MOJAVE AIR AND SPACE PORT

FINANCIAL STATEMENTS

JUNE 30, 2020

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FINANCIAL STATEMENTS
JUNE 30, 2020

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BROWN ARMSTRONG
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Mojave Air and Space Port
Mojave, California

Report on the Basic Financial Statements

We have audited the accompanying basic financial statements of Mojave Air and Space Port (the District), as of June 30, 2020, and the related notes to the basic financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents. The prior year's comparative information has been derived from the District's 2019 basic financial statements and, in our report dated November 18, 2019, we expressed an unmodified opinion on the basic financial statements.

Management's Responsibility for the Basic Financial Statements

Management is responsible for the preparation and fair presentation of these basic 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 basic financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these basic 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 basic financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the basic financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the basic financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the basic 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 District'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 basic financial statements.

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

Opinions

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the District as of June 30, 2020, and the respective changes in financial position, and cash flows thereof for the year 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 Net Pension Liability (CalPERS), Schedule of Contributions (CalPERS), and Schedule of Changes in the Net Other-Post Employment Benefit (OPEB) Liability and Related Ratios, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 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.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
October 16, 2020

The following discussion and analysis of Mojave Air and Space Port's financial performance provides an overview of the financial activities for the year ended June 30, 2020. Please read it in conjunction with the audited basic financial statements and accompanying notes, which follow this section.

Financial Highlights

The District's total net position decreased $0.52 million, or 1%, over the course of the year's operations.

The District's total revenues experienced a net decrease of $1.08 million, or 9%, during the year ended June 30, 2020.

The District's total expenses decreased $1.46 million, or 12%, during the year ended June 30, 2020.

The District's net capital assets increased $1.26 million, or 3%, during the year ended June 30, 2020.

Overview of the Basic Financial Statements

This annual report includes this management's discussion and analysis report, the independent auditor's report, the basic financial statements of the District and required supplementary information. The basic financial statements also include notes that explain in more detail some of the information contained in the basic financial statements.

Required Basic Financial Statements

The basic financial statements of the District report information of the District using accounting methods like those used by private sector companies. The basic financial statements conform to accounting principles which are generally accepted in the United States of America and utilize the accrual basis of accounting.

The statement of net position includes all the District's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to District creditors (liabilities), with the difference between the two reported as net position. This statement will indicate which assets are restricted due to contractual, Board of Directors (Board) action, or other commitments. This statement also provides the basis for assessing the liquidity, capital structure and financial flexibility of the District.

Revenues and expenses are accounted for in the statements of revenues and expenses and changes in net position. These statements measure the success of the District's operations and can be used to determine profitability, credit worthiness, and whether the District has successfully recovered all its costs through user fees and other charges.

The statement of cash flows reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities. From this statement, information related to sources and uses of cash and the change in cash balances are presented.

Financial Analysis of the District

One of the most important questions asked about the District's finances is "Is the District, as a whole, better off or worse off as a result of this year's activities?" The condensed statements of net position and the condensed statements of revenues, expenses, and changes in net position reports information about the District's activities in a way that will help answer this question. These two condensed statements report the net position of the District and the changes in net position. One can think of the District's net position – the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources – as one way to measure 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, and new or changed government legislation.

To begin our analysis, a summary of the District's statements of net position is presented in Table A.

Table A
Condensed Statements of Net Position
June 30, 2020 and 2019
(in thousands)

	2020	2019	Dollar Change	Percentage Change
Current assets	$ 7,315	$ 9,653	$ (2,338)	-24%
Capital assets	39,694	38,436	1,258	3%
Total assets	47,009	48,089	(1,080)	-2%
Deferred outflows of resources	856	1,057	(201)	-19%
Total assets and deferred outflows of resources	$ 47,865	$ 49,146	$ (1,281)	-3%
Current liabilities	$ 727	$ 1,109	$ (382)	-34%
Long-term liabilities	8,924	11,930	(3,006)	-25%
Total liabilities	9,651	13,039	(3,388)	-26%
Deferred inflows of resources	3,362	732	2,630	359%
Invested in capital assets, net of related debt	39,694	38,436	1,258	3%
Unrestricted	(4,842)	(3,061)	(1,781)	58%
Total net position	34,852	35,375	(523)	-1%
Total liabilities, deferred inflows of resources, and net position	$ 47,865	$ 49,146	$ (1,281)	-3%

As the Condensed Statements of Net Position above indicate, total assets decreased by $1.08 million to $47.01 million at June 30, 2020, from $48.09 million at June 30, 2019. The decrease in the total assets of the District was due to a decrease in current assets of $2.34 million, resulting from decreases in cash of $2.03 million, receivables of $0.18 million, and prepaid expenses of $0.13 million which were partially offset by an increase in capital assets of $1.26 million, due to acquisition of capital assets net of retirements and completion of construction projects of $3.75 million and offset by depreciation of $2.49 million.

Deferred outflows of resources decreased by $0.20 million or 19% to $0.86 million at June 30, 2020 from $1.06 million at June 30, 2019. For deferred outflows related to the CalPERS plan, predominant changes were the result of a decrease of $0.01 million in pension contributions subsequent to the measurement date, a decrease of $0.28 million in changes in assumptions, a decrease of $0.03 million in the change in District's proportion, and a decrease of $0.02 million in the difference between projected and actual earnings from pension plan investments. For deferred outflows related to the Other Post-Employment Benefit plan, predominant changes were the result of a decrease of $0.04 million in pension contributions subsequent to the measurement date.

Total liabilities decreased by $3.39 million or 26% during the year ended June 30, 2020, due to decreases in long-term liabilities of $3.01 million and a decrease in current liabilities of $0.38 million. The decrease is mainly a result of a decrease of $3.25 million in other post-employment benefits liabilities and offset by an increase of $0.24 million in net pension liability.

Deferred inflows of resources increased by $2.63 million or 359% from $0.73 million at June 30, 2019, to $3.36 million at June 30, 2020. For deferred inflows related to the Other Post-Employment Benefits plan, increases were predominantly composed of a $2.01 million increase in changes in assumptions and a $0.79 million increase in experience differences. These increases were offset by deferred inflows related to the CalPERS plan which overall decreased. The decrease was composed of decreases of $0.12 million in the difference between the District's contributions and its proportionate share of contributions, $0.04 million in changes in assumptions, $0.03 million in the difference between expected and actual experience, and $0.05 million in changes in the District's proportion. The increases were partially offset by an increase of $0.08 million in projected versus actual earnings.

