



**Santa Maria Public Airport District**  
Santa Maria, California  
**Comprehensive Annual Financial Report**  
**For The Fiscal Years Ending June 30, 2016 and 2015**



## **Our Mission Statement**

*"To provide a safe, friendly, attractive and economically sound airport through integrity and efficiency."*

### **Santa Maria Public Airport District Board of Directors as of June 30, 2016**

<u>Name</u>	<u>Title</u>	<u>Elected/ Appointed</u>	<u>Current Term</u>
Carl Engel, Jr.	President	Elected	12/14 - 11/18
Don Lahr	Vice President	Elected	12/12 - 11/16
Hugh Rafferty	Secretary	Appointed	09/15 - 11/18
Chuck Adams	Vice Secretary	Elected	12/12 - 11/16
David Baskett	Director	Elected	12/12 - 11/16

**Santa Maria Public Airport District  
Chris Hastert, General Manager  
3217 Terminal Drive,  
Santa Maria, CA 93455 • (805) 922-1726  
[www.santamariaairport.com](http://www.santamariaairport.com)**



**Comprehensive Annual Financial Report  
For The Fiscal Years Ending  
June 30, 2016 and 2015**

**SANTA MARIA PUBLIC AIRPORT DISTRICT  
3217 Terminal Drive  
Santa Maria, California 93455**

Prepared by:  
Finance Department  
*Veroneka Reade, Manager of Finance and Administration*

**Santa Maria Public Airport District  
Comprehensive Annual Financial Report  
For the Fiscal Years Ended June 30, 2016 and 2015**

**Table of Contents**

	<b><u>Page No.</u></b>
Table of Contents	i
<b>Introductory Section</b>	
Letter of Transmittal	1-3
Organizational Chart	4
GFOA Certificate of Achievement for Excellence in Financial Reporting	5
<b>Financial Section</b>	
Independent Auditor’s Report	6-8
Management’s Discussion and Analysis	9-13
Basic Financial Statements:	
Statements of Net Position	14
Statements of Revenues, Expenses and Changes in Net Position	15
Statements of Cash Flows	16-17
Notes to the Basic Financial Statements	18-42
Required Supplementary Information:	
District’s Proportionate Share of Net Pension Liability – Last Ten Fiscal Years	43
Pension Plan Contributions – Last Ten Fiscal Years	44
Funding Status – Other Post-Employment Benefits Obligation	45
Supplementary Information:	
Schedule of Revenues, Expenses and Changes in Net Position – Budget to Actual on a Budgetary Basis	46
Schedule of Operating and Non-Operating Expenses – Compared to Budget	47
<b>Statistical Section</b>	
Table of Contents – Statistical Section	48
Changes in Net Position and Net Position by Component – Last Ten Fiscal Years	49-50
Operating Revenue by Source – Last Ten Fiscal Years	51
Operating Expenses by Activity – Last Ten Fiscal Years	52
Revenue Base – Land Usage – Last Ten Fiscal Years	53
Land Usage – Last Ten Fiscal Years	54
Land Usage Revenue Rates – Last Ten Fiscal Years	55
Principal Leaseholders – Current Fiscal Year and Nine Years Ago	56
Demographics and Economic Statistics – Last Ten Fiscal Years	57
District Employees – Last Ten Fiscal Years	58
Operational Information	59
Flight Tower – Tracking of Flight Operations – Last Ten Fiscal Years	60
Flight Tower – Tracking of Landings – Last Ten Fiscal Years	61
Enplaned and Deplaned Passengers – Last Ten Fiscal Years	62
Gross Revenue Car Rental Agencies – Last Ten Fiscal Years	63
Fuel Flowage Reports in Gallons – Last Ten Fiscal Years	64
Principal Employers - Current Fiscal Year and Ten Years Ago	65
<b>Report on Compliance and Internal Controls</b>	
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 <i>Government Auditing Standards</i>	66-67

# **Introductory Section**





December 8, 2016

Board of Directors  
Santa Maria Public Airport District

State law requires that every general-purpose government publish within six months of the close of each fiscal year a complete set of audited financial statements. This report is published to fulfill that requirement for the fiscal year ended June 30, 2016.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Fedak & Brown LLP, have issued an unmodified (“clean”) opinion on the Santa Maria Public Airport District’s financial statements for the year ended June 30, 2016. The independent auditor’s report is located at the front of the financial section of this report.

Management’s discussion and analysis (MD&A) immediately follows the independent auditor’s report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

### **Profile of Government**

The District is a special district that was established in 1964. The District encompasses an area of 400 square miles extending from the Cuyama River at the north to a point three miles south of the community of Los Alamos at the south. Then in an east-west direction, the District commences at Point Sal at the Pacific Ocean and extends eastward a distance of 30 miles, or 10 miles east of the dam at Twitchell Reservoir. The District’s approximately 2,598 acres includes two active runways and provides facilities for two regional airlines (Allegiant Airlines and Skywest/United) and serves as home base for over 200 general aviation aircraft.

The District is governed by a five-member Board of Directors who serve four-year terms and are elected at large. The District’s Board of Directors meets on the second and fourth Thursday of each month. Meetings are publicly noticed and citizens are encouraged to attend. The directors entrust the responsibility for the efficient execution of airport policies to their designated representative, the General Manager. The District currently has twelve employees.

In the early 1940’s, during World War II, the U. S. Army Corps of Engineers constructed what was then known as Santa Maria Army Base to provide training facilities for crews of B-25 aircraft. A few years later the B-25 groups left and the facility became a training field for P-38 pilots and ground crews.

In 1946, following the war’s end, the County of Santa Barbara acquired the property by means of an interim permit issued by the War Assets Administration. The County retained control of the facility until 1949, at which time the City of Santa Maria obtained an undivided one-half interest. This dual ownership/management proved cumbersome to administer, and in March of 1964 transfer of the airport to the newly formed Santa Maria Public Airport District was accomplished.

## **Profile of Government, continued**

Since formation of the District, numerous projects have been accomplished which directly and indirectly benefit each person in the District. Examples of these projects include the design and construction of Skyway Drive from Betteravia Road to the Orcutt Expressway, design and construction of the planned industrial park east of Skyway Drive, and construction of the new airport terminal building, crash/fire/rescue station, air traffic control tower, new owner built hangars area, and other facilities adjacent to the primary runway. The District has lengthened the runway 12/30 by 1,700 additional feet which allows for more general aviation activities at the District.

The District's Board of Directors annually adopts an operating and capital budget prior to the new fiscal year. The budget authorizes and provides the basis for reporting and control of financial operations and accountability for the District's enterprise operations and capital projects. The budget and reporting treatment applied to the District is consistent with the accrual basis of accounting and the financial statement basis. Each year the District adopts a balanced budget.

## **Local Economy**

The District office is located in the City of Santa Maria in Santa Barbara County. The City of Santa Maria is considered a premiere city in the Central Coast communities of California. The community is located approximately eighty miles northwest of Santa Barbara and 180 miles northwest of downtown Los Angeles.

The Employment Development Department recently reported that California added 40,300 jobs in June, increasing the unemployment rate to 5.4%. While this is an increase from May's rate of 5.2%, it reflects a decrease from June 2015 rate of 6.2%. Two job categories, leisure & hospitality and construction, posted the State's largest gains by percentage in employment. Adding 82,200 and 32,300 jobs respectively, over the past twelve-month period, an increase of 4.5% each. In a year-over-year comparison, all job categories reported net increases in jobs with the exception of manufacturing and mining & logging. California employment opportunities have increased 2.9% over the last 12 months. State employers have added 2.3 million jobs since the recovery began in February 2010. Locally, the County's unemployment increased to 4.9% compared to 4.7% a year ago. Santa Maria's unemployment rate is currently 6.0%, an increase from 5.7% in June 2015.

The District has the second largest land area of any airport in California. As such, the District's main source of revenue, aside from property taxes, is land usage revenue. The District leases its land to various non-aviation users for the purposes of farming, golfing and industrial use.

## **Long-term Financial Planning**

The District's financial plan includes the establishment of designated funds in accordance with long-term contingencies and goals. Restricted and designated funds are set to ensure the continued orderly operation of the District and the provision of services to customers at established levels. The District has committed to the following funds and objectives:

1. Proceeds from land sales are held for improvements to the airport.

The District continues its practice of developing a long-term funding strategy to pay for future capital projects identified in its planning efforts. All projects are currently handled on a pay-as-you-go basis; no debt burden has been added to finance capital projects. The funds for these projects will come from the excess operating net revenues, operating reserves and grants from the Federal Aviation Administration.



## Relevant Financial Policies

### *Internal Control Structure*

District management is responsible for the establishment and maintenance of the internal control structure that ensures that the assets of the District are protected from loss, theft, or misuse. The internal control structure also ensures that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The District's internal control structure is designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived, and (2) the valuation of costs and benefits requires estimates and judgments by management.

### *Investment Policy*

The Board of Directors annually adopt an investment policy that conforms to state law, District ordinances and resolutions, prudent money management, and the "prudent person" standards. The objective of the Investment Policy is safety, liquidity, and yield. District reserve funds are invested in the State of California's Local Agency Investment Fund.

## Major Initiatives

The activities of the Board and staff of the District are driven by its Mission Statement: "To provide a safe, friendly, attractive and economically sound airport through integrity and efficiency".

The District has begun an update of the 2007 Master Plan project. Activities within the northern Santa Barbara County region and at the airport have changed, specifically due to the completion of the runway extension.

## Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a *Certificate of Achievement for Excellence in Financial Reporting* to the District for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2015. This was the tenth year that the District has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a governmental entity must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.


A Certificate of Achievement is valid for a period of one year only. We believe that our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Preparation of this report was accomplished by the combined efforts of District staff. We appreciate the dedicated efforts and professionalism that our staff members bring to the District. We would also like to thank the members of the Board of Directors for their continued support in the planning and implementation of the Santa Maria Public Airport District's fiscal policies.

