,504,404</u>
Deferred inflows of resources:		
Deferred amounts related to net OPEB obligation (Note 5)	7,752	10,429
Deferred amounts related to net pension liability (Note 6)	<u>84,289</u>	<u>72,271</u>
Total deferred inflows of resources	<u>92,041</u>	<u>82,700</u>
Net position:		
Investment in capital assets	20,971,142	22,416,712
Unrestricted	<u>4,344,040</u>	<u>3,916,393</u>
Total net position	<u>25,315,182</u>	<u>26,333,105</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 27,747,018</u>	<u>\$ 27,920,209</u>

The notes to financial statements are an integral part of this statement.

BIG BEAR AIRPORT DISTRICT*Statement of Revenues, Expenses and Changes in Net Position
For the Fiscal Years Ended June 30, 2020 and 2019*

	<u>2020</u>	<u>2019</u>
Operating revenues:		
Facility and hangar rentals	\$ 580,353	\$ 584,413
Fuel and oil sales, net of cost	103,006	77,377
Aircraft tiedown fees, parking and souvenirs	31,162	32,735
Other operating revenue	19,483	6,106
Total operating revenues	<u>734,004</u>	<u>700,631</u>
Operating expenses:		
Salaries and wages	593,285	581,568
Employee benefits	622,618	451,039
Board of directors expenses	18,349	26,601
Insurance	84,092	71,859
Materials and supplies	88,625	95,528
Professional services	193,017	208,957
Repairs and maintenance	82,979	91,024
Utilities and telephone	132,072	158,950
Other - Air Fair	114,239	-
Total operating expenses	<u>1,929,276</u>	<u>1,685,526</u>
Operating (loss) before depreciation	<u>(1,195,272)</u>	<u>(984,895)</u>
Depreciation expense	<u>(1,588,644)</u>	<u>(2,103,334)</u>
Operating (loss)	<u>(2,783,916)</u>	<u>(3,088,229)</u>
Non-operating revenues(expenses):		
Property taxes - ad valorem	1,473,892	1,469,168
Redevelopment taxes	187,661	130,661
Investment earnings	84,720	105,208
State subsidy	10,000	10,000
Total non-operating revenues, net	<u>1,756,273</u>	<u>1,715,037</u>
Net (loss) before capital contributions	<u>(1,027,643)</u>	<u>(1,373,192)</u>
Capital contributions:		
Federal capital grants	9,720	-
Total capital contributions	<u>9,720</u>	<u>-</u>
Change in net position	<u>(1,017,923)</u>	<u>(1,373,192)</u>
Net Position:		
Beginning of year	26,333,105	27,706,297
End of year	<u>\$ 25,315,182</u>	<u>\$ 26,333,105</u>

BIG BEAR AIRPORT DISTRICT*Statement of Cash Flows**For the Fiscal Years Ended June 30, 2020 and 2019*

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Cash receipts from customers and others	\$ 762,617	\$ 706,903
Cash paid to employees for salaries and wages	(616,602)	(616,602)
Cash paid to vendors and suppliers for materials and services	(907,396)	(1,007,144)
Net cash (used in) operating activities	<u>(761,381)</u>	<u>(916,843)</u>
Cash flows from non-capital financing activities:		
Proceeds from property taxes - ad valorem	1,466,935	1,480,508
Proceeds from property taxes - redevelopment increment	187,661	130,661
Net cash provided by non-capital financing activities	<u>1,654,596</u>	<u>1,611,169</u>
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(143,074)	(1,421,357)
Proceeds from capital grants	9,720	29,169
Net cash (used in) capital and related financing activities	<u>(133,354)</u>	<u>(1,392,188)</u>
Cash flows from investing activities:		
Proceeds from the maturity of investments	1,585,198	498,745
Investment earnings	72,286	86,197
Net cash provided by investing activities	<u>1,657,484</u>	<u>584,942</u>
Net increase (decrease) in cash and cash equivalents	2,417,345	(112,920)
Cash and cash equivalents:		
Beginning of year	2,850,497	2,963,417
End of year	<u>\$ 5,267,842</u>	<u>\$ 2,850,497</u>

The notes to financial statements are an integral part of this statement.

BIG BEAR AIRPORT DISTRICT*Statement of Cash Flows, Continued**For the Fiscal Years Ended June 30, 2020 and 2019*

	<u>2020</u>	<u>2019</u>
Reconciliation of operating (loss) to net cash (used in) operating activities:		
Operating (loss)	\$ (2,783,916)	\$ (3,088,229)
Adjustments to reconcile operating (loss) to net cash (used in) operating activities:		
Depreciation	1,588,644	2,103,334
State subsidy	10,000	10,000
Change in assets - (Increase)decrease:		
Accounts receivable - customers, net	14,610	(23,772)
Accounts receivable - others	(2,253)	13,920
Materials and supplies inventory	(7,695)	8,275
Prepaid items	90,487	(95,372)
Change in deferred outflows of resources - (Increase)decrease		
Deferred amounts related to net OPEB obligation	(520,322)	(70,627)
Deferred amounts related to net pension liability	4,332	87,168
Change in liabilities - increase(decrease):		
Accounts payable and accrued expenses	(29,876)	(61,922)
Customer deposits and unearned revenue	6,256	6,124
Compensated absences	18,952	8,761
Net OPEB obligation	769,884	270,245
Net pension liability	70,175	(23,598)
Change in deferred inflows of resources - increase(decrease)		
Deferred amounts related to net OPEB obligation	(2,677)	10,429
Deferred amounts related to net pension liability	12,018	(71,579)
Total adjustments	<u>2,022,535</u>	<u>2,171,386</u>
Net cash (used in) operating activities	<u>\$ (761,381)</u>	<u>\$ (916,843)</u>
Non-cash investing, capital and financing transactions:		
Change in fair-market value of investments	<u>\$ 11,225</u>	<u>\$ 24,124</u>

BIG BEAR AIRPORT DISTRICT

Notes to Financial Statements

June 30, 2020 and 2019

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

A. Description of Organization

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. The District at large is an independent special district with enabling legislation 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 Governmental Accounting Standards Board Statement No. 61, The Financial Reporting Entity (GASB Statement No. 61). 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 if it appoints a voting majority of the organization's governing body and: 1) It is able to impose its will on that organization, or 2) There is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government.