Table B
Condensed Statements of Revenues, Expenses, and Changes in Net Position
June 30, 2020 and 2019
(in thousands)

	2020	2019	Dollar Change	Percentage Change
Operating revenue	$ 9,718	$ 9,487	$ 231	2%
Nonoperating revenue	892	2,200	(1,308)	-59%
Total revenues	10,610	11,687	(1,077)	-9%
Operating expenses	8,640	10,318	(1,678)	-16%
Depreciation expense	2,493	2,276	217	10%
Total expenses	11,133	12,594	(1,461)	-12%
Change in net position	(523)	(907)	384	-42%
Prior-period adjustment	-	276	-	
Net position, beginning of year	35,375	36,006	(631)	-2%
Net position, end of year	$ 34,852	$ 35,375	$ (523)	-1%

While the Condensed Statements of Net Position show the change in financial position of the District, the Condensed Statements of Revenues and Expenses and Changes in Net Position provides answers as to the nature and source of these changes.

The District's total revenues decreased by $1.08 million to $10.61 million during the year ended June 30, 2020, from $11.69 million during the year ended June 30, 2019. Operating revenues increased by $0.23 million, primarily due to higher rent proceeds of $0.76 million and an increase in non-aviation activities of $0.06 million, offset by a decrease in fuel sales and related services of $0.60. Nonoperating revenues decreased by $1.31 million due to lower grant proceeds with a decrease of $1.38 million, offset by higher tax receipts of $0.03 million and gains on CERBT assets of $0.04 million.

Total expenses decreased $1.46 million to $11.13 million during the year ended June 30, 2020, from $12.59 million during the year ended June 30, 2019. The primary reasons were the decrease of $0.64 million in direct expenses, general shop and equipment expenses that decreased by $0.17 million, lower general and administrative expenses of $0.87 million, and an offsetting increase in depreciation of $0.22 million.

Table C
Capital Assets
June 30, 2020 and 2019
(in thousands)

	2020	2019	Dollar Change	Percentage Change
Land	$ 6,381	$ 6,381	$ -	0%
Buildings and structures	13,552	12,891	661	5%
Furniture and equipment	4,959	4,913	46	1%
Infrastructure	50,519	48,018	2,501	5%
Construction in progress	1,166	623	543	87%
Total capital assets	76,577	72,826	3,751	5%
Less accumulated depreciation	36,883	34,390	2,493	7%
Total net capital assets	$ 39,694	$ 38,436	$ 1,258	3%

As of June 30, 2020, the District had invested $39.69 million in capital assets. Net capital assets increased by $1.26 million from $38.44 million at June 30, 2019 due to acquisitions of capital assets and completion of infrastructure projects of $3.75 million. Significant capital asset increases during the year ended June 30, 2020 include $2.47 million expended to complete the perimeter road project and $1.17 million in construction projects remaining in process at June 30, 2020.

Budgetary Comparison

The following table is a comparison of the Board of Directors (the Board) approved budget for 2020 against actual results.

Table D
Budget vs. Actual Comparison
For the Year Ended June 30, 2020
(in thousands)

	Actual	Budget	Difference	Percentage Difference
Operating revenue	$ 9,718	$ 8,235	$ 1,483	18%
Nonoperating revenue	892	675	217	32%
Total revenues	10,610	8,910	1,700	19%
Operating expenses	8,640	8,788	(148)	-2%
Depreciation expense	2,493	2,000	493	25%
Total expenses	11,133	10,788	345	3%
Change in net position	$ (523)	$ (1,878)	$ 1,355	-72%

Actual total revenues were above budgeted revenues for 2020 by $1.7 million mainly due to higher than anticipated fuel sale revenues of $0.43 million, rent and lease revenues of $0.77 million, property tax revenue of $0.06 million, and interest income revenue of $0.08 million.

Actual total operating expenses, exclusive of depreciation, came out $0.15 million below budgeted operating expenses primarily due to lower than anticipated use of outside services of $0.24 million offset by a higher than budgeted amount fuel purchased for sales of $0.19 million.

The annual budget is presented and approved by the District's Board each June with revisions presented and approved when appropriate to accommodate changes in conditions.

Contacting the District Management

This financial report is designed to provide our customers and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District at 1434 Flightline, Mojave, California 93501.

BASIC FINANCIAL STATEMENTS

MOJAVE AIR AND SPACE PORT
STATEMENT OF NET POSITION
JUNE 30, 2020
(WITH COMPARATIVE TOTALS)

	2020	2019
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Current Assets		
Cash and Cash Equivalents	$ 6,624,418	$ 8,652,081
Receivables		
Accounts Receivable, Net of Allowance for Doubtful Accounts	401,266	579,595
Other Receivables	23,855	28,217
Fuel Inventory	185,580	199,598
Prepaid Expenses	80,137	193,540
Total Current Assets	7,315,256	9,653,031
Capital Assets, Net of Accumulated Depreciation	39,694,102	38,436,008
Total Assets	47,009,358	48,089,039
Deferred Outflows of Resources		
Deferred Outflows - OPEB Plan	250,000	288,900
Deferred Outflows - CalPERS Pension Plan	605,910	768,663
Total Deferred Outflows of Resources	855,910	1,057,563
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 47,865,268	$ 49,146,602
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION		
Current Liabilities		
Accounts Payable	$ 475,505	$ 885,933
Due to Other Governments	16,000	-
Accrued Liabilities	57,729	51,316
Customer Deposits	65,364	68,054
Compensated Absences	112,585	103,482
Total Current Liabilities	727,183	1,108,785
Long-Term Liabilities		
Net OPEB Liabilities	4,161,800	7,410,000
Net Pension Liability	4,762,393	4,519,897
Total Long-Term Liabilities	8,924,193	11,929,897
Total Liabilities	9,651,376	13,038,682
Deferred Inflows of Resources		
Deferred Inflows - OPEB Plan	2,804,431	11,988
Deferred Inflows - CalPERS Pension Plan	557,294	720,454
Total Deferred Inflows of Resources	3,361,725	732,442
Net Position		
Net Investment in Capital Assets	39,694,102	38,436,008
Unrestricted	(4,841,935)	(3,060,530)
Total Net Position	34,852,167	35,375,478
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	$ 47,865,268	$ 49,146,602

The accompanying notes to the basic financial statements are an integral part of these statements.