Respectfully submitted,

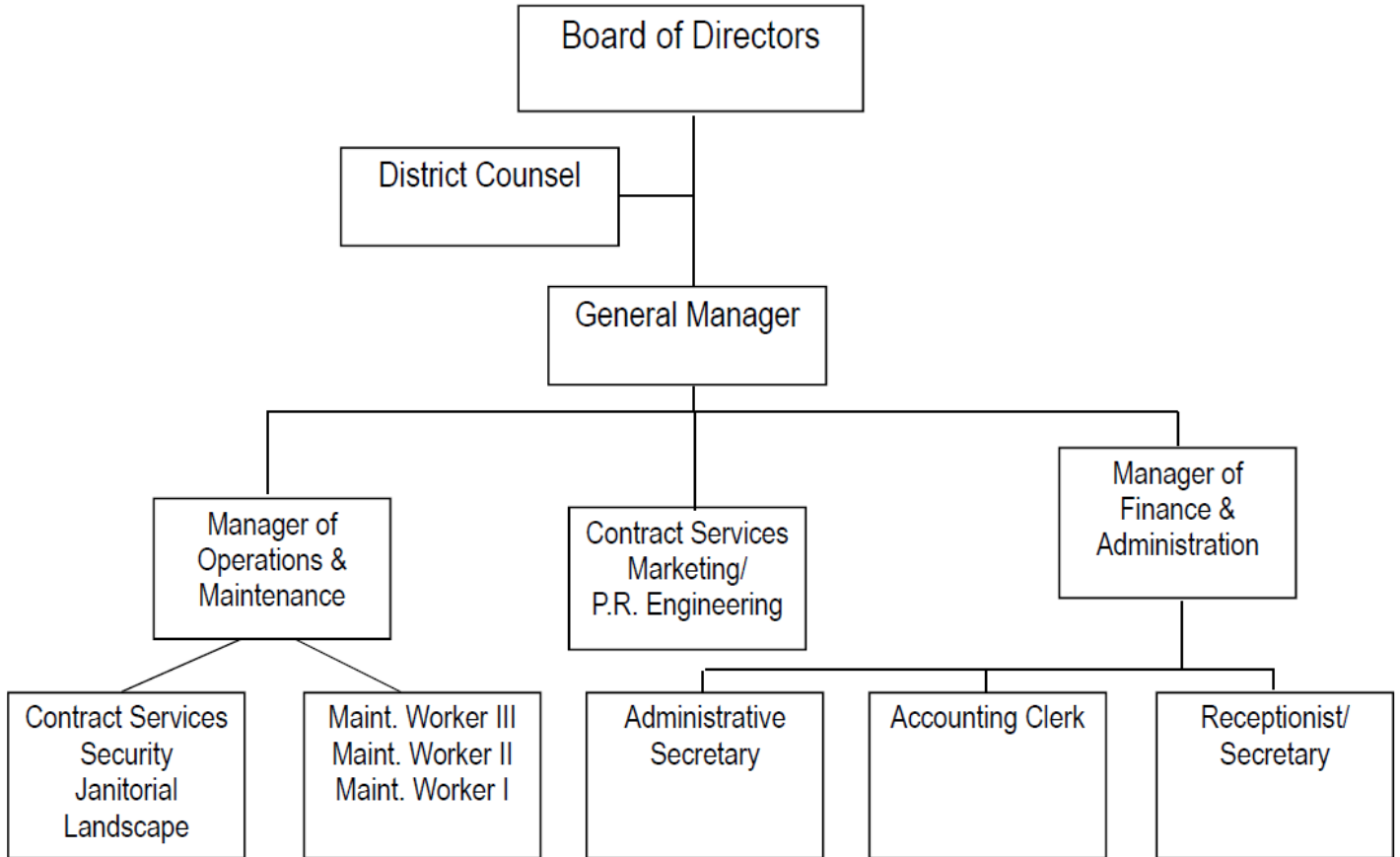


Chris Hastert  
General Manager



Veroneka Reade  
Manager of Finance and Administration

SANTA MARIA PUBLIC AIRPORT DISTRICT  
Organizational Chart  
June 2016





Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**Santa Maria Public Airport District  
California**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2015**

Executive Director/CEO

**< Page Intentionally Left Blank >**

# **Financial Section**





Charles Z. Fedak, CPA, MBA  
Christopher J. Brown, CPA, CGMA  
Jonathan P. Abadesco, CPA

## Fedak & Brown LLP

Certified Public Accountants

Cypress Office:  
6081 Orange Avenue  
Cypress, California 90630  
(657) 214-2307  
FAX (714) 527-9154

Riverside Office:  
4204 Riverwalk Pkwy. Ste. 390  
Riverside, California 92505  
(951) 977-9888

### Independent Auditor's Report

Board of Directors  
Santa Maria Public Airport District  
Santa Maria, California

#### Report on the Financial Statements

We have audited the accompanying financial statements of the Santa Maria Public Airport District (District), which comprise the statements of net position as of June 30, 2016 and 2015, and the related statements of revenues, expenses and changes in net position, and cash flows for the 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 controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on these basic financial statements based on our audits. 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; and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

#### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Santa Maria Public Airport District as of June 30, 2016 and 2015, and the changes in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Independent Auditor's Report, continued**

### ***Emphasis of Matter***

As described in note 1 to the financial statements, the District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 72 – *Fair Value Measurement and Application* and early implementation of Statement No. 79 – *Certain External Investment Pools and Pool Participants*, for the year ended June 30, 2016; and GASB Statement No. 68 – *Accounting and Financial Reporting for Pensions* and No. 71 – *Pension Transition for Contributions made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*, for the year ended June 30, 2015. Our opinion is not modified with respect to these matters.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 9 through 13, and the required supplementary information on pages 43 through 45, 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audits 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 Matters***

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements as a whole. The introductory section on pages 1 through 5, the supplementary information on pages 46 through 47, and the statistical section on pages 48 through 65 are presented for purposes of additional analysis and are not required parts of the basic financial statements. The supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.



## Independent Auditor's Report, continued

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

In accordance with *Government Auditing Standards*, we have also issued a report dated December 8, 2016, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the 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. This report can be found on pages 66 and 67.

A handwritten signature in black ink that reads "Fedak & Brown LLP". The signature is written in a cursive, slightly slanted style.

**Fedak & Brown LLP**  
Cypress, California  
December 8, 2016

**< Page Intentionally Left Blank >**

**Santa Maria Public Airport District**  
***Management's Discussion and Analysis***  
**For the Fiscal Years Ended June 30, 2016 and 2015**

The following Management's Discussion and Analysis (MD&A) of activities and financial performance of the Santa Maria Public Airport District (District) provides an introduction to the financial statements of the District for the fiscal years ended June 30, 2016 and 2015. We encourage readers to consider the information presented here in conjunction with the basic financial statements and related notes, which follow this section.

**Financial Highlights**

- The District's net position decreased 4.4% or \$1,560,477 to \$34,250,405 in fiscal year 2016, due primarily to a decrease of \$1,560,477 as a result of operations. In fiscal year 2015, the District's net position decreased 7.6% or \$2,965,573 to \$35,810,882, due primarily to decreases of \$1,660,339 as a result of operations and \$1,305,234 as a result of the adoption of GASB 68. See note 10 for further information.
- The District's operating revenues increased 4.2% or \$130,246 in fiscal year 2016, due primarily to increases in landing area usage, main hangar and fixed base operations, hangar area usage, operating grant revenue and terminal area usage, which was offset by a decrease in land usage revenues. In fiscal year 2015, operating revenue were consistent with the prior year, increasing by \$770, due primarily to a decrease in operating grant revenue, offset by increases in terminal area, and land usage revenues.
- The District's operating expenses increased 2.5% or \$92,930 in fiscal year 2016, due primarily to increases in landing area usage and public administration expenses, which was offset by decreases in terminal area usage and hangar area usage expenses. In fiscal year 2015, operating expenses increased 4.1% or \$146,988, due primarily to an increase in public administration expenses.

**Required Financial Statements**

This annual report consists of a series of financial statements. The Statement of Net Position, 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 Statement of Net Position includes all of the District's investments in resources (assets) and deferred outflows of resources, and the obligations to creditors (liabilities) and deferred inflows of resources. 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.

**Santa Maria Public Airport District**  
**Management's Discussion and Analysis**  
**For the Fiscal Years Ended June 30, 2016 and 2015**

**Financial Analysis of the District**

One of the most important questions asked about the District's finances is, "Is the District better off or worse off as a result of this year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position report information about the District in a way that helps answer this question. These statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the *accrual basis of accounting*, which is similar to the accounting 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 net position. 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, new or changed government legislation and leisure activities.

**Notes to the Basic Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the basic financial statements can be found on pages 18 through 42.

**Statement of Net Position**

<b>Condensed Statements of Net Position</b>					
	<u>2016</u>	<u>2015</u>	<u>Change</u>	<u>2014</u>	<u>Change</u>
<b>Assets:</b>					
Current assets	\$ 5,704,495	7,769,239	(2,064,744)	8,028,235	(258,996)
Capital assets, net	30,705,190	30,603,071	102,119	31,716,937	(1,113,866)
<b>Total assets</b>	<u>36,409,685</u>	<u>38,372,310</u>	<u>(1,962,625)</u>	<u>39,745,172</u>	<u>(1,372,862)</u>
<b>Deferred outflows of resources:</b>	<u>112,925</u>	<u>103,201</u>	<u>9,724</u>	<u>-</u>	<u>103,201</u>
<b>Liabilities:</b>					
Current liabilities	710,026	1,041,480	(331,454)	763,418	278,062
Long-term liabilities	1,284,675	1,267,722	16,953	205,299	1,062,423
<b>Total liabilities</b>	<u>1,994,701</u>	<u>2,309,202</u>	<u>(314,501)</u>	<u>968,717</u>	<u>1,340,485</u>
<b>Deferred inflows of resources:</b>	<u>277,504</u>	<u>355,427</u>	<u>(77,923)</u>	<u>-</u>	<u>355,427</u>
<b>Net position:</b>					
Net investment in capital assets	30,657,372	30,542,007	115,365	31,639,442	(1,097,435)
Restricted for capital projects	2,011,280	3,591,381	(1,580,101)	3,591,104	277
Unrestricted	1,581,753	1,677,494	(95,741)	3,545,909	(1,868,415)
<b>Total net position</b>	<u>\$ 34,250,405</u>	<u>35,810,882</u>	<u>(1,560,477)</u>	<u>38,776,455</u>	<u>(2,965,573)</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 the District exceeded liabilities and deferred inflows by \$34,250,405 and \$35,810,882 as of June 30, 2016 and 2015, respectively.

By far the largest portion of the District's net position (90% and 85% as of June 30, 2016 and 2015, respectively) reflects the District's investment in capital assets (net of accumulated depreciation) less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to customers within the District's service area; consequently, these assets are *not* available for future spending.

**Santa Maria Public Airport District**  
**Management's Discussion and Analysis**  
**For the Fiscal Years Ended June 30, 2016 and 2015**

**Statement of Net Position, continued**

At the end of fiscal years 2016 and 2015, the District showed a positive balance in its unrestricted net position of \$1,581,753 and \$1,677,494, respectively, which may be utilized in future years.