B. Basis of Presentation, Basis of Accounting

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

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 at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. Revenue from grants, entitlements, and donations is recognized in the year in which all eligibility requirements have been satisfied.

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.

BIG BEAR AIRPORT DISTRICT

Notes to Financial Statements

June 30, 2020 and 2019

NOTE 1 - DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position

1. Cash and Cash Equivalents

For purposes of the statement of cash flows, the District considers all highly liquid investments with a maturity of three months or less, when purchased, to be cash equivalents. Cash deposits are reported at carrying amount, which reasonably estimates fair value.

2. Investments

Investments are reported at fair value except for short-term investments, which are reported at cost, which approximates fair value. Cash deposits are reported at carrying amount, which reasonably estimates fair value. Investments in governmental investment pools are reported at fair value based on the fair value per share of the pool's underlying portfolio.

In accordance with fair value measurements, the District categorizes its assets and liabilities measured at fair value into a three-level hierarchy based on the priority of the inputs to the valuation technique used to determine fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used in the determination of the fair value measurement fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement.

Financial assets and liabilities recorded on the balance sheet are categorized based on the inputs to the valuation techniques as follows:

Level 1 - Inputs that reflect unadjusted quoted prices in active markets for identical investments, such as stocks, corporate and government bonds. The District has the ability to access the holding and quoted prices as of the measurement date.

Level 2 - Inputs, other than quoted prices, that are observable for the asset or liability either directly or indirectly, including inputs from markets that are not considered to be active.

Level 3 - Inputs that are unobservable. Unobservable inputs reflect the District's own assumptions about the factors market participants would use in pricing an investment, and is based on the best information available in the circumstances.

3. 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. Uncollectable accounts are based on prior experience and management's assessment of the collectability of existing accounts.

4. Materials and Supplies Inventory

Inventories consisted of fuel, oil and souvenir merchandise, which are valued at the lower of cost or market using the first-in first-out basis method.

5. Prepaids

Certain payments of vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

BIG BEAR AIRPORT DISTRICT

Notes to Financial Statements

June 30, 2020 and 2019

NOTE 1 - DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)

6. Capital Assets

Capital assets are stated at cost or at their estimated fair value at date of donation. It is the District's policy to capitalize assets costing over \$5,000. The provision for depreciation is computed using the straight-line method over the estimated service lives of the capital assets.

Estimated service lives for the District's classes of assets are as follows:

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	10-40 years
Structures and Improvements	10-40 years
Building	10 years
Operating Equipment	10-35 years
Office Equipment	15 years

7. 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.

8. Pensions

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

9. Other Post-Employment Benefits (OPEB)

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

10. Net Position

Net position is classified into two components: investment in capital assets and unrestricted. These classifications are defined as follows:

- **Investment in capital assets** - This component of net position consists of capital assets net of accumulated depreciation.
- **Unrestricted net position** - This component of net position consists of net position that does not meet the definition of "investment in capital assets".

BIG BEAR AIRPORT DISTRICT*Notes to Financial Statements**June 30, 2020 and 2019***NOTE 1 - DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)****D. Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reported period. Actual results could differ from those estimates.

E. Property Taxes

Property taxes attach as an enforceable lien on property as of January 1, each year. Secured property taxes are levied on July 1 and are payable in two installments, on December 10 and April 10. The San Bernardino County Assessor's Office assesses all real and personal property within the County each year. Property tax in California is levied in accordance with Article 13A of the State Constitution at one (1%) of countywide assessed valuations. The San Bernardino County Auditor-Controller's Office remits an undisclosed portion of the one (1%) current and delinquent property tax collections to the District throughout the year.

F. Reclassifications

Certain amounts presented in the prior year financial statements have been reclassified in order to be consistent with the current year's presentation.

NOTE 2 - CASH AND INVESTMENTS

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

<u>Description</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Cash and cash equivalents	\$ 5,267,842	\$ 2,850,497
Investments	495,233	2,069,206
Total	<u>\$ 5,763,075</u>	<u>\$ 4,919,703</u>

Cash and investments consisted of the following:

<u>Description</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Cash on hand	\$ 350	\$ 350
Demand deposits held with financial institutions	1,161,856	661,639
Deposits in money-market funds	3,380,633	1,978,916
Deposits in Local Agency Investment Fund (LAIF)	725,003	209,592
Investments	495,233	2,069,206
Total	<u>\$ 5,763,075</u>	<u>\$ 4,919,703</u>

BIG BEAR AIRPORT DISTRICT

Notes to Financial Statements

June 30, 2020 and 2019

NOTE 2 – CASH AND INVESTMENTS (continued)

Demand Deposits with Financial Institutions

At June 30, 2020 and 2019, the carrying amount of the District's demand deposits were \$1,161,856 and \$661,639, respectively, and the financial institution's balances were \$1,161,857 and \$691,698, respectively. The net difference represents outstanding checks, deposits-in-transit and/or other reconciling items between the financial institution's balance and the District's balance for each year.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. Cash balances held in banks are insured up to \$250,000 by the Federal Depository Insurance Corporation (FDIC) and are collateralized by the respective financial institutions. In addition, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits.