MOJAVE AIR AND SPACE PORT
STATEMENT OF REVENUES AND EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020
(WITH COMPARATIVE TOTALS)

	2020	2019
Operating Revenues		
Rents and Leases	$ 6,435,239	$ 5,671,162
Landing Area	2,945,503	3,548,750
Non-Aviation Activities	325,029	256,905
Other Buildings and Areas	12,511	9,714
Total Operating Revenues	9,718,282	9,486,531
Operating Expenses		
Direct Expenses	3,764,472	4,407,779
General Shop and Equipment	1,306,568	1,475,708
General and Administrative	3,568,957	4,434,907
Depreciation Expense	2,493,600	2,275,956
Total Operating Expenses	11,133,597	12,594,350
Operating Loss	(1,415,315)	(3,107,819)
Non-Operating Income		
Interest Income	151,363	167,929
Tax Revenues	662,111	631,688
Grant Revenues	33,830	1,409,086
Loss on Sale of Asset	500	(8,736)
CERBT Gain (Loss)	35,192	-
Other Income	9,007	-
Total Non-Operating Income	892,003	2,199,967
Adjustment to Prior-Period OPEB Expense	-	276,912
Change in Net Position	$ (523,312)	$ (630,940)

The accompanying notes to the basic financial statements are an integral part of these statements.

MOJAVE AIR AND SPACE PORT
STATEMENT OF CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2020
(WITH COMPARATIVE TOTALS)

Balance, June 30, 2018	$ 36,006,418
Change in Net Position	(907,852)
Prior period adjustment (Note 7)	276,912
Balance, June 30, 2019	35,375,478
Change in Net Position	(523,312)
Balance, June 30, 2020	$ 34,852,166

The accompanying notes to the basic financial statements are an integral part of these statements.

MOJAVE AIR AND SPACE PORT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020
(WITH COMPARATIVE TOTALS)

	Year Ended June 30, 2020	Year Ended June 30, 2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers	$ 9,893,921	$ 9,274,109
Payments to Employees	(8,799,249)	(8,866,201)
Payments to Suppliers for Goods and Services	(2,904,028)	(1,729,052)
Other Operating Cash Receipts and Disbursements	2,637,021	2,244,536
Net Cash Provided by Operating Activities	827,665	923,392
CASH FLOWS FROM CAPITAL AND RELATED FINANCIAL ACTIVITIES		
Proceeds from Grants	33,830	1,409,086
Payments for Acquisition and Construction of Capital Assets	(3,751,194)	(3,089,286)
Net Cash Used by Capital and Related Financing Activities	(3,717,364)	(1,680,200)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Income	155,725	189,270
Net Cash Provided by Investing Activities	155,725	189,270
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Tax Revenues	662,111	631,688
Other Income	44,200	-
Net Cash Provided by Noncapital Financing Activities	706,311	631,688
Net (Decrease) Increase in Cash and Cash Equivalents	(2,027,663)	64,150
Cash and Cash Equivalents at Beginning of Year	8,652,081	8,587,931
Cash and Cash Equivalents at End of Year	$ 6,624,418	$ 8,652,081

	2020	2019
RECONCILIATION OF OPERATING LOSS TO NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES		
Operating Loss	$ (1,415,315)	$ (3,107,819)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities		
Depreciation	2,493,600	2,275,956
Changes in Operating Assets, Liabilities, and Other Income:		
(Increase) Decrease in:		
Accounts Receivable	178,329	(187,488)
Prepaids	113,403	(124,527)
Fuel Inventory	14,018	93,107
Increase (Decrease) in:		
Accounts Payable	(410,428)	546,904
Accrued Liabilities	6,413	19,582
Compensated Absences	9,103	(4,899)
Deferred Pensions	2,830,936	1,387,501
Customer Deposits	(2,690)	(24,934)
Due to Other Governments	16,000	-
Other Post-Employment Benefits Liability	(3,248,200)	152,900
Net Pension Liability	242,496	(102,891)
Net Cash Provided by Operating Activities	$ 827,665	$ 923,392

The accompanying notes to the basic financial statements are an integral part of these statements.

NOTE 1 – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Nature of District's Activities

Mojave Air and Space Port (the District) was incorporated on February 24, 1972, under the provisions of the Public Utilities Code, Division 9, Part 2, beginning with Section 22002. The first District meeting was held on February 28, 1972. On November 15, 1972, Kern County Airport No. 7 was transferred from the County of Kern (the County) to the District and the Airport name was changed to the Mojave Airport. On November 1, 1974, the District's name was changed to East Kern Airport District. On November 20, 2012, the District's name was changed to Mojave Air and Space Port.

The District's mission is to foster and maintain a recognized aerospace presence with a principal focus as the world's premier civilian aerospace test center while seeking compatible diverse business and industry.

B. Basis of Accounting and Financial Reporting

The accompanying basic financial statements have been prepared on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred regardless of the timing of cash payments or receipts.

When the District has both unrestricted and restricted resources available for District purposes, it is the District's practice to first expend restricted resources, subsequently utilizing unrestricted resources as needed.

The District utilizes a net position presentation in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. Net position is categorized as net investment in capital assets, restricted components of net position, and unrestricted components of net position. These categories are defined as follows.

Net investment in capital assets - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and the deferred outflow of advanced refunding of bonds, reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

Restricted components of net position - This component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported.

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

NOTE 1 – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Fund Accounting

The District utilizes an enterprise method to account for its operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis, be financed or recovered primarily through user charges or, (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating revenues of the District are charges for the leasing of the District's facilities. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Use of Estimates

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

E. Revenue Recognition

Property tax revenue is recognized in the fiscal year for which the taxes have been levied, providing they become available. Available means then due, or past due and receivable within the current period and collected within the current period or expected to be collected soon thereafter (not to exceed 60 days) to be used to pay liabilities of the current period. The County of Kern collects the District's property taxes.

Grants are recognized as revenue in the accounting period when they become susceptible to accrual (i.e., both measurable and available).

F. Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from balances outstanding at year-end. Management provides for uncollectable accounts through a charge to earnings and a credit to an allowance for doubtful accounts based on its assessment of the current status of individual accounts. Balances still outstanding after management has used reasonable collection efforts are written off through a charge to the allowance for doubtful accounts and a credit to accounts receivable. At June 30, 2020, the allowance for doubtful accounts was $0.

G. Fuel Inventory

Fuel inventory is carried at cost on a first-in, first-out (FIFO) basis on a moving average basis. Physical inventories are taken on a monthly basis.

NOTE 1 – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Capital Assets

Capital assets are defined by the District as assets with an individual cost of more than $5,000 and an estimated life greater than two years. The District's capital assets are recorded at cost. Depreciation is computed using the straight-line method over the following estimated useful lives:

	Years
Buildings and Structures	5-40
Furniture and Equipment	5-30
Infrastructure	5-40

Maintenance and repairs of capital assets are charged to operations and major improvements are capitalized. Upon retirement, sale, or other disposition of capital assets, the cost and accumulated depreciation are eliminated from the accounts and the gain or loss is included in operations.