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

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

<b>Revenues:</b>	<b>2016</b>	<b>2015</b>	<b>Change</b>	<b>2014</b>	<b>Change</b>
Operating revenues	\$ 3,226,304	3,096,058	130,246	3,095,288	770
Non-operating revenues	1,528,730	1,420,969	107,761	1,359,081	61,888
<b>Total revenues</b>	<b>4,755,034</b>	<b>4,517,027</b>	<b>238,007</b>	<b>4,454,369</b>	<b>62,658</b>
<b>Expenses:</b>					
Operating expenses	3,813,171	3,720,241	92,930	3,573,252	146,989
Depreciation and amortization	2,441,538	2,490,933	(49,395)	2,328,936	161,997
Non-operating expenses	387,922	372,078	15,844	13,881	358,197
<b>Total expenses</b>	<b>6,642,631</b>	<b>6,583,252</b>	<b>59,379</b>	<b>5,916,069</b>	<b>667,183</b>
<b>Net income before capital</b>	<b>(1,887,597)</b>	<b>(2,066,225)</b>	<b>178,628</b>	<b>(1,461,700)</b>	<b>(604,525)</b>
<b>Capital contributions</b>	<b>327,120</b>	<b>405,886</b>	<b>(78,766)</b>	<b>2,309,291</b>	<b>(1,903,405)</b>
<b>Change in net position</b>	<b>(1,560,477)</b>	<b>(1,660,339)</b>	<b>99,862</b>	<b>847,591</b>	<b>(2,507,930)</b>
<b>Net position, beginning of year</b>	<b>35,810,882</b>	<b>38,776,455</b>	<b>(2,965,573)</b>	<b>37,928,864</b>	<b>847,591</b>
<b>Prior period adjustment</b>	<b>-</b>	<b>(1,305,234)</b>	<b>1,305,234</b>	<b>-</b>	<b>(1,305,234)</b>
<b>Net position, beginning of year - as restated</b>	<b>35,810,882</b>	<b>37,471,221</b>	<b>(1,660,339)</b>	<b>37,928,864</b>	<b>(457,643)</b>
<b>Net position, end of year</b>	<b>\$ 34,250,405</b>	<b>35,810,882</b>	<b>(1,560,477)</b>	<b>38,776,455</b>	<b>(2,965,573)</b>

The statement of revenues, expenses and changes of net position shows how the District's net position changed during the fiscal years. In the case of the District, net position decreased 4.4% or \$1,560,477 to \$34,250,405 in fiscal year 2016, due primarily to a decrease of \$1,560,477 as a result of operations. In fiscal year 2015, the District's net position decreased 7.6% or \$2,965,573 to \$35,810,882, due primarily to decreases of \$1,660,339 as a result of operations and \$1,305,234 as a result of the adoption of GASB 68. See note 10 for further information.

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

The District's operating revenues, in fiscal year 2016, increased 4.2% or \$130,246 in fiscal year 2016, due primarily to increases of \$38,418 in landing area usage, \$33,285 in main hangar and fixed base operations, \$25,843 in hangar area usage, \$25,740 in operating grant revenue and \$16,523 in terminal area usage, which was offset by a decrease of \$13,047 in land usage revenue. In fiscal year 2015, operating revenues increased by 0.0% or \$770, due primarily to a decrease of \$45,690 in operating grant revenue, which was offset by increases of \$25,939 in terminal area usage and \$15,933 in land usage revenues.

The District's operating expenses, in fiscal year 2016, increased 2.5% or \$92,930 in fiscal year 2016, due primarily to increases of \$66,752 in landing area usage and \$61,455 in public administration expenses, which was offset by decreases of \$20,293 in terminal area usage and \$12,787 in hangar area usage expenses. In fiscal year 2015, operating expenses increased 4.1% or \$146,988, due primarily to an increase of \$146,002 in public administration expenses.

**Santa Maria Public Airport District**  
**Management's Discussion and Analysis**  
**For the Fiscal Years Ended June 30, 2016 and 2015**

**Operating and Non-Operating Revenues**

<b>Operating revenues:</b>	<u>2016</u>	<u>2015</u>	<u>Change</u>	<u>2014</u>	<u>Change</u>
Landing area usage	\$ 180,445	142,027	38,418	144,302	(2,275)
Hangar area usage	616,514	590,671	25,843	588,838	1,833
Main hangar and F.B.O.	538,999	505,714	33,285	500,601	5,113
Terminal area usage	439,979	423,456	16,523	397,517	25,939
Land usage	1,399,132	1,412,179	(13,047)	1,396,246	15,933
Operating grant revenue	31,050	5,310	25,740	51,000	(45,690)
Other charges and fees	20,185	16,701	3,484	16,784	(83)
<b>Total operating revenues</b>	<u>3,226,304</u>	<u>3,096,058</u>	<u>130,246</u>	<u>3,095,288</u>	<u>770</u>
<b>Non-operating revenues:</b>					
Property taxes	1,498,359	1,393,188	105,171	1,337,709	55,479
Interest earnings	30,371	24,181	6,190	21,372	2,809
Other	-	3,600	(3,600)	-	3,600
<b>Total non-operating revenues</b>	<u>1,528,730</u>	<u>1,420,969</u>	<u>107,761</u>	<u>1,359,081</u>	<u>61,888</u>
<b>Total revenues</b>	<u>\$ 4,755,034</u>	<u>4,517,027</u>	<u>238,007</u>	<u>4,454,369</u>	<u>62,658</u>

In 2016, total revenues increased by \$238,007, due primarily to an increase of \$130,246 in operating revenues and \$105,171 in property tax revenues for the year.

In 2015, total revenues increased by \$62,658, due primarily to an increase of \$55,479 in property tax revenues for the year.

**Operating and Non-operating Expenses**

<b>Operating expenses:</b>	<u>2016</u>	<u>2015</u>	<u>Change</u>	<u>2014</u>	<u>Change</u>
Landing area usage	\$ 633,750	566,998	66,752	533,468	33,530
Hangar area usage	71,705	84,492	(12,787)	103,564	(19,072)
Main hangar and F.B.O.	64,438	65,143	(705)	54,576	10,567
Terminal area usage	287,554	307,847	(20,293)	309,662	(1,815)
Land usage	328,038	329,530	(1,492)	351,754	(22,224)
Public administration	2,427,686	2,366,231	61,455	2,220,228	146,003
Depreciation	2,441,538	2,490,933	(49,395)	2,328,936	161,997
<b>Total operating expenses</b>	<u>6,254,709</u>	<u>6,211,174</u>	<u>43,535</u>	<u>5,902,188</u>	<u>308,986</u>
<b>Non-operating expenses:</b>					
Other	387,922	372,078	15,844	13,881	358,197
<b>Total non-operating expenses</b>	<u>387,922</u>	<u>372,078</u>	<u>15,844</u>	<u>13,881</u>	<u>358,197</u>
<b>Total expenses</b>	<u>\$ 6,642,631</u>	<u>6,583,252</u>	<u>59,379</u>	<u>5,916,069</u>	<u>667,183</u>

In 2016, total expenses increased \$59,379, due primarily to increases of \$92,930 in operating expenses and \$15,844 in non-operating expense, which was offset by a decrease of \$49,395 in depreciation expenses.

In 2015, total expenses increased \$667,183, due primarily to increases of \$146,989 in operating expenses, \$161,997 in depreciation expense, and \$358,197 in non-operating expenses related to a \$372,078 increase in revenue guaranty expense. See note 12 for further information.

**Santa Maria Public Airport District**  
**Management's Discussion and Analysis**  
**For the Fiscal Years Ended June 30, 2016 and 2015**

**Capital Asset Administration**

Changes in capital asset amounts for 2016 were as follows:

	<b>Balance 2015</b>	<b>Additions</b>	<b>Transfers/ Deletions</b>	<b>Balance 2016</b>
Capital assets:				
Non-depreciable assets	\$ 6,782,545	2,602,551	(991,651)	8,393,445
Depreciable assets	72,015,643	932,757	-	72,948,400
Accumulated depreciation	(48,195,117)	(2,441,538)	-	(50,636,655)
Total capital assets, net	\$ <u>30,603,071</u>	<u>1,093,770</u>	<u>(991,651)</u>	<u>30,705,190</u>

Changes in capital asset amounts for 2015 were as follows:

	<b>Balance 2014</b>	<b>Additions</b>	<b>Transfers/ Deletions</b>	<b>Balance 2015</b>
Capital assets:				
Non-depreciable assets	\$ 14,573,029	1,585,167	(9,375,651)	6,782,545
Depreciable assets	62,912,452	9,167,551	(64,360)	72,015,643
Accumulated depreciation	(45,768,544)	(2,490,933)	64,360	(48,195,117)
Total capital assets, net	\$ <u>31,716,937</u>	<u>8,261,785</u>	<u>(9,375,651)</u>	<u>30,603,071</u>

At the end of fiscal year 2016 and 2015, the District's investment in capital assets amounted to \$30,705,190 and \$30,603,071 (net of accumulated depreciation), respectively. This investment in capital assets includes land, landing area, revenue generating land, owner-builder area, T-hangars, Fixed Based Operations, terminal, administration and equipment and construction-in-process, etc. Major capital assets additions during the years included terminal and revenue generating land improvements. See note 4 to the basic financial statements for further analysis.

**Requests for Information**

This financial report is designed to provide the District's funding sources, customers, stakeholders and other interested parties with an overview of the District's financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact the District's Manager of Finance and Administration at 3217 Terminal Drive, Santa Maria, California 93455-1899 or by phone (805) 922-1726.