Money-Market Funds

Money-market funds are an investment whose objective is to earn modest investment earnings while maintaining a net asset value (NAV) of \$1 per share (which is the funds main goal – preservation of principal). A money-market fund's portfolio is typically comprised of short-term, or less than one year, securities representing high-quality, liquid debt and monetary instruments with minimal credit risk. Money-market funds are Level 1 investments (with quoted prices in active markets for identical assets) that are Not Rated under the current credit risk ratings format. For financial reporting purposes, the District considers money market funds a cash equivalent due to their highly liquid nature and NAV of \$1 per share. As of June 30, 2020 and 2019, the District held \$3,380,633 and \$1,978,916, respectively, in money market funds.

Local Agency Investment Fund (LAIF)

The California State Treasurer, through the Pooled Money Investment Account (PMIA), invests taxpayers' money to manage the State's cash flow and strengthen the financial security of local governmental entities. PMIA policy sets as primary investment objectives safety, liquidity and yield. Through the PMIA, the Investment Division manages the Local Agency Investment Fund (LAIF). The LAIF allows cities, counties and special districts to place money in a major portfolio and, at no additional costs to taxpayers, use the expertise of Investment Division staff. Participating agencies can withdraw their funds from the LAIF at any time as LAIF is highly liquid and carries a dollar-in dollar-out amortized cost methodology.

The District is a voluntary participant in LAIF. The fair value of the District's investment in this pool is reported at an amount 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 the of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF. LAIF is not categorized under the fair value hierarchy established by GAAP as it is held at an amortized cost basis and it is Not Rated under the current credit risk ratings format. For financial reporting purposes, the District considers LAIF a cash equivalent due to its highly liquid nature and dollar-in dollar-out amortized cost methodology. As of June 30, 2020, and 2019, the District held \$725,003 and \$209,592 in LAIF, respectively.

BIG BEAR AIRPORT DISTRICT

Notes to Financial Statements

June 30, 2020 and 2019

NOTE 2 - CASH AND INVESTMENTS (continued)

Investments

The District's investments as of June 30, 2020 were as follows:

Type of Investments	Measurement Input	Credit Rating	Maturity	
			June 30, 2020 Fair Value	12 Months or Less
Non-negotiable certificates-of-deposit	Level 2	N/A	\$ 495,233	\$ 495,233
Total Investments			\$ 495,233	\$ 495,233

The District's investments as of June 30, 2019 were as follows:

Type of Investments	Measurement Input	Credit Rating	Maturity		
			June 30, 2019 Fair Value	12 Months or Less	13 to 24 Months
Non-negotiable certificates-of-deposit	Level 2	N/A	\$ 2,069,206	\$ 1,582,759	\$ 486,447
Total Investments			\$ 2,069,206	\$ 1,582,759	\$ 486,447

Authorized Investments and Investment Policy

The District has adopted an investment policy directing the Fiscal Officer to deposit funds in financial institutions to purchases financial investments in accordance with California Government Code 53600-53610.

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 previous table.

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.

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 previous table.

Custodial Credit Risk - Investments

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Code and the District's investment policy contain legal and policy requirements that would limit the exposure to custodial credit risk for investments. 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.

BIG BEAR AIRPORT DISTRICT
Notes to Financial Statements
June 30, 2020 and 2019

NOTE 3 - CAPITAL ASSETS AND DEPRECIATION

Summary changes in capital asset balances for the year ended June 30, 2020, were as follows:

Description	Balance July 1, 2019	Additions	Deletions/ Transfers	Balance June 30, 2020
Non-depreciable assets:				
Land	\$ 3,692,512	\$ -	\$ -	\$ 3,692,512
Construction-in-process	39,074	120,800	-	159,874
Total non-depreciable assets	3,731,586	120,800	-	3,852,386
Depreciable assets:				
Land improvements	23,464,293	-	-	23,464,293
Structures and improvements	5,874,971	-	-	5,874,971
Building	2,643,000	-	-	2,643,000
Operating equipment	4,117,632	22,274	-	4,139,906
Office equipment	46,490	-	-	46,490
Total depreciable assets	36,146,386	22,274	-	36,168,660
Accumulated depreciation:				
Land improvements	(11,479,452)	(893,330)	-	(12,372,782)
Structures and improvements	(3,818,999)	(238,617)	-	(4,057,616)
Building	(1,255,425)	(264,300)	-	(1,519,725)
Operating equipment	(885,012)	(187,833)	-	(1,072,845)
Office equipment	(22,372)	(4,564)	-	(26,936)
Total accumulated depreciation	(17,461,260)	(1,588,644)	-	(19,049,904)
Total depreciable assets, net	18,685,126	(1,566,370)	-	17,118,756
Total capital assets, net	\$ 22,416,712	\$ (1,445,570)	\$ -	\$ 20,971,142

BIG BEAR AIRPORT DISTRICT*Notes to Financial Statements**June 30, 2020 and 2019***NOTE 3 - CAPITAL ASSETS AND DEPRECIATION (continued)**

Summary changes in capital asset balances for the year ended June 30, 2019, were as follows:

Description	Balance July 1, 2018	Additions	Deletions/ Transfers	Balance June 30, 2019
Non-depreciable assets:				
Land	\$ 3,692,512	\$ -	\$ -	\$ 3,692,512
Construction-in-process	1,335,048	1,421,356	(2,717,330)	39,074
Total non-depreciable assets	5,027,560	1,421,356	(2,717,330)	3,731,586
Depreciable assets:				
Land improvements	23,392,028	89,785	(17,520)	23,464,293
Structures and Improvements	5,874,971	677,775	(677,775)	5,874,971
Building	2,643,000	-	-	2,643,000
Operating equipment	2,385,640	1,935,455	(203,463)	4,117,632
Office equipment	32,174	14,316	-	46,490
Total depreciable assets	34,327,813	2,717,331	(898,758)	36,146,386
Accumulated depreciation:				
Land improvements	(10,728,765)	(768,207)	17,520	(11,479,452)
Structures and Improvements	(3,561,560)	(935,214)	677,775	(3,818,999)
Building	(991,125)	(264,300)	-	(1,255,425)
Operating equipment	(959,458)	(129,017)	203,463	(885,012)
Office equipment	(15,776)	(6,596)	-	(22,372)
Total accumulated depreciation	(16,256,684)	(2,103,334)	898,758	(17,461,260)
Total depreciable assets, net	18,071,129	613,997	-	18,685,126
Total capital assets, net	\$ 23,098,689	\$ 2,035,353	\$ (2,717,330)	\$ 22,416,712