I. Compensated Absences

The District's established vacation policy states that each employee shall utilize his or her vacation in the year immediately succeeding the year during which the vacation is earned. The General Manager may authorize up to 20 days of vacation be deferred for one year. The employee may accrue no more than 40 days of vacation. The District's policy regarding sick leave provides employees with up to 200 hours of sick leave accruals. Upon retirement, employees who have been with the District for 5 to 10 years are entitled to 50% payment of unused sick leave accruals and employees who have been with the District over 10 years are entitled to 100% payment of unused sick leave accruals.

J. 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 additions to/deductions from the plan's 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.

K. Deferred Outflows/Inflows of Resources

The District reports increases/decreases in net position that relate to future periods as deferred outflows/inflows of resources in a separate section of the statement of net position. Deferred outflows of resources reported in the statement of net position are the results of the employer contributions made to the pension plan after the measurement date and will be recognized as a reduction of the net pension liability in the following year. Deferred inflows of resources are the results of actuarially determined amounts corresponding to the net pension liability that are amortized over an estimated life as part of pension expense.

NOTE 1 – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Cash and Cash Equivalents

For purposes of reporting cash flows, the District considers cash equivalents to be all highly liquid debt instruments purchased with a maturity of three months or less. Cash and cash equivalents included the following at June 30, 2020 and 2019:

	2020	2019
Cash Deposits with Financial Institutions	$ 884,410	$ 2,014,156
Deposits with the County Treasurer	2,309,031	3,572,840
Deposits with Local Agency Investment Fund (LAIF)	3,145,590	3,064,910
CERBT Fund	285,192	-
Cash on Hand (Petty Cash)	195	175
	$ 6,624,418	$ 8,652,081

The District invests any excess funds not needed for immediate needs into the State of California managed LAIF. The LAIF is a permitted investment by both State law and the District's investment policy. Created by state statute, the LAIF is a component of a pooled money program that is administered by the State Treasurer's Office. The fund has regulatory oversight from the Local Investment Advisory Board, which is comprised of the State Treasurer as Chair, the State Controller, and the Director of Finance. As the LAIF does not make share-value adjustments due to immaterial differences between fair value and cost, the District's cost basis in the fund is reflected in cash and cash equivalents on the statement of net position.

Cash funds deposited with the State Treasurer's Office are in a pooled money fund. Cash funds are then pooled with other agencies throughout California. Investments are made in accordance with California Government Code Sections 16430 and 16480. Cash funds are also deposited with the County of Kern and are appropriately collateralized by cash, investments, and securities.

M. Custodial Credit Risk

Custodial credit risk of deposits is the risk that in the event of a bank failure, the District's deposits may not be returned. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure of custodial credit risk for deposits and investments, other than the following provision for deposits: the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. At June 30, 2020 and 2019, the District had no risk associated with custodial assets.

N. Fair Value Measurements

In accordance with GASB Statement No. 72, investments in the County Treasurer's Investment Pools are not subject to the three tiered fair value hierarchy: Level 1, Level 2, and Level 3. The three-tiers are defined as follows:

Level 1 – reflect unadjusted quoted prices in active markets for identical assets.

Level 2 – reflect inputs that are based on a similar observable asset either directly or indirectly.

Level 3 – reflect unobservable inputs.

N. Fair Value Measurements (Continued)

The District has no recurring fair value measurements as of June 30, 2020.

Treasury Pool Income and Participant Withdrawals

Treasury Pool investments are accounted for in accordance with the provisions of GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, which requires governmental entities to report certain investments at fair value in the balance sheet and the statement of net position and recognize the corresponding change in value of investments in the year in which the change occurred. The value of the participant's shares in the Treasury Pool that may be withdrawn is determined on an amortized cost basis, which is different from the fair value of the participant's position in the Treasury Pool. The fair value fluctuates with interest rates, and increasing rates could cause the value to decline below original cost; however, Kern County management believes the liquidity in the portfolio is more than adequate to meet cash flow requirements and to preclude Kern County from having to sell investments below original cost for that purpose.

O. Disclosures Relating to Interest Rate Risk and Credit Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. Both the deposits with the County and the LAIF have no maturity.

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The County and LAIF do not have a rating provided by a nationally recognized statistical rating organization.

P. Cash Flows

GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting,* states for purposes of preparing the statement of cash flows, all transactions that are not classified as capital and related financing activities, noncapital financing activities or investing activities are classified as operating activities. The adjustments to reconcile operating income to net cash provided by operating activities include tax revenues and other income.

Q. Governmental Accounting Standards Board Update

Governmental Accounting Standards Board Statements affecting future years are as follows:

GASB Statement No. 87 – *Leases*. The requirements of this statement are effective for reporting periods beginning after June 15, 2021. The District has not fully judged the impact of implementation of GASB Statement No. 87 on the basic financial statements.

GASB Statement No. 89 – *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The requirements of this statement are effective for reporting periods beginning after December 15, 2020. The District has not fully judged the impact of implementation of GASB Statement No. 89 on the basic financial statements.

GASB Statement No. 90 – *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61.* The requirements of this statement are effective for reporting periods beginning after December 15, 2019. The District has not fully judged the impact of implementation of GASB Statement No. 90 on the basic financial statements.

NOTE 1 – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Q. Governmental Accounting Standards Board Update (Continued)

GASB Statement No. 91 – *Conduit Debt Obligations*. The requirements of this statement are effective for reporting periods beginning after December 15, 2021. The District has not fully judged the impact of implementation of GASB Statement No. 91 on the basic financial statements.

GASB Statement No. 92 – *Omnibus 2020*. The requirements of this statement are effective for reporting periods beginning after June 15, 2021. The objective of this statement is to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB statements. The District has not fully judged the impact of implementation of GASB Statement No. 92 on the basic financial statements.

NOTE 2 – CAPITAL ASSETS

The following is a summary of changes in the District's capital assets for the years ended June 30, 2020 and 2019, for comparison purposes:

	Balance June 30, 2019	Additions	Retirements	Transfers	Balance June 30, 2020
Capital Assets Not Being Depreciated					
Land	$ 6,381,298	$ -	$ -	$ -	$ 6,381,298
Construction in Progress	623,294	3,524,896	(2,981,800)	-	1,166,390
Total Capital Assets Not Being Depreciated	7,004,592	3,524,896	(2,981,800)	-	7,547,688
Capital Assets Being Depreciated					
Buildings and Structures	12,890,073	661,907	-	-	13,551,980
Furniture and Equipment	4,912,807	46,299	-	-	4,959,106
Infrastructure	48,018,310	2,500,392	-	-	50,518,702
Total Capital Assets Being Depreciated	65,821,190	3,208,598	-	-	69,029,788
Accumulated Depreciation					
Buildings and Structures	8,265,189	399,607	-	-	8,664,796
Furniture and Equipment	3,474,138	292,169	-	-	3,766,307
Infrastructure	22,650,447	1,801,824	-	-	24,452,271
Total Accumulated Depreciation	34,389,774	2,493,600	-	-	36,883,374
Total Capital Assets, Net of Depreciation	$ 38,436,008	$ 4,239,894	$ (2,981,800)	$ -	$ 39,694,102