# **Basic Financial Statements**



**Santa Maria Public Airport District**  
**Statements of Net Position**  
**June 30, 2016 and 2015**

	<b>2016</b>	<b>2015</b>
<b>Current assets:</b>		
Cash and cash equivalents (note 2)	\$ 1,825,555	4,028,149
Restricted – cash and cash equivalents (note 2)	3,590,388	3,591,381
Certificate-of-deposit (note 2)	8,000	8,000
Accrued interest receivable	2,698	3,261
Accounts receivable – customers and tenants, net (note 3)	179,753	97,735
Accounts receivable – federal capital grants	73,258	26,140
Note receivable	3,740	5,840
Prepaid expenses and deposits	21,103	8,733
Total current assets	5,704,495	7,769,239
<b>Non-current assets:</b>		
Capital assets, not being depreciated (note 4)	8,393,445	6,782,545
Depreciable capital assets (note 4)	22,311,745	23,820,526
Total non-current assets	30,705,190	30,603,071
<b>Total assets</b>	36,409,685	38,372,310
<b>Deferred outflows of resources:</b>		
Deferred pension outflows (note 8)	112,925	103,201
Total deferred outflows of resources	112,925	103,201
<b>Current liabilities:</b>		
Accounts payable and accrued expenses	405,020	712,969
Accrued wages and related payables	16,715	37,626
Unearned revenue – hanger and other rentals	147,448	126,431
Hangar and other deposits	97,640	109,463
Long-term liabilities – due in one year:		
Compensated absences (note 5)	28,994	40,783
Land improvements payable (note 6)	14,209	14,208
Total current liabilities	710,026	1,041,480
<b>Long-term liabilities – due in more than one year:</b>		
Compensated absences (note 5)	86,983	122,348
Land improvements payable (note 6)	33,609	46,856
Other post-employment benefits payable (note 7)	53,347	40,847
Net pension liability (note 8)	1,110,736	1,057,671
Total long-term liabilities	1,284,675	1,267,722
<b>Total liabilities</b>	1,994,701	2,309,202
<b>Deferred inflows of resources:</b>		
Deferred pension inflows (note 8)	277,504	355,427
Total deferred inflows of resources	277,504	355,427
<b>Net position: (note 9, 10)</b>		
Net investment in capital assets	30,657,372	30,542,007
Restricted for capital projects	3,590,388	3,591,381
Unrestricted	2,645	1,677,494
Total net position	\$ 34,250,405	35,810,882

See accompanying notes to the basic financial statements

**Santa Maria Public Airport District**  
**Statements of Revenues, Expenses and Changes in Net Position**  
**For the Fiscal Years Ended June 30, 2016 and 2015**

	<b>2016</b>	<b>2015</b>
<b>Operating revenues:</b>		
Landing area usage	\$ 180,445	142,027
Hangar area usage	616,514	590,671
Main hangar and Fixed Base Operations (FBO)	538,999	505,714
Terminal area usage	439,979	423,456
Land usage	1,399,132	1,412,179
Operating grant revenue	31,050	5,310
Other charges and fees	20,185	16,701
<b>Total operating revenues</b>	<b>3,226,304</b>	<b>3,096,058</b>
<b>Operating expenses:</b>		
Landing area usage	633,750	566,998
Hangar area usage	71,705	84,492
Main hangar and Fixed Base Operations (FBO)	64,438	65,143
Terminal area usage	287,554	307,847
Land usage	328,038	329,530
Public administration	2,427,686	2,366,231
<b>Total operating expenses before depreciation</b>	<b>3,813,171</b>	<b>3,720,241</b>
Operating loss before depreciation expense	(586,867)	(624,183)
Depreciation expense – capital recovery	(2,441,538)	(2,490,933)
<b>Operating loss</b>	<b>(3,028,405)</b>	<b>(3,115,116)</b>
<b>Non-operating revenue(expense):</b>		
Property taxes	1,469,628	1,365,273
Redevelopment agency property tax increment	28,731	27,915
Interest and investment earnings	30,371	24,181
Revenue guarantee expense (note 12)	(387,922)	(372,078)
Gain on disposal of assets	-	3,600
<b>Total non-operating revenues, net</b>	<b>1,140,808</b>	<b>1,048,891</b>
<b>Net loss before capital contributions</b>	<b>(1,887,597)</b>	<b>(2,066,225)</b>
<b>Capital contributions:</b>		
Federal capital grants	142,215	227,878
Passenger facility charges	184,905	178,008
<b>Capital contributions</b>	<b>327,120</b>	<b>405,886</b>
<b>Change in net position</b>	<b>(1,560,477)</b>	<b>(1,660,339)</b>
<b>Net position, beginning of year</b>	<b>35,810,882</b>	<b>38,776,455</b>
<b>Prior period adjustment (note 10)</b>	<b>-</b>	<b>(1,305,234)</b>
<b>Net position, beginning of year – as restated</b>	<b>35,810,882</b>	<b>37,471,221</b>
<b>Net position, end of year</b>	<b>\$ 34,250,405</b>	<b>35,810,882</b>

See accompanying notes to the basic financial statements

**Santa Maria Public Airport District**  
**Statements of Cash Flows**  
**For the Fiscal Years Ended June 30, 2016 and 2015**

	<b>2016</b>	<b>2015</b>
Cash flows from operating activities:		
Cash receipts from customers and tenants	\$ 3,113,236	3,091,062
Cash receipts from federal operating grants	31,050	56,310
Cash paid to vendors for materials and services	(3,438,928)	(2,597,662)
Cash paid to employees for salaries	<u>(775,515)</u>	<u>(792,082)</u>
Net cash used in operating activities	<u>(1,070,157)</u>	<u>(242,372)</u>
Cash flows from non-capital financing activities:		
Proceeds from property taxes	1,469,628	1,365,273
Proceeds from redevelopment agency property tax increment	28,731	27,915
Proceeds from federal capital grants	<u>73,258</u>	<u>26,140</u>
Net cash provided by non-capital financing activities	<u>1,571,617</u>	<u>1,419,328</u>
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(2,931,579)	(1,749,146)
Proceeds from federal capital grants	21,839	449,541
Proceeds from passenger facility charges	184,905	178,008
Costs deducted from advance to FAA for landing area improvements	-	353,927
Payments for hanger improvements	-	(2,223)
Payments for land improvements payable	<u>(13,246)</u>	<u>(14,208)</u>
Net cash used in capital and related financing activities	<u>(2,738,081)</u>	<u>(784,101)</u>
Cash flows from investing activities:		
Proceeds from note receivable	2,100	(2,528)
Interest received on cash and cash equivalents	<u>30,934</u>	<u>24,742</u>
Net cash provided by investing activities	<u>33,034</u>	<u>22,214</u>
<b>Net (decrease)increase in cash and cash equivalents</b>	<b>(2,203,587)</b>	<b>415,069</b>
Cash and cash equivalents, beginning of year	<u>7,619,530</u>	<u>7,204,461</u>
Cash and cash equivalents, end of year	<u><u>\$ 5,415,943</u></u>	<u><u>7,619,530</u></u>
Reconciliation of cash and cash equivalents to statement of net position:		
Cash and cash equivalents	\$ 1,825,555	4,028,149
Restricted assets – cash and cash equivalents	<u>3,590,388</u>	<u>3,591,381</u>
Total cash and cash equivalents	<u><u>\$ 5,415,943</u></u>	<u><u>7,619,530</u></u>

*Continued on next page*

See accompanying notes to the basic financial statements

**Santa Maria Public Airport District**  
**Statements of Cash Flows, continued**  
**For the Fiscal Years Ended June 30, 2016 and 2015**

	<b>2016</b>	<b>2015</b>
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (3,028,405)	(3,115,116)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization	2,441,538	2,490,934
Other non-operating revenues	-	3,600
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources:		
(Increase)Decrease in assets:		
Accounts receivable – customers and tenants, net	(82,018)	(3,286)
Accounts receivable – federal operating grants	-	51,000
Prepaid expenses and deposits	(12,370)	26,588
(Increase)Decrease in deferred outflows of resources:	(9,724)	36,725
Increase(Decrease) in liabilities:		
Accounts payable and accrued expenses	(307,949)	254,448
Accrued wages and related liabilities	(20,911)	7,842
Compensated absences	(47,154)	9,889
Unearned revenue	21,017	5,282
Hangar and other deposits	(11,823)	10,241
Other post-employment benefits payable	12,500	11,543
Net pension liability	53,065	(387,489)
(Decrease)Increase in deferred inflows of resources:	(77,923)	355,427
Total adjustments	1,958,248	2,872,744
Net cash used in operating activities	\$ (1,070,157)	(242,372)

See accompanying notes to the basic financial statements

**Santa Maria Public Airport District**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Years Ended June 30, 2016 and 2015**

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

**A. Organization and Operations of the Reporting Entity**

Santa Maria Public Airport District (District) encompasses an area of 400 square miles extending from the Santa Maria/Cuyama River at the north to a point three miles south of the community of Los Alamos at the south. Then an east-west direction, the District commences at Point Sal at the Pacific Ocean and extends eastward a distance of 30 miles, or 10 miles east of the dam at Twitchell Reservoir. The District's approximately 2,598 acres includes two active runways and provides facilities for two regional airlines (Allegiant Airlines and Skywest/United) and serves as home base for over 200 general aviation aircraft. The District is governed by a five-member Board of Directors who serve four-year terms and are elected at large. The directors entrust the responsibility for the efficient execution of airport policies to their designated representative, the General Manager.

**B. Basis of Accounting and Measurement Focus**

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 of providing services to the general public on a continuing basis be financed or recovered primarily through user charges, capital and operating grants and similar funding. Revenues and expenses are recognized on the full accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred, regardless of when the related cash flows take place.

Operating revenues and expenses are generated and incurred through the general airport activities of the District's tenants and transporting the general public and other goods on commercial aircraft; operating expenses include the repairs and maintenance of the airport facilities and infrastructure, security, airport promotion and fixed based operations. Public administration of the airport and depreciation expense are also considered operating expenses. Other revenues, such as property taxes and investment income, and expenses not included in the above categories are reported as non-operating revenues and expenses.

**C. Financial Reporting**

The District's basic financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP), as applied to enterprise funds. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District solely operates as a special-purpose government which means it is only engaged in business-type activities; accordingly, activities are reported in the District's proprietary fund.

The District has adopted the following GASB pronouncements in the current year:

***Government Accounting Standards Board Statement No. 72***

In February 2015, the GASB issued Statement No. 72 – *Fair Value Measurement and Application*, effective for financial statements for periods beginning after June 15, 2015.

The objective of this Statement is to enhance comparability of financial statements among governments by measurement of certain assets and liabilities at their fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement establishes a hierarchy of inputs to valuation techniques used to measure fair value.

**Santa Maria Public Airport District**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2016 and 2015**

**(1) Reporting Entity and Summary of Significant Accounting Policies, continued**

**C. Financial Reporting, continued**

***Government Accounting Standards Board Statement No. 73***

In June 2015, the GASB issued Statement No. 73 – *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statement 67 and 68*, effective for fiscal years beginning after June 15, 2015.

The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement establishes requirements for defined benefit pensions that are not within the Scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions.

***Government Accounting Standards Board Statement No. 76***

In June 2015, the GASB issued Statement No. 76 – *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, effective for financial statements for periods beginning after June 15, 2015.