BIG BEAR AIRPORT DISTRICT
Notes to Financial Statements
June 30, 2020 and 2019

NOTE 4 - COMPENSATED ABSENCES

Summary changes to compensated absences balances for the year ended June 30, 2020, were as follows:

<u>Balance</u> <u>July 1, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2020</u>	<u>Current</u> <u>Portion</u>	<u>Long-term</u> <u>Portion</u>
\$ 89,075	\$ 43,425	\$ (24,473)	\$ 108,027	\$ 72,378	\$ 35,649

Summary changes to compensated absences balances for the year ended June 30, 2019, were as follows:

<u>Balance</u> <u>July 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2019</u>	<u>Current</u> <u>Portion</u>	<u>Long-term</u> <u>Portion</u>
\$ 80,314	\$ 56,094	\$ (47,333)	\$ 89,075	\$ 59,413	\$ 29,662

NOTE 5 - NET OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION

Summary

The following balances on the balance sheet will be addressed in this footnote as follows:

<u>Description</u>	<u>2020</u>	<u>2019</u>
OPEB related deferred outflows	\$ 632,035	\$ 111,713
Net other post-employment benefits obligation	1,636,969	867,085
OPEB related deferred inflows	7,752	10,429

Plan Description - Eligibility

The District administers its post-employment benefits plan, a single-employer defined benefit plan (the Plan). The following requirements must be satisfied in order to be eligible for post-employment medical benefits:

1. Classic employees are vested in the CalPERS Retirement system after five years of employment and are eligible at age 55 for retirement.
2. PEPRAs employees are vested after five years of employment and are eligible for retirement at age 62.
3. Retirement from the District (the District must be the last employer prior to retirement.)

Plan Description - Benefits

The District offers post-employment medical benefits to retired employees who satisfy the eligibility rules. Retirees may enroll in any plan available through the CalPERS medical program. The contribution requirements of plan members and the District are established and may be amended by the Board of Directors. The following is a description of the current retiree benefit plan:

BIG BEAR AIRPORT DISTRICT*Notes to Financial Statements**June 30, 2020 and 2019***NOTE 5 - NET OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION (continued)****Employees covered by benefit terms**

At June 30, 2019 and 2018 (Measurement Dates), the following employees were covered by the benefit terms:

	<u>2019</u>	<u>2018</u>
Inactive plan members or beneficiaries currently receiving benefit payments	7	7
Inactive plan members entitled to but not yet receiving benefit payments	-	-
Active plan members	<u>9</u>	<u>9</u>
Total	<u>16</u>	<u>16</u>

A. Total Net OPEB Liability

The District's total net OPEB liability of \$1,636,969 as of June 30, 2020 was measured as of June 30, 2019 (Measurement Date), and was determined by an actuarial valuation as of June 30, 2018. The District's total net OPEB liability of \$867,085 as of June 30, 2019 was measured as of June 30, 2018 (Measurement Date), and was determined by an actuarial valuation as of June 30, 2018.

Actuarial assumptions and other inputs

The total net OPEB liability in the June 30, 2019 and 2018 (Measurement Dates) actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Valuation Date	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Discount rate	3.16%	7.00%
Inflation	2.75%	2.75%
Salary increases	3.00%	3.00%
Investment rate of return	3.16%	7.00%
Healthcare cost trend rates	6.0 percent	6.0 percent

Mortality, Retirement & Turnover Assumptions

The mortality assumptions are based on the 2014 Active Mortality for Miscellaneous Employees table created by CalPERS.

Discount Rate

The discount rate used to measure the total OPEB liability was 3.16% and 7.00% as of June 30, 2019 and 2018 (Measurement dates), respectively. The projection of cash flows used to determine the discount rate assumed that contributions would be sufficient to fully fund the obligation over a period not to exceed 30 years.

The District's Investment Trust with CalPERS CERBT has the following expected long-term rate of return.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Rate of Return</u>
Global Equities	59%	5.50%
Global Debt Securities	25%	2.35%
Inflation Assets	5%	1.50%
REITs	8%	3.65%
Commodities	3%	1.75%

BIG BEAR AIRPORT DISTRICT*Notes to Financial Statements**June 30, 2020 and 2019***NOTE 5 - NET OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION (continued)****B. Changes in the Total OPEB Liability**

The following table is based on the roll-forward of the June 30, 2019 (Measurement Date) actuarial valuation:

<u>Account Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
OPEB contributions made after the measurement date	\$ 10,385	\$ -
Changes in assumptions	552,399	(5,295)
Differences between expected and actual experience	69,251	-
Differences between projected and actual earnings on OPEB plan investments	-	(2,457)
Total Deferred Outflows/(Inflows) of Resources	\$ 632,035	\$ (7,752)

The following table is based on the roll-forward of the June 30, 2018 (Measurement Date) actuarial valuation:

<u>Account Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
OPEB contributions made after the measurement date	\$ 7,837	\$ -
Changes in assumptions	-	(7,942)
Differences between expected and actual experience	103,876	-
Differences between projected and actual earnings on OPEB plan investments	-	(2,487)
Total Deferred Outflows/(Inflows) of Resources	\$ 111,713	\$ (10,429)