	Balance June 30, 2018	Additions	Retirements	Transfers	Balance June 30, 2019
Capital Assets Not Being Depreciated					
Land	$ 6,381,298	$ -	$ -	$ -	$ 6,381,298
Construction in Progress	265,274	2,414,270	(2,056,250)	-	623,294
Total Capital Assets Not Being Depreciated	6,646,572	2,414,270	(2,056,250)	-	7,004,592
Capital Assets Being Depreciated					
Buildings and Structures	12,283,702	606,371	-	-	12,890,073
Furniture and Equipment	4,454,100	648,772	(190,065)	-	4,912,807
Infrastructure	46,542,186	1,476,124	-	-	48,018,310
Total Capital Assets Being Depreciated	63,279,988	2,731,267	(190,065)	-	65,821,190
Accumulated Depreciation					
Buildings and Structures	7,908,040	357,149	-	-	8,265,189
Furniture and Equipment	3,436,508	215,605	(177,975)	-	3,474,138
Infrastructure	20,950,598	1,703,202	(3,353)	-	22,650,447
Total Accumulated Depreciation	32,295,146	2,275,956	(181,328)	-	34,389,774
Total Capital Assets, Net of Depreciation	$ 37,631,414	$ 2,869,581	$ (2,064,987)	$ -	$ 38,436,008

NOTE 3 – RENTS AND LEASES

The District receives income from the rental of land, buildings, and hangars. Leases for these arrangements can be month-to-month or be fixed terms from 1 to 40 years. Lease income for the years ended June 30, 2020 and 2019, was $6,435,239 and $5,671,162, respectively. Future minimum rental receipts due under non-cancellable leases are as follows:

Year Ending June 30,	
2021	$ 2,748,764
2022	2,364,172
2023	1,966,553
2024	1,678,251
2025	1,267,960
After 2025	21,878,531
	$ 31,904,231

NOTE 4 – RETIREMENT PLANS

CalPERS

A. Plan Description

The District participates in the Public Agency portion of CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California. The District offers three defined benefit pension plans, the Miscellaneous Plan of the Mojave Air and Space Port (Miscellaneous), and the Safety Plan of the Mojave Air and Space Port (Safety). All non-safety employees hired after January 1, 2013, are placed in the California Public Employees' Pension Reform Act (PEPRA) Miscellaneous Plan of the Mojave Air and Space Port. All plans are cost-sharing multiple-employer defined benefit pension plans. All qualified permanent and probationary employees are eligible to participate in the District's Miscellaneous and Safety Plans (Plans). Benefit provisions under the Plans are established by State statute and District resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

B. Benefits Provided

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

NOTE 4 – RETIREMENT PLANS (Continued)

CalPERS (Continued)

B. Benefits Provided (Continued)

The Plan's provisions and benefits in effect at June 30, 2020, are summarized as follows:

	Miscellaneous	Safety	PEPRA
Benefit Formula	2.7% @ 55	2.0% @ 50	2.0% @ 62
Benefit Vesting Schedule	5 years service	5 years service	5 years service
Benefit Payments	Monthly for life	Monthly for life	Monthly for life
Retirement Age	50-55	50	62-67
Monthly Benefits, as a Percentage of Eligible Compensation	2.0% to 2.7%	3.0%	1.0% to 2.5%
Required Employee Contribution Rates	8.00% *	9.00% *	6.75%
Required Employer Contribution Rates	15.83%	25.02%	7.48%

* The District pays the required employee contributions on behalf of the employees.

C. Contributions

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

For the years ended June 30, 2020 and 2019, the contributions recognized as part of pension expense for each Plan were as follows:

2020	Miscellaneous	Safety	PEPRA	Total
Contributions - Employer	$ 110,794	$ 35,438	$ 80,241	$ 226,473
Contributions - Employee	56,007	12,745	78,090	146,842
Contributions - Side Fund	317,119	40,186	3,288	360,593
	$ 483,920	$ 88,369	$ 161,619	$ 733,908

2019	Miscellaneous	Safety	PEPRA	Total
Contributions - Employer	$ 114,879	$ 34,502	$ 56,067	$ 205,448
Contributions - Employee	61,373	12,873	50,681	124,927
Contributions - Side Fund	279,000	34,196	217	313,413
	$ 455,252	$ 81,571	$ 106,965	$ 643,788

NOTE 4 – RETIREMENT PLANS (Continued)

CalPERS (Continued)

D. Pension Liabilities, Pension Expense, and Pension Deferred Outflows/Inflows of Resources

As of June 30, 2020 and 2019, the District reported net pension liabilities for its proportionate share of the net pension liability of each Plan as follows:

	2020	2019
Miscellaneous*	$ 4,173,216	$ 3,962,906
Safety	589,177	556,991
	$ 4,762,393	$ 4,519,897

*Includes PEPRA Miscellaneous Plan

The District's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2018 (for year ended June 30, 2019) and June 30, 2019 (for year ended June 30, 2020), and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017, rolled forward to June 30, 2018, for June 30, 2019 year-end and as of June 30, 2018, rolled forward to June 30, 2019, for June 30, 2020 year-end 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 plans relative to the projected contributions of all participating employers, actuarially determined.

	Miscellaneous*	Safety
Proportion - June 30, 2019	0.10515%	0.00949%
Proportion - June 30, 2020	0.10421%	0.00944%
Change - Increase (Decrease)	0.00094%	0.00005%

	Miscellaneous*	Safety
Proportion - June 30, 2018	0.10327%	0.00923%
Proportion - June 30, 2019	0.10515%	0.00949%
Change - Increase (Decrease)	-0.00188%	-0.00026%

*Includes PEPRA Miscellaneous Plan

NOTE 4 – RETIREMENT PLANS (Continued)

CalPERS (Continued)

D. Pension Liabilities, Pension Expense, and Pension Deferred Outflows/Inflows of Resources (Continued)

For the years ended June 30, 2020 and 2019, the District recognized pension expense of $254,966 and $1,189,633, respectively. At June 30, 2020 and 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

2020	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 12,877	$ -
Difference between employer's contributions and proportionate share of contributions	19,750	(224,357)
Differences between actual and expected experience	328,315	(22,457)
Changes in assumptions	223,148	(75,256)
Change in employer's proportions	21,820	(154,158)
Net differences between projected and actual earnings on plan investments	-	(81,066)
Total	$ 605,910	$ (557,294)