This Statement replaces the requirements of Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify – in the context of the current governmental financial reporting environment – the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of local governmental entities in conformity with GAAP and the framework for selecting those principles. This statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment is not specified within the source of authoritative GAAP.

***Government Accounting Standards Board Statement No. 79***

In December 2015, the GASB issued Statement No. 79 – *Certain External Investment Pools and Pool Participants*, effective for financial statements for periods beginning after June 15, 2015.

This Statement enhances comparability of financial statements among governments by establishing specific criteria used to determine whether a qualifying external investment pool may elect to use an amortized cost exception to fair value measurement. Those criteria will provide qualifying external investment pools and participants in those pools with consistent application of an amortized cost-based measurement for financial reporting purposes. That measurement approximates fair value and mirrors the operations of external investment pools that transact with participants at a stable net asset value per share.

**Prior Year Financial Data Presentation**

In 2015, the District determined to present the annual financial statements with prior year data for comparative purposes. The District has not restated comparative prior year data with regard to GASB 68 and 71, as all information available to restate prior year amounts was not readily available. Please see note 10 for further information.

**D. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position**

**1. Use of Estimates**

The preparation of the basic 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 disclosures of contingent assets and liabilities at the date of the financial statements and the reported changes in net position during the reporting period. Actual results could differ from those estimates.

**Santa Maria Public Airport District**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2016 and 2015**

**(1) Reporting Entity and Summary of Significant Accounting Policies, continued**

**D. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position, continued**

**2. Cash and Cash Equivalents**

Substantially all of the District's cash is invested in interest bearing accounts. The District considers all highly liquid investments with a maturity of three months or less at time of purchase to be cash equivalents.

**3. Investments and Investment Policy**

The District has adopted an investment policy directing the Manager of Finance and Administration to deposit funds in financial institutions. Investments are to be made in the following areas:

- Securities of the U.S. government or its agencies
- Federal agency obligations
- Local agency bonds and notes
- State registered warrants, notes and bonds
- Banker's acceptances
- Medium-term corporate notes and mortgage pass-through securities
- Certificates of deposit (negotiable and placed)
- Commercial paper (prime)
- Money market mutual funds and mutual fund accounts
- Passbook savings and demand deposit accounts (collateralized)
- State of California Local Agency Investment Fund (LAIF)

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

**4. Fair Value Measurements**

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on valuation inputs used to measure the fair value of the asset, as follows:

- **Level 1** – This valuation level is based on quoted prices in active markets for identical assets.
- **Level 2** – This valuation level is based on directly observable and indirectly observable inputs. These inputs are derived principally from or corroborated by observable market data through correlation or market-corroborated inputs. The concept of market-corroborated inputs incorporates observable market data such as interest rates and yield curves that are observable at commonly quoted intervals.
- **Level 3** – This valuation level is based on unobservable inputs where assumptions are made based on factors such as prepayment rates, probability of defaults, loss severity and other assumptions that are internally generated and cannot be observed in the market.

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques attempt to maximize the use of observable inputs and minimize the use of unobservable inputs.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the District believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in different fair value measurement at the reporting date.

**Santa Maria Public Airport District**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2016 and 2015**

**(1) Reporting Entity and Summary of Significant Accounting Policies, continued**

**D. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position, continued**

**4. Fair Value Measurements, continued**

The District does not currently hold any investments which require the treatment of fair value measurements.

**5. Accounts Receivable and Allowance for Uncollectible Accounts**

The District extends credit to customers in the normal course of operations. When management deems customer accounts uncollectible, the District uses the allowance method for the reservation and write-off of those accounts.

**6. Federal Capital and Operating Grants**

When a grant agreement is approved and eligible expenditures are incurred, the amount is recorded as a federal capital or operating grant receivable on the statement of net position and as capital grant contribution or operating grant revenue, as appropriate, on the statement of revenues, expenses and changes in net position.

**7. Prepaids**

Certain payments to vendors reflect costs or deposits applicable to future accounting periods and are recorded as prepaid items in the basic financial statements.

**8. Capital Assets**

Capital assets acquired and/or constructed are capitalized at historical cost. District policy has set the capitalization threshold for reporting capital assets at \$5,000. Donated assets are recorded at estimated fair market value at the date of donation. Upon retirement or other disposition of capital assets, the cost and related accumulated depreciation are removed from the respective balances and any gains or losses are recognized. No depreciation is provided for construction work in process until construction is completed and/or the asset is placed into service. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

- Landing area – 4 to 50 years
- Revenue generating land – 5 to 30 years
- Owner-Builder area – 10 years
- T-Hangars – 5 to 20 years
- Fixed Based Operations (FBO) – 5 to 20 years
- Terminal – 5 to 25 years
- Administration and equipment – 3 to 20 years

**9. Deferred Outflows of Resources**

The statement of net position and the governmental funds balance sheet will sometimes report a separate section for deferred outflows of resources. This financial statement element, *deferred outflows of resources*, represents a consumption of resources applicable to future periods and therefore will *not* be recognized as an outflow of resources (expenditure) until that time. Included is a deferred outflow related to pensions equal to the employer contributions made after the measurement date of the net pension liability. This amount will be amortized-in-full against the net pension liability in the next fiscal year. Additionally, a deferred outflow related to pensions for the differences between expected and actual experience will be amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the Plan determined as of the measurement date June 30, 2015, which is a 3.8 year period.



**Santa Maria Public Airport District**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2016 and 2015**

**(1) Reporting Entity and Summary of Significant Accounting Policies, continued**

**D. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position, continued**

**10. Compensated Absences**

The District's policy is to permit employees to accumulate earned vacation and sick leave. Sick leave that is not used shall accumulate during subsequent years up to 960 hours per employee. Payment of unused sick leave is payable to an employee only upon termination or retirement of employment.

**11. Unearned Revenue**

Unearned revenue consists of agricultural land, terminal, hangar, and concessionaire rentals and payments received in advance, which will be amortized to revenue on a straight-line basis over the applicable period.

**12. 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 (Plans) and addition to/deduction 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.

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

- Valuation Date: June 30, 2014 and 2013
- Measurement Date: June 30, 2015 and 2014
- Measurement Period: July 1, 2014 to June 30, 2015 and July 1, 2013 to June 30, 2014

**13. Deferred Inflows of Resources**

The statement of net position and the governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This financial statement element, *deferred inflows of resources*, represents an acquisition of resources applicable to future periods and therefore will *not* be recognized as an inflow of resources (revenue) until that time. Included are deferred inflows related to pensions for the changes in assumptions, differences in actual and proportionate share of contribution and net changes in proportion will be amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the Plan determined as of the measurement date June 30, 2015, which is 3.8 year period. Additionally, a deferred inflow related to pensions for the net difference in projected and actual earnings on investments of the pension plans fiduciary net position will be amortized over a 5 year period.

**Santa Maria Public Airport District**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2016 and 2015**

**(1) Reporting Entity and Summary of Significant Accounting Policies, continued**

**D. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position, continued**

**14. Net Position**

The financial statements utilize a net position presentation. Net position is categorized as follows:

- **Net Investment in Capital Assets** – This component of net position consists of capital assets, net of accumulated depreciation and reduced by any outstanding debt applicable to the acquisition, construction or improvement of those assets.
- **Restricted Net Position** – This component of net position consists of constraints placed on net position use through external constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted Net Position** – This component of net position consists of net position that does not meet the definition of *restricted* or *net investment in capital assets*.

**15. Property Taxes**

The County of Santa Barbara Assessor's Office assesses all real and personal property within the County each year. The County of Santa Barbara Tax Collector's Offices bills and collects the District's share of property taxes. The County of Santa Barbara Treasurer's Office remits current and delinquent property tax collections to the District throughout the year. Property tax in California is levied in accordance with Article 13A of the State Constitution at one percent (1%) of countywide assessed valuations.

Property tax revenue at year-end is related to property taxes collected by the County of Santa Barbara, which have not been transferred to the District as of June 30. The property tax calendar is as follows:

Lien date	March 1
Levy date	July 1
Due dates	November 1 and March 1
Collection dates	December 10 and April 10

**16. Capital Contributions**

Capital contributions represent cash and capital asset additions contributed to the District by granting agencies or tenants desiring services that require capital items.

**17. Budgetary Policies**

The District adopts an annual non-appropriated budget for planning, control, and evaluation purposes. Budgetary control and evaluation are affected by comparisons of actual revenues and expenses with planned revenues and expenses for the period. Encumbrance accounting is not used to account for commitments related to unperformed contracts for construction and services.

**18. Reclassification**

The District has reclassified certain prior year information to conform with current year presentations.

**Santa Maria Public Airport District**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2016 and 2015**

**(2) Cash, Cash Equivalents and Investments**

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

	<u>2016</u>	<u>2015</u>
Cash and cash equivalents	\$ 1,825,555	4,028,149
Restricted cash and cash equivalents	3,590,388	3,591,381
Certificate-of-deposit	<u>8,000</u>	<u>8,000</u>
Total cash and investments	<u>\$ 5,423,943</u>	<u>7,627,530</u>

Cash and cash equivalents as of June 30, consist of the following:

	<u>2016</u>	<u>2015</u>
Cash on hand	\$ 1,350	1,350
Deposits with financial institutions	149,541	99,331
Certificate-of-deposit held with a financial institution	8,000	8,000
Deposits with California Local Agency Investment Fund (LAIF)	2,248,216	4,515,560
Deposits with Money market savings account	<u>3,016,836</u>	<u>3,003,289</u>
Total cash and investments	<u>\$ 5,423,943</u>	<u>7,627,530</u>

As of June 30, the District's authorized deposits had the following maturities:

	<u>2016</u>	<u>2015</u>
Certificate-of-deposit held with a financial institution	May 2017	May 2016
Deposits with California Local Agency Investment Fund (LAIF)	167 days	239 days

***Investments Authorized by the District's Investment Policy***

The District's investment policy only authorizes investment in the local government investment pool administered by the State of California (LAIF). The District's investment policy does not contain any specific provisions intended to limit the District's exposure to interest rate risk, credit risk, and concentration of credit risk.

***Disclosures Relating to Interest Rate Risk***

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

***Disclosures Relating to Credit Risk***

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

***Concentration of Credit Risk***

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. There are no investments in any one issuer that represent 5% or more of total District investments.

**Santa Maria Public Airport District**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2016 and 2015**

**(2) Cash and Cash Equivalents and Investments, continued**

***Custodial Credit Risk***

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, 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 fair 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.