Sensitivity of the total OPEB liability to changes in the discount rate

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current discount rate:

For the year ended June 30, 2019 (Measurement date):

<u>1% Decrease 2.16%</u>	<u>Discount Rate 3.16%</u>	<u>1% Increase 4.16%</u>
<u>\$ 1,920,531</u>	<u>\$ 1,636,969</u>	<u>\$ 1,410,633</u>

BIG BEAR AIRPORT DISTRICT

Notes to Financial Statements

June 30, 2020 and 2019

NOTE 5 - NET OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION (continued)

B. Changes in the Total OPEB Liability (continued)

For the year ended June 30, 2018 (Measurement date):

1% Decrease 6.00%	Discount Rate 7.00%	1% Increase 8.00%
\$ 984,963	\$ 867,085	\$ 768,685

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage-point lower or one percentage-point higher than the current healthcare cost trend rates:

For the year ended June 30, 2019 (Measurement date):

1% Decrease 5.50%	Healthcare Cost Trend Rates 6.50%	1% Increase 7.50%
\$ 1,383,950	\$ 1,636,969	\$ 1,962,225

For the year ended June 30, 2018 (Measurement date):

1% Decrease 4.00%	Healthcare Cost Trend Rates 5.00%	1% Increase 6.00%
\$ 766,121	\$ 867,085	\$ 988,184

C. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the fiscal year ended June 30, 2020 and 2019, the District recognized OPEB expense/(credit) of \$294,434 and \$176,965, respectively.

At June 30, 2020, the District reported \$632,035 of deferred outflows and \$7,752 of deferred (inflows) of resources for related to the net OPEB obligation as follows:

Account Description	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions made after the measurement date	\$ 10,385	\$ -
Changes in assumptions	552,399	(5,295)
Differences between expected and actual experience	69,251	-
Differences between projected and actual earnings on OPEB plan investments	-	(2,457)
Total Deferred Outflows/(Inflows) of Resources	\$ 632,035	\$ (7,752)

BIG BEAR AIRPORT DISTRICT
Notes to Financial Statements
June 30, 2020 and 2019

NOTE 5 - NET OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION (continued)

D. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2020, the District reported \$10,385 of deferred outflows of resources for employer contributions made subsequent to the measurement date which will be used to reduce the net OPEB liability balance in the fiscal year ended June 30, 2021 calculation. Amortization of the \$613,898 of remaining deferred outflows/(inflows) of resources related to the net OPEB obligation is as follows:

<u>Amortization Period</u> <u>Fiscal Year Ended June 30</u>	<u>Deferred</u> <u>Outflows/(Inflows)</u> <u>of Resources</u>
2021	\$ 141,689
2022	141,686
2023	109,711
2024	110,332
2025	<u>110,479</u>
Total	\$ 613,897

At June 30, 2019, the District reported \$111,713 of deferred outflows and \$10,429 of deferred (inflows) of resources for related to the net OPEB obligation as follows:

<u>Account Description</u>	<u>Deferred Outflows</u> <u>of Resources</u>	<u>Deferred Inflows</u> <u>of Resources</u>
OPEB contributions made after the measurement date	\$ 7,837	\$ -
Changes in assumptions	-	(7,942)
Differences between expected and actual experience	103,876	-
Differences between projected and actual earnings on OPEB plan investments	-	<u>(2,487)</u>
Total Deferred Outflows/(Inflows) of Resources	\$ 111,713	\$ (10,429)

At June 30, 2019, the District reported \$7,837 of deferred outflows of resources for employer contributions made subsequent to the measurement date which will be used to reduce the net OPEB liability balance in the fiscal year ended June 30, 2020 calculation. Amortization of the \$93,447 of remaining deferred outflows/(inflows) of resources related to the net OPEB obligation is as follows:

<u>Amortization Period</u> <u>Fiscal Year Ended June 30</u>	<u>Deferred</u> <u>Outflows/(Inflows)</u> <u>of Resources</u>
2020	\$ 31,357
2021	31,357
2022	31,354
2023	<u>(621)</u>
Total	\$ 93,447

BIG BEAR AIRPORT DISTRICT

Notes to Financial Statements

June 30, 2020 and 2019

NOTE 6 - NET PENSION LIABILITY AND PENSION PLAN

Summary

The following balances on the balance sheet will be addressed in this footnote as follows:

Description	2020	2019
Pension related deferred outflows	\$ 202,600	\$ 206,932
Net pension liability	522,778	452,603
Pension related deferred inflows	84,289	72,271

Qualified employees are covered under a multiple-employer defined benefit pension plan maintained by agencies of the State of California known as the California Public Employees' Retirement System (CalPERS), or "The Plan".

A. General Information about the Pension Plan

The Plan

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

	Miscellaneous Plans	
	Classic Tier 1	PEPRA Tier 2
Hire date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2.0% @ 55	2.0% @ 62
Benefit vesting schedule	5-years of service	5-years of 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 2.0%
Required member contribution rates	7.000%	7.000%
Required employer contribution rates - FY 2019	12.105%	7.557%
Required employer contribution rates - FY 2018	11.448%	7.191%

Plan Description, Benefits Provided, and Employees Covered

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, 2019 and 2018 Annual Actuarial Valuation Reports. This report and CalPERS' audited financial statements are publicly available reports that can be obtained at CalPERS' website under Forms and Publications.