2019	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 25,298	$ -
Difference between employer's contributions and proportionate share of contributions	-	(343,427)
Differences between actual and expected experience	164,018	(51,787)
Changes in assumptions	506,434	(118,097)
Change in employer's proportions	49,550	(207,143)
Net differences between projected and actual earnings on plan investments	23,363	-
Total	$ 768,663	$ (720,454)

The $12,877 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30,	
2021	$ 163,457
2022	(171,477)
2023	27,439
2024	16,320
2025	-
Thereafter	-
	$ 35,739

NOTE 4 – RETIREMENT PLANS (Continued)

CalPERS (Continued)

E. Actuarial Assumptions

The total pension liabilities in the June 30, 2018 actuarial valuations were determined using the following actuarial assumptions:

	Miscellaneous	Safety	PEPRA
Valuation Date	June 30, 2018	June 30, 2018	June 30, 2018
Measurement Date	June 30, 2019	June 30, 2019	June 30, 2019
Actuarial Cost Method	Entry-Age Normal Cost Method	Entry-Age Normal Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:			
Discount Rate	7.15%	7.15%	7.15%
Inflation Rate	2.50%	2.50%	2.50%
Payroll Growth	2.75%	2.75%	2.75%
Projected Salary Increase	Varies by Entry Age and Service	Varies by Entry Age and Service	Varies by Entry Age and Service
Investment Rate of Return	7.15%	7.15%	7.15%
Mortality	*	*	*
Post-retirement Benefit Increase	**	**	**

* Derived using CalPERS membership data for all funds.

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2018 valuation were based on the results of a January 2014 actuarial experience study for the period 1997-2011. Further details on the Experience Study can be found on the CalPERS website.

The discount rate used to measure the total pension liability was 7.15% for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.15% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate of 7.15% will be applied to all plans in the California Public Employees' Retirement Fund. The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

According to paragraph 30 of GASB Statement No. 68, the long-term discount rate should be determined net of pension plan investment expense without reduction for pension plan administrative expense. The discount rate was changed from 7.65% (net of administrative expenses in 2015) to 7.65% as of the June 30, 2016 measurement date to correct the adjustment which previously reduced the discount rate for administrative expenses.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management review cycle that is scheduled to be completed in February 2018. Any changes to this discount rate will require the Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB Statement No. 67 and Statement No. 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time the methodology is changed.

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 are developed for each major class.

NOTE 4 – RETIREMENT PLANS (Continued)

CalPERS (Continued)

E. Actuarial Assumptions (Continued)

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest 0.25%.

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

Asset Class	New Strategic Allocation	Real Return Years 1-10 (a)	Real Return Years 11+ (b)
Global Equity	50.00%	4.80%	5.98%
Global Fixed Income	28.00%	1.00%	2.62%
Inflation Assets	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Assets	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%
	100.00%		

(a) An expected inflation of 2.00% used for this period.

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

F. Sensitivity of the District's Proportionate Share of the Net Pension Liability

The following presents the District's proportionate share of the net pension liability using the discount rate of 7.15%, as well as what the District's proportionate share of the net pension liability would be at June 30, 2020, 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:

2020	Discount Rate -1% 6.15%	Current Discount Rate 7.15%	Discount Rate +1% 8.15%
Employer's Net Pension Liability - **Miscellaneous**	$ 5,926,455	$ 4,173,216	$ 2,726,041
Employer's Net Pension Liability - **Safety**	797,676	589,177	418,242
Employer's Net Pension Liability - **Total**	$ 6,724,131	$ 4,762,393	$ 3,144,283

2019	Discount Rate -1% 6.15%	Current Discount Rate 7.15%	Discount Rate +1% 8.15%
Employer's Net Pension Liability - **Miscellaneous**	$ 5,694,850	$ 3,962,906	$ 2,533,215
Employer's Net Pension Liability - **Safety**	770,112	556,991	382,376
Employer's Net Pension Liability - **Total**	$ 6,464,962	$ 4,519,897	$ 2,915,591

NOTE 4 – RETIREMENT PLANS (Continued)

CalPERS (Continued)

G. Side Funds

When the District joined the Plans, CalPERS created an employer side fund to cover the cost of purchasing qualifying employees' prior years' experience to account for the difference between the funded status of the Plan and the funded status of the retirement pool. A positive side fund will cause employer contributions to be reduced by the amortization of the side fund, while a negative side fund will cause employer contributions to increase by the amortization of the side fund. As of June 30, 2020, the District's actuarial value of assets was less than the present value of the benefits which resulted in a negative side fund of $732,778 for the Miscellaneous Plan and $82,425 for the Safety Plan.

Other Post-Employment Benefits

A. Plan Description

The District provides certain post-employment health care benefits in accordance with District policy to retired employees age 50 or older who were active members of CalPERS for at least five years, their dependents, and retired directors who were first elected before January 1, 1995, who served the District for at least 12 years, and their dependents. The benefits are available until death for both the participants and their spouse.

B. Contributions

The contribution requirements of plan members and the District are established and may be amended by the District's Board. Currently, contributions are not required from plan members. The District pays for post-employment health insurance on a pay-as-you go basis.

C. Net OPEB Liability (NOL)

NOL at the end of June 30, 2020 and 2019 is as follows:

Reporting Date	June 30, 2020	June 30, 2019
Measurement Date	June 30, 2019	June 30, 2018
Valuation Date	June 30, 2018	June 30, 2017
Discount Rate	7.59%	3.50%
Return on Assets	7.59%	N/A
Participant Count		
Current Retirees	17	18
Active Employees	22	19
Total	39	37
Actuarial Present Value of Benefits (APVB)		
Current Retirees	$ 2,904,300	$ 5,049,300
Active Employees	2,112,000	4,465,000
Total	$ 5,016,300	$ 9,514,300
Totel OPEB Liability (TOL)		
Current Retirees	$ 2,904,300	$ 5,049,300
Active Employees	1,257,500	2,360,700
Total	$ 4,161,800	$ 7,410,000
Fiduciary Net Position (FNP) = Market Value of Assets	$ -	$ -
Net OPEB Liability (NOL) = TOL - FNP	$ 4,161,800	$ 7,410,000

NOTE 4 – RETIREMENT PLANS (Continued)

Other Post-Employment Benefits (Continued)

D. Changes in Total NOL for the Year End June 30, 2020

	Total NOL
Balance at Reporting Date at June 30, 2019 [1]	$ 7,410,000
Decrease within Fiscal Year 2019/20 attributable to:	
Service Cost	187,100
Interest Cost	257,600
Effect of Change in Actuarial Assumptions/Methods	(2,451,600)
Other Liability Experience Loss/(Gain)	(952,400)
Effect of Plan Amendments	-
Contributions [2]	(288,900)
Net Decrease within Fiscal Year 2019/20	$ (3,248,200)
Balance at Reporting Date June 30, 2020 [1]	$ 4,161,800

[1] Measurement date June 30, 2018 liability and assets have been used for the GASB Statement No. 75 reporting date of June 30, 2019, while measurement date June 30, 2019 liability and assets have been used for the GASB Statement No. 75 reporting date of June 30, 2020.