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

***Investment in State Investment Pool***

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

The District's deposit and withdrawal restrictions and limitations are as follows:

- Each agency in the fund may invest up to \$40 million and may invest without limitation in special bond proceeds accounts.
- Same day transaction processing occurs for orders received before 10:00 a.m.
- Next day transactions processing occurs for orders received after 10:00 a.m.
- Maximum limit of 15 transactions (combination of deposits and withdrawals) per month.
- Minimum transaction amount requirement of \$5,000, in increments of a \$1,000 dollars.
- Withdrawals of \$10,000,000 or more require 24 hours advance.
- Prior to funds transfer, an authorized person must call LAIF to do a verbal transaction.

**(3) Accounts Receivable – Customers and Tenants, Net**

The balance at June 30, consists of the following:

	<b>2016</b>	<b>2015</b>
Accounts receivable – customers and tenants	\$ 182,618	101,315
Allowance for uncollectible accounts	(2,865)	(3,580)
Accounts receivable – customers and tenants, net	\$ 179,753	97,735

**Santa Maria Public Airport District**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2016 and 2015**

**(4) Capital Assets**

Changes in capital assets for 2016 were as follows:

	<u>Balance 2015</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>Balance 2016</u>
Non-depreciable assets:				
Land and land rights	\$ 6,435,579	-	-	6,435,579
Construction-in-process	346,966	2,602,551	(991,651)	1,957,866
Total non-depreciable assets	<u>6,782,545</u>	<u>2,602,551</u>	<u>(991,651)</u>	<u>8,393,445</u>
Depreciable assets:				
Landing area	37,756,700	288,996	-	38,045,696
Revenue generating land	7,190,903	461,428	-	7,652,331
Owner-Builder area	34,664	-	-	34,664
T-Hangars	6,524,655	-	-	6,524,655
Fixed Based Operations (F.B.O.)	2,579,824	5,686	-	2,585,510
Terminal	15,259,201	50,462	-	15,309,663
Administration and equipment	2,669,696	126,185	-	2,795,881
Total depreciable assets	<u>72,015,643</u>	<u>932,757</u>	<u>-</u>	<u>72,948,400</u>
Accumulated depreciation:				
Landing area	(21,235,799)	(1,329,897)	-	(22,565,696)
Revenue generating land	(4,015,273)	(267,579)	-	(4,282,852)
Owner-Builder area	(34,665)	-	-	(34,665)
T-Hangars	(5,555,257)	(147,257)	-	(5,702,514)
Fixed Based Operations (F.B.O.)	(2,062,853)	(82,284)	-	(2,145,137)
Terminal	(13,191,158)	(577,528)	-	(13,768,686)
Administration and equipment	(2,100,112)	(36,993)	-	(2,137,105)
	<u>(48,195,117)</u>	<u>(2,441,538)</u>	<u>-</u>	<u>(50,636,655)</u>
Total depreciable assets, net	<u>23,820,526</u>	<u>(1,508,781)</u>	<u>-</u>	<u>22,311,745</u>
Total capital assets, net	<u>\$ 30,603,071</u>			<u>30,705,190</u>

Major capital assets additions during the year include landing area improvements, revenue generating land improvements along with hangar, fixed base operations, terminal improvements, and administration equipment. Major capital asset deletions during the year include administration equipment.

**Santa Maria Public Airport District**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2016 and 2015**

**(4) Capital Assets, continued**

Changes in capital assets for 2015 were as follows:

	<u>Balance 2014</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>Balance 2015</u>
Non-depreciable assets:				
Land and land rights	\$ 6,435,579	-	-	6,435,579
Construction-in-process	<u>8,137,450</u>	<u>1,585,167</u>	<u>(9,375,651)</u>	<u>346,966</u>
Total non-depreciable assets	<u>14,573,029</u>	<u>1,585,167</u>	<u>(9,375,651)</u>	<u>6,782,545</u>
Depreciable assets:				
Landing area	29,110,829	8,645,871	-	37,756,700
Revenue generating land	7,177,544	13,359	-	7,190,903
Owner-Builder area	34,664	-	-	34,664
T-Hangars	6,450,017	74,638	-	6,524,655
Fixed Based Operations (F.B.O.)	2,511,102	68,722	-	2,579,824
Terminal	14,943,798	315,403	-	15,259,201
Administration and equipment	<u>2,684,498</u>	<u>49,558</u>	<u>(64,360)</u>	<u>2,669,696</u>
Total depreciable assets	<u>62,912,452</u>	<u>9,167,551</u>	<u>(64,360)</u>	<u>72,015,643</u>
Accumulated depreciation:				
Landing area	(19,814,648)	(1,421,151)	-	(21,235,799)
Revenue generating land	(3,774,313)	(240,960)	-	(4,015,273)
Owner-Builder area	(34,665)	-	-	(34,665)
T-Hangars	(5,407,352)	(147,905)	-	(5,555,257)
Fixed Based Operations (F.B.O.)	(1,984,907)	(77,946)	-	(2,062,853)
Terminal	(12,626,742)	(564,416)	-	(13,191,158)
Administration and equipment	<u>(2,125,917)</u>	<u>(38,555)</u>	<u>64,360</u>	<u>(2,100,112)</u>
	<u>(45,768,544)</u>	<u>(2,490,933)</u>	<u>64,360</u>	<u>(48,195,117)</u>
Total depreciable assets, net	<u>17,143,908</u>	<u>6,676,618</u>	<u>-</u>	<u>23,820,526</u>
Total capital assets, net	<u>\$ 31,716,937</u>			<u>30,603,071</u>

Major capital assets additions during the year include landing area improvements, revenue generating land improvements along with hangar and terminal improvements.

***Construction-In-Process***

The District has been involved in various construction projects throughout the year. The balances of the various construction projects that comprise the construction-in-process balances at June 30, are as follows:

The balance at June 30, consists of the following projects:

	<u>2014</u>	<u>2015</u>	<u>2016</u>
Landing area improvements	\$ 7,902,786	87,937	260,181
Terminal area	15,608	-	-
Fixed Based Operations (F.B.O.)	219,056	259,029	130,482
Revenue generating land	-	-	1,567,203
Construction-in-process	<u>\$ 8,137,450</u>	<u>346,966</u>	<u>1,957,866</u>

**Santa Maria Public Airport District**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2016 and 2015**

**(5) Compensated Absences**

Changes in compensated absences were as follows:	<u><b>2016</b></u>	<u><b>2015</b></u>
Balance at beginning of year	\$ 163,131	153,242
Additions	94,028	89,669
Payments to employees	<u>(141,182)</u>	<u>(79,780)</u>
Balance at end of year	115,977	163,131
Less: Current portion	<u>(28,994)</u>	<u>(40,783)</u>
Long-term portion	<u>\$ 86,983</u>	<u>122,348</u>

**(6) Land Improvements Payable**

In April 2014, the District entered into two zero-interest land improvement payable obligations with Pacific Gas & Electric (PG&E), in the amounts \$66,558 and \$12,266, for a total of \$78,824. The purpose of the payable was to provide funds for the acquisition of energy efficient capital equipment. Terms of the first obligation of \$66,558 call for monthly payments of \$1,073 maturing in April 2019. Terms of the second obligation of \$12,226 call for monthly payments of \$111 maturing in May 2023.

Changes in land improvements payable for 2016 were as follows:

	<u><b>2015</b></u>	<u><b>Additions</b></u>	<u><b>Payments</b></u>	<u><b>2016</b></u>
Land improvements payable	\$ 61,064	<u>-</u>	<u>(13,246)</u>	47,818
Less current-portion	<u>(14,208)</u>			<u>(14,209)</u>
Total non-current	<u>\$ 46,856</u>			<u>33,609</u>

Changes in land improvements payable for 2015 were as follows:

	<u><b>2014</b></u>	<u><b>Additions</b></u>	<u><b>Payments</b></u>	<u><b>2015</b></u>
Land improvements payable	\$ 75,272	<u>-</u>	<u>(14,208)</u>	61,064
Less current-portion	<u>(14,208)</u>			<u>(14,208)</u>
Total non-current	<u>\$ 61,064</u>			<u>46,856</u>

Future annual payments are as follows:

<u><b>Fiscal Year</b></u>	<u><b>Annual Payment</b></u>
2017	\$ 14,209
2018	14,208
2019	13,245
2020	1,299
2021	1,298
2022-2023	<u>3,559</u>
Total	47,818
Less: current	<u>(14,209)</u>
Non-current	<u>\$ 33,609</u>

**Santa Maria Public Airport District**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2016 and 2015**

**(7) Post-Employment Benefits Payable**

The District provides other post-employment benefits (OPEB) to qualified employees who retire from the District and meet the District's vesting requirements. During the fiscal year ended June 30, 2010, the District implemented GASB Statement No. 45, which changed the accounting and financial reporting used by local government employers for post-employment benefits. Previously, the costs of such benefits were generally recognized as expenses of local government employers on a pay-as-you-go basis. The new reporting requirements for these benefit programs as they pertain to the District are set forth below.

***Plan Description – Eligibility***

The District pays a portion of the cost of health insurance for retirees under any group plan offered by CalPERS, subject to certain restrictions as determined by the District.

Membership in the OPEB plan consisted of the following members as of June 30:

	<b>2016</b>	<b>2015</b>	<b>2014</b>
Active plan members	11	14	10
Retirees and beneficiaries receiving benefits	3	3	4
Separated plan members entitled to but not yet receiving benefits	-	-	-
Total plan membership	14	17	14

***Plan Description – Benefits***

The District offers post employment medical benefits to retired employees who satisfy the eligibility rules (5-years of service). Dependents are also eligible to receive benefits. Retirees may enroll in any plan available through the District's CalPERS medical program. The contribution requirements of Plan members and the District are established and may be amended by the Board of Directors.

***Funding Policy***

The District is required to identify the *Annual Required Contribution (ARC) of the Employer*, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The current ARC rate is 2.3% of the annual covered payroll.

The District will pay 100% of the cost of the post-employment benefit plan, which has been capped at the minimal administrative amount per month and adjusted and indexed pursuant to California Governmental Code Section 22892 (and was capped at \$125 per retiree per month for fiscal year 2016). The District funds the plan on a pay-as-you-go basis and maintains reserves (by recording a liability) for the difference between the annual pay-as-you-go amount and the actuarially determined ARC cost.

***Annual Cost***

For the year ended June 30, 2016, the District's ARC cost was \$17,980. The District's net OPEB payable obligation amounted to \$53,347 for the year ended June 30, 2016. The District contributed \$5,298 in age adjusted contributions for current retiree OPEB premiums for the year ended June 30, 2016.