BIG BEAR AIRPORT DISTRICT*Notes to Financial Statements**June 30, 2020 and 2019***NOTE 6 – NET PENSION LIABILITY AND PENSION PLAN (continued)****A. General Information about the Pension Plan (continued)****Plan Description, Benefits Provided, and Employees Covered (continued)**

At June 30, 2019, the following members were covered by the benefit terms:

Plan Members	Miscellaneous Plans		Total
	Classic	PEPRA	
	Tier 1	Tier 2	
Active members	2	7	9
Transferred and terminated members	3	2	5
Retired members and beneficiaries	8	-	8
Total plan members	13	9	22

At June 30, 2018, the following members were covered by the benefit terms:

Plan Members	Miscellaneous Plans		Total
	Classic	PEPRA	
	Tier 1	Tier 2	
Active members	4	2	6
Transferred and terminated members	2	1	3
Retired members and beneficiaries	8	-	8
Total plan members	14	3	17

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 on the average final 36 months of compensation. Retirement benefits for PEPRA Miscellaneous members are calculated as a percentage of their plan based on the average final 36 months of 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.

BIG BEAR AIRPORT DISTRICT*Notes to Financial Statements**June 30, 2020 and 2019***NOTE 6 - NET PENSION LIABILITY AND PENSION PLAN (continued)****A. General Information about the Pension Plan (continued)****Plan Description, Benefits Provided, and Employees Covered (continued)**

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 7.15% 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 compound basis by 3%.

Contribution Description

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 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, 2019 and 2017 (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.

Contributions for the year ended June 30, 2020, were as follows:

Contribution Type	Miscellaneous Plans		Total
	Classic Tier 1	PEPRA Tier 2	
Contributions - employer	\$ 54,549	\$ 22,158	\$ 76,707

Contributions for the year ended June 30, 2019, were as follows:

Contribution Type	Miscellaneous Plans		Total
	Classic Tier 1	PEPRA Tier 2	
Contributions - employer	\$ 46,503	\$ 20,483	\$ 66,986

BIG BEAR AIRPORT DISTRICT

Notes to Financial Statements

June 30, 2020 and 2019

NOTE 6 - NET PENSION LIABILITY AND PENSION PLAN (continued)

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

Proportionate Share of Net Pension Liability and Pension Expense

The following table shows the District's proportionate share of the risk pool collective net pension liability over the measurement period for the Miscellaneous Plan for the fiscal years ended June 30, 2020 and 2019:

<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>
CalPERS - Miscellaneous Plan:			
Balance as of June 30, 2018 (Measurement Date)	\$ 3,151,889	\$ 2,699,286	\$ 452,603
Balance as of June 30, 2019 (Measurement Date)	\$ 3,377,431	\$ 2,854,653	\$ 522,778
Change in Plan Net Pension Liability	\$ 225,542	\$ 155,367	\$ 70,175

<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>
CalPERS - Miscellaneous Plan:			
Balance as of June 30, 2017 (Measurement Date)	\$ 3,102,405	\$ 2,626,204	\$ 476,201
Balance as of June 30, 2018 (Measurement Date)	\$ 3,151,889	\$ 2,699,286	\$ 452,603
Change in Plan Net Pension Liability	\$ 49,484	\$ 73,082	\$ (23,598)

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, 2018 and 2017). 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, 2019 and 2018). 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, 2019 and 2018 less the sum of all additional side fund (or unfunded liability) contributions made by all employers during the measurement period (2019 fiscal year and the 2018 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 Financial Statements

June 30, 2020 and 2019

NOTE 6 - NET PENSION LIABILITY AND PENSION PLAN (continued)

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

Proportionate Share of Net Pension Liability and Pension Expense (continued)

The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2019 and 2018, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018 and 2017 rolled forward to June 30, 2019 and 2018, respectively, using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

The District's proportionate share percentage of the net pension liability for the June 30, 2019, measurement date was as follows:

	<u>Percentage Share of Risk Pool</u>		Change Increase/ (Decrease)
	<u>Fiscal Year</u>	<u>Fiscal Year</u>	
	<u>Ending</u>	<u>Ending</u>	
	<u>June 30, 2020</u>	<u>June 30, 2019</u>	
Measurement Date	<u>June 30, 2019</u>	<u>June 30, 2018</u>	
Percentage of Risk Pool Net Pension Liability	0.013055%	0.012009%	0.001046%
Percentage of Plan (PERF C) Net Pension Liability	0.005102%	0.004697%	0.000405%

The District's proportionate share percentage of the net pension liability for the June 30, 2018, measurement date was as follows:

	<u>Percentage Share of Risk Pool</u>		Change Increase/ (Decrease)
	<u>Fiscal Year</u>	<u>Fiscal Year</u>	
	<u>Ending</u>	<u>Ending</u>	
	<u>June 30, 2019</u>	<u>June 30, 2018</u>	
Measurement Date	<u>June 30, 2018</u>	<u>June 30, 2017</u>	
Percentage of Risk Pool Net Pension Liability	0.012090%	0.012080%	0.000010%
Percentage of Plan (PERF C) Net Pension Liability	0.004697%	0.004802%	-0.000105%

For the years ended June 30, 2020 and 2019, the District recognized pension expense/(credit) in the amounts of \$163,232 and \$58,979 respectively, for the CalPERS Miscellaneous Plan.

BIG BEAR AIRPORT DISTRICT*Notes to Financial Statements**June 30, 2020 and 2019***NOTE 6 – NET PENSION LIABILITY AND PENSION PLAN (continued)****B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (continued)*****Proportionate Share of Net Pension Liability and Pension Expense (continued)***

At June 30, 2020, 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 of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions made after the measurement date	\$ 76,707	\$ -
Difference between actual and proportionate share of employer contributions	-	(63,499)
Adjustment due to differences in proportions	64,655	-
Differences between expected and actual experience	36,309	(2,813)
Differences between projected and actual earnings on pension plan investments	-	(9,140)
Changes in assumptions	24,929	(8,837)
Total Deferred Outflows/(Inflows) of Resources	\$ 202,600	\$ (84,289)

The District will recognize \$76,707 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, 2020.

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period. The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 3.8 years.