[2] Contributions consist of zero Trust deposits plus $224,700 cash benefit payments made outside of the Trust, plus a $64,200 Implicit Subsidy.

NOTE 4 – RETIREMENT PLANS (Continued)

Other Post-Employment Benefits (Continued)

E. Sensitivity of End-of-Year NOL to Changes in Assumptions

	Discount Rate		
	1% Decrease (6.59%)	Current Rate (7.59%)	1% Increase (7.59%)
NOL at Reporting Date June 30, 2020	$ 4,589,300	$ 4,161,800	$ 3,800,600

	Trend Rates		
	1% Decrease [(1)]	Current Rates [(2)]	1% Increase [(3)]
NOL at Reporting Date June 30, 2020	$ 3,784,600	$ 4,161,800	$ 4,600,500

[(1)] Various initial rates grading to ultimate 3.00% for medical, flat 1.00% for dental/vision, and flat 0.00% for PPO deductibles.

[(2)] Various initial rates grading to ultimate 4.00% for medical, flat 2.00% for dental/vision, and flat 1.00% for PPO deductibles.

[(3)] Various initial rates grading to ultimate 5.00% for medical, flat 3.00% for dental/vision, and flat 2.00% for PPO deductibles.

F. Deferred Outflows and Inflows of Resources

Type of Change in NOL [(1)]	Deferred Resources at Reporting Date June 30, 2020			Deferred Resources at Reporting Date June 30, 2019		
	Outflows	Inflows	Outflows less Inflows	Outflows	Inflows	Outflows less Inflows
Contributions subsequent to measurement date	$ 250,000	$ -	$ 250,000	$ 288,900	$ -	$ 288,900
Revised assumptions/methods	-	2,013,031	(2,013,031)	-	-	-
Other liability experience loss/(gain)	-	791,400	(791,400)	-	11,988	(11,988)
Investment experience loss/(gain)	-	-	-	-	-	-
Total	$ 250,000	$ 2,804,431	$ (2,554,431)	$ 288,900	$ 11,988	$ 276,912

Type of Change in NOL [(1)]	Deferred Resources Increase/(Decrease) in Fiscal Year 2019/20		
	Current Year's Change in NOL	Amortizations	Total Increase/ Decrease
Revised assumptions/methods	$ (2,451,600)	$ 438,569	$ (2,013,031)
Other liability experience loss/(gain)	(952,400)	172,988	(779,412)
Investment experience loss/(gain)	-	-	-
Total	$ (3,404,000)	$ 611,557	$ (2,792,443)

[(1)] Historical increases or decreases in NOL due to plan amendments or subsequent contributions are not reflected here, as those changes are immediately recognized in the Annual OPEB Expense as they occur. A NOL change of any other type is amortized as shown above so that it is gradually recognized, with the unamortized portion at a given point referred to as a Deferred Resource.

NOTE 4 – <u>RETIREMENT PLANS</u> (Continued)

Other Post-Employment Benefits (Continued)

G. Annual OPEB Expense and Related Items

Fiscal Year	2019/20	2018/19
Measurement Period	2018/19	2017/18
Annual OPEB Expense		
Service Cost	$ 187,100	$ 196,900
Interest Cost	257,600	252,400
(Expected Investment Return)	-	-
Non-Benefit-Related Administrative Expenses from Plan Trusts	-	-
NOL change due to amendments	-	-
Amortizations of other changes in NOL	(611,557)	(2,612)
Total Annual OPEB Expense	$ (166,857)	$ 446,688
Reconciliation of NOL		
NOL at beginning of year	$ 7,410,000	$ 7,257,100
Annual OPEB Expense	(166,857)	446,688
(Benefit Payments)	(288,900)	(281,800)
Decrease in Deferred Resources	(2,792,443)	(11,988)
Total NOL at End of Year	$ 4,161,800	$ 7,410,000
Recognition of Deferred Resources in Future Annual OPEB Expense		
Amortization of Deferred Resources in current year + 1 = 2020/21	$ (611,557)	$ (2,612)
Amortization of Deferred Resources in current year + 2 = 2021/22	(611,557)	(2,612)
Amortization of Deferred Resources in current year + 3 = 2022/23	(611,557)	(2,612)
Amortization of Deferred Resources in current year + 4 = 2023/24	(610,485)	(2,612)
Amortization of Deferred Resources in current year + 5 = 2024/25	(359,275)	(1,540)
Amortization of Deferred Resources in later years	-	-
Total Deferred Resources at End of Current Year	$ (2,804,431)	$ (11,988)

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

The actuarial valuation, dated June 30, 2019, used the Entry Age Normal actuarial cost method, at a discount rate of 7.59%, the expected long-term rate of return on the District assets, and an annual compensation increase rate of 2.75%.

NOTE 5 – COMMITMENTS

On January 1, 1983, the District leased to The Gibson, Karpe, and Hitchcock Trust a certain parcel of land for the purpose of The Gibson, Karpe, and Hitchcock Trust constructing thereon, a hangar with appurtenant shops, offices, and related improvements. The land lease term is from January 1, 1983 through December 31, 2024, a period of 42 years. Rental payments are as follows:

For the construction period	$1.00
For the period of 19 years starting at the completion of construction	$700/Month

Upon completion, The Gibson, Karpe, and Hitchcock Trust subleased the site back to the District and completed facilities (Building No. 79) for a term of approximately 42 years (terminating December 31, 2024). Rental payments by the District were $16,275 per month (payable in advance, on the first day of the month) terminating December 31, 2003 ("first sublease rent period").

During the period January 1, 2004 through December 31, 2024, the District shall pay The Gibson, Karpe, and Hitchcock Trust one-half the net rental income derived from leasing the facilities to third parties. Total payments for the years ended June 30, 2020 and 2019, were $279,663 and $181,671, respectively.

NOTE 6 – RISK MANAGEMENT

The District is exposed to various risks of loss for which the District purchases commercial insurance. The following summarizes the coverage which the District has purchased:

Type of Coverage	Carrier	Deductible	Limit per Occurrence
Directors and Officers	RSUI	$ 25,000	$ 2,000,000
Commercial Property:	Travelers Property Casualty Co.		
Business Property		5,000	482,000
Business Income		5,000	2,953,800
Building		5,000	58,908,877
Equpment		5,000	988,279
Leased Equipment		5,000	205,000
Runway		5,000	10,000,000
Boiler and Machinery	Hartford Steam Boiler	1,500	26,717,000
Railroad Liability	Indian Harbor Insurance Company	10,000	3,000,000
General Liability	ACE Property and Casualty Inc Co	2,500	100,000,000
Control Tower Liability	ACE Property and Casualty Inc Co		25,000,000
Business Auto	Star Indemnity & Liability Company	1,000	1,000,000
Pollution Policy	Admiral Insurance Co.	10,000	2,000,000

Premiums for the above policies are paid annually and are not subject to retroactive adjustments. At June 30, 2020, the District had no outstanding claims which exceed insurance coverage.