**Santa Maria Public Airport District**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2016 and 2015**

**(7) Post-Employment Benefits Payable, continued**

The balance at June 30, consists of the following:	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual OPEB expense:			
Annual required contribution (ARC)	\$ 17,980	17,327	14,738
Interest on net OPEB obligation	1,838	1,319	961
Adjustment to annual required contribution	<u>(2,020)</u>	<u>(1,449)</u>	<u>-</u>
Total annual OPEB expense	<u>17,798</u>	<u>17,197</u>	<u>15,699</u>
Contributions made:			
Contributions made to irrevocable trust	-	-	-
Retiree benefit payments paid outside of a trust	<u>(5,298)</u>	<u>(5,654)</u>	<u>(5,616)</u>
Total contributions made	<u>(5,298)</u>	<u>(5,654)</u>	<u>(5,616)</u>
Total change in net OPEB payable obligation	12,500	11,543	10,083
OPEB payable – beginning of year	<u>40,847</u>	<u>29,304</u>	<u>19,221</u>
OPEB payable – end of year	<u>\$ 53,347</u>	<u>40,847</u>	<u>29,304</u>

The District's annual OPEB cost, the percentage of the annual OPEB cost contributed to the Plan, and the net OPEB obligation for fiscal year 2016 and the two preceding years were as follows:

<i>Three-Year History of Net OPEB Obligation</i>				
<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Age Adjusted Contribution</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation Payable</u>
2015	\$ 17,798	5,298	29.77%	\$ 53,347
2014	17,197	5,654	32.88%	40,847
2013	15,699	5,616	35.77%	29,304

***Funded Status and Funding Progress of the Plan***

The most recent valuation (dated October 1, 2014) includes an Actuarial Accrued Liability and Unfunded Actuarial Accrued Liability of \$193,364. The covered payroll (annual payroll of active employees covered by the plan) for the year ended June 30, 2016, was \$775,515. The ratio of the unfunded actuarial accrued liability to annual covered payroll is 24.93%.

See page 45 for the Schedules of Funding Status for the other post-employment defined benefit plan, which presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing relative to the actuarial accrued liability for benefits over time.

***Actuarial Methods and Assumptions***

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

**Santa Maria Public Airport District**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2016 and 2015**

**(7) Post-Employment Benefits Payable, continued**

*Actuarial Methods and Assumptions, continued*

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

Valuation date	October 1, 2014
Actuarial cost method	Entry age normal cost method
Amortization method	Level percent of payroll amortization
	Closed 30-year amortization for initial UAAL
Remaining amortization period	30 Years as of the valuation date
Actuarial assumptions:	
Investment rate of return	4.50%
Projected salary increase	2.75%
Inflation - discount rate	2.75%
Health care trend rate	4.00%

**(8) Defined Benefit Pension Plan**

*Plan Description*

All qualified permanent and probationary employees are eligible to participate in the District's separate Miscellaneous Employee Pension Plans, cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plan is established by State statute and Local Government resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website or may be obtained from their executive office: 400 P Street, Sacramento, CA, 95814.

*Benefits Provided*

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

On September 12, 2012, the California Governor signed the California Public Employees' Pension Reform Act of 2013 (PEPRA) into law. PEPRA took effect January 1, 2013. The new legislation closed the District's CalPERS 2.0% at 55 Risk Pool Retirement Plan to new employee entrants effective December 31, 2013. All employees hired after January 1, 2013 are eligible for the District's CalPERS 2.0% at 62 Retirement Plan under PEPRA.

**Santa Maria Public Airport District**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2016 and 2015**

**(8) Defined Benefit Pension Plan, continued**

*Benefits Provided, continued*

The Plans' provision and benefits in effect at June 30, 2016, are summarized as follows:

	<b>Miscellaneous Plan</b>	
	<b>Tier 1</b>	<b>Tier 2</b>
	Prior to <u>January 1, 2013</u>	On or after <u>January 1, 2013</u>
Hire date		
Benefit formula	2.0% @ 55	2.0% @ 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 55	52 - 67
Monthly benefits, as a % of eligible compensation	2.0% to 2.5%	1.0% to 2.5%
Required employee contribution rates	7.000%	6.257%
Required employer contribution rates	8.512%	6.237%

As of June 30, 2015, an actuarial report was not prepared by CalPERS for the District's PEPRA tier. CalPERS made this determination as a result of the District not having PEPRA eligible employees between the period January 1, 2013 and June 30, 2013, the valuation date of the actuarial report provided.

**Contributions**

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

As of the fiscal year ended June 30, the contributions for the Plan were as follows:

	<b>Miscellaneous Plan</b>	
	<b>2016</b>	<b>2015</b>
Contributions – employer	\$ 107,687	81,655
Contributions – employee (paid by employer)	43,328	46,117
Total employer paid contributions	<u>\$ 151,015</u>	<u>127,772</u>

**Net Pension Liability**

As of the fiscal year ended June 30, the District reported net pension liabilities for its proportionate share of the net pension liability of the Plan were as follows:

	<b>Proportionate Share of Net Pension Liability</b>	
	<b>2016</b>	<b>2015</b>
Miscellaneous Plan	<u>\$ 1,110,736</u>	<u>1,057,671</u>

**Santa Maria Public Airport District**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2016 and 2015**

**(8) Defined Benefit Pension Plan, continued**

*Net Pension Liability, 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, 2015 and 2014, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014 and 2013, rolled forward to June 30, 2015 and 2014, 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 of the pension liability for the Plan as of June 30, 2014 and 2015 was as follows:

	<b>Miscellaneous Plan</b>
Proportion – June 30, 2014	0.01700%
Proportion – June 30, 2015	0.01618%
Change – Increase (Decrease)	<u>-0.00082%</u>

The District's proportionate share of the pension liability for the Plan as of June 30, 2013 and 2014 was as follows:

	<b>Miscellaneous Plan</b>
Proportion – June 30, 2013	0.01793%
Proportion – June 30, 2014	0.01700%
Change – Increase (Decrease)	<u>-0.00093%</u>

As a result of the implementation of the GASB 68 pronouncement at June 30, 2016 and 2015, the District recognized pension expense of \$73,105 and \$86,318, respectively.

**Santa Maria Public Airport District**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2016 and 2015**

**(8) Defined Benefit Pension Plan, continued**

*Deferred Pension Outflows (Inflows) of Resources*

As of June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to the measurement date	\$ 107,687	-
Differences between actual and expected experience	5,238	-
Changes in assumptions	-	(49,559)
Net differences between projected and actual earnings on plan investments	-	(24,844)
Differences between actual contribution and proportionate share of contribution	-	(53,332)
Net adjustment due to differences in proportions of net pension liability	-	(149,769)
Total	<u>\$ 112,925</u>	<u>(277,504)</u>

As of June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to the measurement date	\$ 81,655	-
Net differences between projected and actual earnings on plan investments	-	(355,427)
Net adjustment due to differences in proportions of net pension liability	21,546	-
Total	<u>\$ 103,201</u>	<u>(355,427)</u>

As of June 30 2016 and 2015, employer pension contributions of \$107,687 and \$81,655, respectively, reported as deferred outflows of resources related to contributions subsequent to the measurement date were and will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2017 and 2016, respectively.

**Santa Maria Public Airport District**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2016 and 2015**

**(8) Defined Benefit Pension Plan, continued**

*Deferred Pension Outflows (Inflows) of Resources*

As a result of the implementation of the GASB 68 at June 30, 2016, the District recognized other amounts reported by the Plan actuarial as deferred outflows of resources and deferred inflows of resources related to the pension liability. Pension related amounts will be recognized as pension expense as follows.

<b>Fiscal Year Ending June 30:</b>	<b>Deferred Outflows/ (Inflows) of Resources</b>
2017	\$ (114,041)
2018	(115,580)
2019	(103,078)
2020	60,433
2021	-
Thereafter	-

*Actuarial Assumptions*

The total pension liability in the June 30, 2014 and 2013 actuarial valuation reports were determined using the following actuarial assumptions:

Valuation Date	June 30, 2014 and 2013
Measurement Date	June 30, 2015 and 2014
Actuarial cost method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68

Actuarial assumptions:

Discount rate	7.50% Net of Administrative Expenses for 2015 and 2014
Inflation	2.75%
Salary increases	Varies by Entry Age and Service
Investment Rate of Return	7.50% Net of Pension Plan Investment and Administrative Expenses; includes inflation
Mortality Rate Table*	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

\* The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 Experience Study report. Further details of the Experience Study can be found on the CalPERS website.

**Discount Rate**

The Discount rate used to measure the total pension liability was 7.50% for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the 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 7.50% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50% will be applied to all plans in the Public Employees' Retirement Fund (PERF). The stress test results are presented in a detailed report which can be obtained from the CalPERS website.

**Santa Maria Public Airport District**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2016 and 2015**

**(8) Defined Benefit Pension Plan, continued**

*Discount Rate, continued*

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50% investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65%. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalPERS confirmed the materiality threshold for the difference in the calculation and did not find it to be a material difference.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the Discount rate will require CalPERS Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the fiscal year ended 2017-2018. CalPERS will continue to check the materiality of the difference in the calculation until such time as it has changed its methodology.

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculates 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 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 one quarter of one percent.

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

<u>Asset Class</u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1-10*</u>	<u>Real Return Year 11+**</u>
Global Equity	47.0%	5.25%	5.71%
Global Fixed Income	19.0	0.99	2.43
Inflation Sensitive	6.0	0.45	3.36
Private Equity	12.0	6.83	6.95
Real Estate	11.0	4.50	5.13
Infrastructure and Forestland	3.0	4.50	5.09
Liquidity	2.0	(0.55)	(1.05)
Total	<u>100.0%</u>		

\* An expected inflation of 2.5% used for this period

\*\* An expected inflation of 3.0% used for this period

**Santa Maria Public Airport District**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2016 and 2015**

**(8) Defined Benefit Pension Plan, continued**

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

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

As of June 30, 2016, the discount rate comparison was the following:

	<b>Discount Rate – 1% (6.65%)</b>	<b>Current Discount Rate (7.65%)</b>	<b>Discount Rate + 1% (8.65%)</b>
District's Net Pension Liability \$	1,823,693	1,110,736	479,556

As of June 30, 2015, the discount rate comparison was the following:

	<b>Discount Rate – 1% (6.50%)</b>	<b>Prior Discount Rate (7.50%)</b>	<b>Discount Rate + 1% (8.50%)</b>
District's Net Pension Liability \$	1,884,444	1,057,671	371,529

***Pension Plan Fiduciary Net Position***

Detailed information about the pension plan's fiduciary net position is available in separately issued CalPERS financial reports. See pages 43 through 44 for the Required Supplementary Schedules.