BIG BEAR AIRPORT DISTRICT*Notes to Financial Statements**June 30, 2020 and 2019***NOTE 6 - NET PENSION LIABILITY AND PENSION PLAN (continued)****B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (continued)*****Proportionate Share of Net Pension Liability and Pension Expense (continued)***

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

<u>Amortization Period</u> <u>Fiscal Year Ended June 30</u>	<u>Deferred</u> <u>Outflows/(Inflows)</u> <u>of Resources</u>
2021	\$ 37,598
2022	1,184
2023	975
2024	<u>1,847</u>
Total	\$ 41,604

At June 30, 2019, 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</u> <u>of Resources</u>	<u>Deferred Inflows</u> <u>of Resources</u>
Pension contributions made after the measurement date	\$ 66,986	\$ -
Difference between actual and proportionate share of employer contributions	-	(53,716)
Adjustment due to differences in proportions	68,744	-
Differences between expected and actual experience	17,366	(5,909)
Differences between projected and actual earnings on pension plan investments	2,238	-
Changes in assumptions	<u>51,598</u>	<u>(12,646)</u>
Total Deferred Outflows/(Inflows) of Resources	\$ 206,932	\$ (72,271)

The District will recognize \$66,986 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, 2020.

BIG BEAR AIRPORT DISTRICT
Notes to Financial Statements
June 30, 2020 and 2019

NOTE 6 – NET PENSION LIABILITY AND PENSION PLAN (continued)

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

Proportionate Share of Net Pension Liability and Pension Expense (continued)

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period. The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARS�) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARS� for the measurement period is 3.8 years.

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

<u>Amortization Period</u> <u>Fiscal Year Ended June 30</u>	<u>Deferred</u> <u>Outflows/(Inflows)</u> <u>of Resources</u>
2020	\$ 46,607
2021	29,068
2022	(3,930)
2023	(4,070)
Total	<u>\$ 67,675</u>

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

For the measurement periods ending June 30, 2019 and 2018 (the measurement dates), the total pension liability was determined by rolling forward the June 30, 2018 and 2017 total pension liability, respectively. The June 30, 2019 and 2018, total pension liabilities were based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal in accordance with the requirement of GASB Statement No. 68
Actuarial Assumptions:	
Discount Rate	7.15%
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, 2018 and 2017, valuations were based on the results of an actuarial experience study for the years 1997 to 2011.

BIG BEAR AIRPORT DISTRICT

Notes to Financial Statements

June 30, 2020 and 2019

NOTE 6 - NET PENSION LIABILITY AND PENSION PLAN (continued)

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

Discount Rate

The discount rate used to measure the total pension liability was 7.15% and reflects the long-term expected rate of return for the Plan net of investment expenses and without reduction for administrative expenses. To determine whether the municipal bond rate should be used in the calculation of the discount rate for public agency plans (including PERF C), the amortization and smoothing periods adopted by the CalPERS Board in 2014 were used. For the Plan, the crossover test was performed for a miscellaneous agent plan and a safety agent plan selected as being more at risk of failing the crossover test and resulting in a discount rate that would be different from the long-term expected rate of return on pension investments. Based on the testing of the plans, the tests revealed the assets would not run out. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine total pension liability for PERF C.

The crossover test results can be found on CalPERS' website at <https://www.calpers.ca.gov/page/employers/actuarial-services/gasb>.

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

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

The table below reflects long-term expected real rate of return by asset class.

Investment Type	New Strategic Allocation	Real Return Years 1 - 10 ¹	Real Return Years 11+ ²
Global Equity	50.0%	4.80%	5.98%
Fixed Income	28.0%	1.00%	2.62%
Inflation Assets	0.0%	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Estate	13.0%	3.75%	4.93%
Liquidity	1.0%	0.00%	-0.92%
	<u>100.0%</u>		

¹ An expected inflation of 2.5% is used for years 1-10.

² An expected inflation of 3.0% is used for years 11+.

BIG BEAR AIRPORT DISTRICT
Notes to Financial Statements
June 30, 2020 and 2019

NOTE 6 - NET PENSION LIABILITY AND PENSION PLAN (continued)

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

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

The following presents the net pension liability/(asset) of the Plan as of the measurement date, calculated using the discount rate of 7.15%, as well as what 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 year ended June 30, 2020:

Plan Type	Plan's Net Pension Liability/(Asset)		
	Discount Rate -	Current	Discount Rate
	1% 6.15%	Discount Rate 7.15%	+ 1% 8.15%
CalPERS - Miscellaneous Plan	977,053	\$ 522,778	\$ 147,807

For the year ended June 30, 2019:

Plan Type	Plan's Net Pension Liability/(Asset)		
	Discount Rate -	Current	Discount Rate
	1% 6.15%	Discount Rate 7.15%	+ 1% 8.15%
CalPERS - Miscellaneous Plan	878,963	\$ 452,603	\$ 100,650

Pension Plan Fiduciary Net Position

Detailed information about the pension 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.

BIG BEAR AIRPORT DISTRICT*Notes to Financial Statements**June 30, 2020 and 2019***NOTE 7 - 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. Further information about the SDRMA is as follows:

A. Entity	SDRMA	
B. Purpose	To provide risk financing and risk management services to California public agencies	
C. Participants	As of June 30, 2019 - 509 member agencies	
D. Governing board	Seven representatives employed by members	
E. District payments for FY 2020:		
Property/Liability policy	\$70,313	
Workers' compensation policy	\$13,779	
F. Condensed financial information	June 30, 2019	
Statement of net position:		<u>June 30, 2019</u>
Total assets		<u>\$ 117,357,664</u>
Deferred outflows		<u>590,733</u>
Total liabilities		<u>61,466,303</u>
Deferred inflows		<u>117,531</u>
Net position		<u>\$ 56,364,563</u>
Statement of revenues, expenses and changes in net position:		
Total revenues		\$ 76,136,955
Total expenses		<u>(74,357,125)</u>
Change in net position		1,779,830
Beginning - net position		<u>54,584,733</u>
Ending - net position		<u>\$ 56,364,563</u>
G. Member agencies share of year-end financial position		Not Calculated

At June 30, 2020, 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.