NOTE 7 – PRIOR PERIOD ADJUSTMENT

During the year ended June 30, 2020, the District discovered that it had improperly recognized deferred inflows of resources and deferred outflows of resources relating to the District's participation in an OPEB plan. The correction of this error increased net assets by $276,912 as reflected in the Statement of Changes in Net Position.

NOTE 8 – SUBSEQUENT EVENTS

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses and shelter in place orders for all but those deemed essential services. There is considerable uncertainty around the duration of the closings and shelter in place orders. As a result, one of the District's major revenue sources, fuel and lubricant sales, may be directly impacted by these events and it is probable that this matter will result in a negative impact on the District. However, the ultimate financial impact and duration cannot be estimated at this time.

Subsequent events have been evaluated through October 16, 2020, which is the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

MOJAVE AIR AND SPACE PORT
SCHEDULE OF THE DISTRICT’S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (CalPERS)
LAST FIVE YEARS ENDED JUNE 30

	Miscellaneous						Safety						PEPRA*	
	2020	2019	2018	2017	2016	2015	2020	2019	2018	2017	2016	2015	2016	2015
District's Proportion of the Net Pension Liability	0.10421%	0.10515%	0.10327%	0.10439%	0.11294%	0.10848%	0.00944%	0.00949%	0.00923%	0.00960%	0.01001%	0.01027%	-0.00006%	0.00001%
District's Proportionate Share of the Net Pension Liability	$ 4,173,216	$ 3,962,906	$ 4,070,987	$ 3,626,498	$ 3,098,337	$ 2,681,114	$ 589,178	$ 556,991	$ 551,801	$ 497,021	$ 412,508	$ 384,077	$ (1,657)	$ 587
District's Covered Payroll	$ 1,132,471	$ 1,052,239	$ 1,149,742	$ 1,149,742	$ 968,602	$ 1,269,842	$ 127,407	$ 123,907	$ 122,463	$ 122,463	$ 122,168	$ 121,970	$ 189,803	$ 93,400
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	368.51%	376.62%	354.08%	315.42%	319.88%	211.14%	462.44%	449.52%	450.59%	405.85%	337.66%	314.89%	-0.87%	0.63%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	77.73%	77.69%	75.39%	75.87%	71.17%	74.52%	73.37%	73.39%	71.74%	72.69%	71.82%	76.20%	107.31%	83.04%

*Amounts from the California Public Employees’ Pension Reform Act (PEPRA) Plan are included in the Miscellaneous Plan for 2019 and 2020.

Note 1 Governmental Accounting Standards Board (GASB) Statement No. 68 requires governments to include information from the most recent actuarial valuation and nine separate preceding valuations. As of June 30, 2020, the District had only performed six valuations.

MOJAVE AIR AND SPACE PORT
SCHEDULE OF CONTRIBUTIONS (CalPERS)
LAST FIVE YEARS ENDED JUNE 30

	Miscellaneous						Safety						PEPRA*	
	2020	2019	2018	2017	2016	2015	2020	2019	2018	2017	2016	2015	2016	2015
Contractually Required Contribution	$ 490,206	$ 432,401	$ 425,432	$ 418,237	$ 337,259	$ 308,190	$ 76,329	$ 68,094	$ 60,786	$ 55,735	$ 50,341	$ 42,668	$ 13,246	$ 7,057
Contributions in Relation to the Contractually Required Contribution	(490,206)	(432,401)	(425,432)	(418,237)	(337,259)	(308,190)	(76,329)	(68,094)	(60,786)	(55,735)	(50,341)	(42,668)	(13,246)	(7,057)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's Covered Payroll	$ 1,132,471	$ 1,052,239	$ 1,149,742	$ 1,149,742	$ 968,602	$ 1,269,842	$ 127,407	$ 123,907	$ 122,463	$ 122,463	$ 122,168	$ 121,970	$ 189,803	$ 93,400
Contributions as a Percentage of Covered Payroll	43.29%	41.09%	37.00%	36.38%	34.82%	24.27%	59.91%	54.96%	49.64%	45.51%	41.21%	34.98%	6.98%	7.56%

*Amounts from the PEPRA Plan are included in the Miscellaneous Plan for 2019 and 2020.

Note 1 GASB Statement No. 68 requires governments to include information from the most recent actuarial valuation and nine separate preceding valuations. As of June 30, 2020, the District had only performed six valuations.

MOJAVE AIR AND SPACE PORT
OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN
SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS

	2020	2019
Balance at Reporting Date at June 30, 2019 [1]	$ 7,410,000	$ 7,257,100
Increase/Decrease within Fiscal Year 2019/20 attributable to:		
Service Cost	187,100	196,900
Interest Cost	257,600	252,400
Effect of Change in Actuarial Assumptions/Methods	(2,451,600)	-
Other Liability Experience Loss/(Gain)	(952,400)	(14,600)
Effect of Plan Amendments	-	-
Contributions [2]	(288,900)	
Benefit Payments	-	(281,800)
Net (Decrease)/Increase within Fiscal Year 2019/20	(3,248,200)	152,900
Balance at Reporting Date June 30, 2020 [1]	$ 4,161,800	$ 7,410,000

Percentages for Required Supplementary Information

Annual Covered-Employee Payroll		$ 1,752,000
Contributions as a percentage of ADC		49.55%
Contributions as a percentage of Covered Payroll		13.38%
End-of-year NOL as a percentage of Covered Payroll		264.75%
End-of-year FNP as a percentage of TOL		0.00%

[1] Measurement date June 30, 2018 liability and assets have been used for the GASB Statement No. 75 reporting date of June 30, 2019, while measurement date June 30, 2019 liability and assets have been used for the GASB Statement No. 75 reporting date of June 30, 2020.

[2] Contributions consist of zero Trust deposits plus $224,700 cash benefit payments made outside of the Trust, plus a $64,200 Implicit Subsidy.

OTHER REPORT

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BROWN ARMSTRONG

Certified Public Accountants

INDEPENDENT AUDITOR'S 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
Mojave Air and Space Port
Mojave, 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 basic financial statements of Mojave Air and Space Port (the District), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 16, 2020.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's basic financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the basic financial statements. 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.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
October 16, 2020