BIG BEAR AIRPORT DISTRICT

Notes to Financial Statements

June 30, 2020 and 2019

NOTE 7 - RISK MANAGEMENT (continued)

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 coverages.
- 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 2020, 2019 and 2018. 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, 2020, 2019 and 2018.

NOTE 8 - DEFERRED COMPENSATION SAVINGS PLAN

For the benefit of its employees, the District participates in an Internal Revenue Code (IRS) Section 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.

BIG BEAR AIRPORT DISTRICT

Notes to Financial Statements

June 30, 2020 and 2019

NOTE 9 – 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.

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.

NOTE 10 – CURRENT AND SUBSEQUENT EVENT

Global Pandemic

At the end of the first quarter of calendar year 2020, the United States and global economy suffered a major decline due to the impact of the COVID-19 virus. This economic decline may affect the District's operations and investment earnings for the remainder of calendar year 2020 and beyond. However, the potential impact to the District is unknown at this time.

Required Supplementary Information

BIG BEAR AIRPORT DISTRICT
Schedule of Proportionate Share of the Net Pension Liability
For the Fiscal Years Ended June 30, 2020 and 2019

Last Ten Fiscal Years

California Public Employees' Retirement System (CalPERS) Miscellaneous Plan

Measurement Date:	June 30, 2019 ¹	June 30, 2018 ¹	June 30, 2017 ¹	June 30, 2016 ¹	June 30, 2015 ¹	June 30, 2014 ¹
District's Proportion of the Net Pension Liability	0.005102%	0.004697%	0.004802%	0.004541%	0.003035%	0.007134%
District's Proportionate Share of the Net Pension Liability	\$ 522,778	\$ 452,603	\$ 476,201	\$ 392,940	\$ 277,448	\$ 388,145
District's Covered Payroll	\$ 571,780	\$ 455,055	\$ 398,206	\$ 334,550	\$ 320,717	\$ 314,527
District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	91.43%	99.46%	119.59%	117.45%	86.51%	123.41%
Plan's Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	84.52%	85.64%	84.65%	86.35%	90.01%	85.04%

¹ Historical information is required only for measurement periods for which GASB No. 68 is applicable.

BIG BEAR AIRPORT DISTRICT
Schedule of Pension Contributions
For the Fiscal Years Ended June 30, 2020 and 2019

Last Ten Fiscal Years

California Public Employees' Retirement System (CalPERS) Miscellaneous Plan

Fiscal Year:	2019-20¹	2018-19¹	2017-18¹	2016-17¹	2015-16¹	2014-15¹	2013-14¹
Actuarially Determined Contribution ²	\$ 76,707	\$ 66,986	\$ 68,232	\$ 55,115	\$ 54,117	\$ 43,547	\$ 37,042
Contribution In Relation to the Actuarially Determined Contribution ²	(76,707)	(66,986)	(68,232)	(55,115)	(54,117)	(293,547)	(37,042)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (250,000)	\$ -
District's Covered Payroll ³	\$ 627,292	\$ 571,780	\$ 455,055	\$ 398,206	\$ 334,550	\$ 320,717	\$ 314,527
Contributions as a Percentage of Covered Payroll	12.23%	11.72%	14.99%	13.84%	16.18%	13.58%	11.78%

¹ Historical information is required only for measurement periods for which GASB No. 68 is applicable.

² 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.

³ 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 AIRPORT DISTRICT*Schedule of Changes in the District's Total OPEB Liability and Related Ratios
For the Fiscal Years Ended June 30, 2020 and 2019*

Last Ten Fiscal Years

Fiscal Year - Measurement Date	2019	2018	2017
Total OPEB liability			
Service cost	\$ 43,940	\$ 18,426	\$ 17,933
Interest	72,149	46,109	51,075
Changes of assumptions	662,879	(10,589)	-
Differences between expected and actual experience	-	138,502	-
Changes of benefit terms	-	91,476	-
Benefit payments	(53,355)	(41,086)	(38,662)
Net change in total OPEB liability	725,613	242,838	30,346
Total OPEB liability - beginning	1,013,437	770,599	740,253
Total OPEB liability - ending	\$ 1,739,050	\$ 1,013,437	\$ 770,599
Plan fiduciary net position			
Net investment income	\$ 9,116	\$ 13,679	\$ 20,153
Benefit payments	(53,387)	(41,086)	(38,662)
Net change in plan fiduciary net position	(44,271)	(27,407)	(18,509)
Plan fiduciary net position - beginning	146,352	173,759	192,268
Plan fiduciary net position - ending	\$ 102,081	\$ 146,352	\$ 173,759
District's net OPEB liability	\$ 1,636,969	\$ 867,085	\$ 596,840
Plan fiduciary net position as a percentage of the total OPEB liability	5.87%	14.44%	22.55%
Covered-employee payroll	\$ 595,464	\$ 578,120	\$ 487,305
District's net OPEB liability as a percentage of covered-employee payroll	274.91%	149.98%	122.48%

This schedule is required to show information for ten years; however, until a full ten year trend is compiled, information is presented for those years for which information is available.

Other Independent Auditors' Report



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

Board of Directors
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 Big Bear Airport District as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise Big Bear Airport District's basic financial statements, and have issued our report thereon dated November 15, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Big Bear Airport 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Big Bear Airport District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Big Bear Airport 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 District'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 Big Bear Airport District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Murrieta, California
November 15, 2020