***Payable to the Pension Plan***

As of June 30, 2016 and 2015, the District reported no payables for the outstanding amount of contribution to the pension plan.



**Santa Maria Public Airport District**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2016 and 2015**

**(9) Net Position**

Calculation of net position as of June 30, was as follows:

	<b>2016</b>	<b>2015</b>
Net investment in capital assets:		
Capital assets, not being depreciated	\$ 8,393,445	6,782,545
Depreciable capital assets	22,311,745	23,820,526
Current:		
Land improvements payable	(14,209)	(14,208)
Non-current:		
Land improvements payable	(33,609)	(46,856)
Total net investment in capital assets	30,657,372	30,542,007
Restricted net position:		
Restricted – cash and cash equivalents	2,011,280	3,591,381
Total restricted net position	2,011,280	3,591,381
Unrestricted net position:		
Non-spendable net position:		
Prepaid expenses and deposits	21,103	8,733
Total non-spendable net position	21,103	8,733
Spendable net position are designated as follows:		
Designated for emergency reserve	1,000,000	1,000,000
Designated for operating reserve	560,650	668,761
Total spendable net position	1,560,650	1,668,761
Total unrestricted net position	1,581,753	1,677,494
Total net position	\$ 34,250,405	35,810,882

**(10) Adjustment to Net Position**

***Net Pension Liability – GASB 68 Implementation***

In fiscal year 2015, the District implemented GASB pronouncements 68 and 71 to recognize its proportionate share of the net pension liability. As a result of the implementation, the District recognized the pension liability and recorded a prior period adjustment of \$1,445,160 at July 1, 2014. The District recorded a prior period adjustment to reclassify from expense to deferred outflows of resources, the prior year's proportionate share of employer pension contributions of \$139,926 at July 1, 2014.

The adjustment to net position is as follows:

Net position at June 30, 2014, as previously stated	\$ 38,776,455
Effect of adjustment to record net pension liability	(1,445,160)
Effect of adjustment to record deferred pension outflows	139,926
Total adjustment to net position	(1,305,234)
Net position at July 1, 2014, as previously stated	\$ 37,471,221

**Santa Maria Public Airport District**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2016 and 2015**

**(11) Deferred Compensation Savings Plan**

For the benefit of its employees, the District participates in a 457 Deferred Compensation Program (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. Fair value of all plan assets held in trust by Mass Mutual at June 30, 2016 and 2015 was \$769,973 and \$734,026, respectively.

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 statements of net position.

**(12) Revenue Guaranty Expense**

On March 16, 2015, the District entered into an agreement with United Airlines (United) for non-stop air service between San Francisco International Airport and the District. Terms of the agreement stipulate that during the period United is operating at the District, the District will unconditionally guaranty that United will receive "Minimum Revenues" to: 1) the sum of \$8,594 for each round-trip, 2) \$4.34 for each one-way revenue passenger carried, and 3) 4.5% of the passenger revenue for each flight. To the extent that during any calendar quarter (the "Guaranty Payment Period") United is operating flights, United receives less than the guaranteed amount in revenues from flight operations, the District will pay United an amount equal to the difference between the guaranteed amount applicable to the flights operated during the Guaranty Payment Period and the amount of revenues actually received by United. During the fiscal year ended June 30, 2015, United determined and substantiated that it did not receive Minimum Revenues per the terms of the agreement. At June 30, 2016 and 2015, the District paid United a revenue guaranty expense of \$387,922 and \$372,078, respectively.

**(13) 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, as a member of the Special District Risk Management Authority (SDRMA), has purchased various insurance policies to manage the potential liabilities that may occur from the previously named sources. SDRMA's purpose is to arrange and administer programs of self-insured losses and to purchase excess insurance coverage. At June 30, 2016, 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 and employment practices liability: Total risk financing limits of \$10.0 million, combined single limit at \$10.0 million per occurrence, subject to the following deductibles – \$500/\$1,000 per occurrence for third party general liability property damage – 50% co-insurance of cost expended by SDRMA, in excess of \$10,000 up to \$110,000, per occurrence, for employment related claims. However, 100% of the obligation will be waived if certain criteria are met.
- Employee dishonesty coverage up to \$1,000,000 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 two 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.

**Santa Maria Public Airport District**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2016 and 2015**

**(13) Risk Management, continued**

- Boiler and machinery coverage for the replacement cost up to \$100 million per occurrence, subject to a \$1,000 deductible.
- Comprehensive and collision coverage on selected vehicles, with deductibles of \$250/\$500 or \$500/\$1,000, as elected; ACV limits; fully self-funded by the SDRMA.
- 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, conditions and exclusions as provided in the Memorandum of Coverages, deductible of \$500 per claim.
- Workers' compensation insurance up to California statutory limits for all work related injuries/illnesses covered by California law.

Also, the District has purchased aviation commercial general liability insurance coverage up to \$20 million from a commercial insurance carrier.

Settled claims have not exceeded any of the coverage amounts in any of the last three fiscal years and there were no reductions in the District's insurance coverage during the years ending June 30, 2016, 2015 and 2014. 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, 2016, 2015 and 2014.

**(14) Governmental Accounting Standards Board Statements Issued, Not Yet Effective**

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to June 30, 2016, that have effective dates that may impact future financial presentations.

***Governmental Accounting Standards Board Statement No. 74***

In June 2015, the GASB issued Statement No. 74 – *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this Statement is to improve the usefulness or information about postemployment benefits other than pensions (other postemployment benefits of OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability.

This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement 43, and Statement No.50, *Pension Disclosures*.

The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2016. The impact of the implementation of this Statement to the District's financial statements has not been assessed at this time.

***Governmental Accounting Standards Board Statement No. 75***

In June 2015, the GASB issued Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities.

**Santa Maria Public Airport District**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2016 and 2015**

**(14) Governmental Accounting Standards Board Statements Issued, Not Yet Effective**

***Governmental Accounting Standards Board Statement No. 75, continued***

This Statement replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2017. The impact of the implementation of this Statement to the District's financial statements has not been assessed at this time.

***Governmental Accounting Standards Board Statement No. 77***

In August 2015, the GASB issued Statement No. 77 – *Tax Abatement Disclosures*. The objective of this Statement is to improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. Financial statement users need information about certain limitations on a government's ability to raise resources. This includes limitations on revenue-raising capacity resulting from governmental programs that use tax abatements to induce behavior by individuals and entities that is beneficial to the government or its citizens. Tax abatements are widely used by state and local governments, particularly to encourage economic development. This Statement is effective for financial statements for periods beginning after December 15, 2015. It is believed that the implementation of this Statement will not have a material effect to the District's financial statements.

***Governmental Accounting Standards Board Statement No. 80***

In January 2016, the GASB issued Statement No. 80 – *Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14*. The objective of this Statement is to improve financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. This Statement is effective for financial statements for periods beginning after June 15, 2016. It is believed that the implementation of this Statement will not have a material effect to the District's financial statements.

***Governmental Accounting Standards Board Statement No. 81***

In March 2016, the GASB issued Statement No. 81 – *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. This Statement is effective for financial statements for periods beginning after December 15, 2016. It is believed that the implementation of this Statement will not have a material effect to the District's financial statements.

**Santa Maria Public Airport District**  
**Notes to the Basic Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2016 and 2015**

**(14) Governmental Accounting Standards Board Statements Issued, Not Yet Effective**

***Governmental Accounting Standards Board Statement No. 82***

In March 2016, the GASB issued Statement No. 82 – *Pension Issues-an amendment of GASB Statements No. 67, No. 68, and No.73*. This Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This Statement is effective for financial statements for periods beginning after June 15, 2016. It is believed that the implementation of this Statement will not have a material effect to the District's financial statements.

**(15) Commitments and Contingencies**

***Construction Contracts***

The District has a variety of agreements with private parties relating to construction contracts at the District. The financing of such construction contracts is being provided primarily from the District's restricted capital reserves and federal capital grants. As of June 30, 2016, the District had outstanding construction contracts.

***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.

**(16) Subsequent Events**

Events occurring after June 30, 2016, have been evaluated for possible adjustment to the financial statements or disclosure as of December 8, 2016, which is the date the financial statements were available to be issued. The District is not aware of any subsequent events that would require recognition or disclosure in the financial statements.

**< Page Intentionally Left Blank >**

## **Required Supplementary Information**





**Santa Maria Public Airport District**  
**District's Proportionate Share of the Net Pension Liability – Last Ten Fiscal Years\***  
**As of June 30, 2016**

<b>Description</b>	<b>Date</b> <b>6/30/2015</b>	<b>Date</b> <b>6/30/2014</b>
District's Proportion of the Net Pension Liability	0.01618%	0.01700%
District's Proportionate Share of the Net Pension Liability	\$ 1,110,736	1,057,671
District's Covered-Employee Payroll	\$ 766,034	691,157
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	306.06%	153.03%
Plan's Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	82.41%	81.15%

**Notes:**

***Changes in Benefit Terms*** – The figures above do not include any liability impact that may have resulted from Plan changes which occurred after the June 30, 2014, valuation date.

***Changes of Assumptions*** – For the June 30, 2015, measurement date, the discount rate was changed from 7.50% (net of administrative expense) to 7.65% percent to correct for an adjustment to exclude administrative expense.

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

**Santa Maria Public Airport District**  
**Pension Plan Contributions – Last Ten Fiscal Years\***  
**As of June 30, 2016**

<u>Schedule of Pension Plan Contributions:</u>	<u>Fiscal Year 2015-2016</u>	<u>Fiscal Year 2014-2015</u>	<u>Fiscal Year 2013-2014</u>
Actuarially Determined Contribution	\$ 108,198	89,654	70,150
Contributions in Relation to the Actuarially Determined Contribution	<u>(107,687)</u>	<u>(81,655)</u>	<u>(70,150)</u>
Contribution Deficiency (Excess)	\$ 511	7,999	-
Covered Payroll	<u>\$ 768,476</u>	<u>766,034</u>	<u>691,157</u>
Contribution's as a percentage of Covered-employee Payroll	<u>14.08%</u>	<u>11.70%</u>	<u>10.15%</u>

**Notes:**

The actuarial methods and assumptions used to set the actuarially determined contributions from June 30, 2014 through June 30, 2015 (the measurement period), were derived from the June 30, 2012, funding valuation report.

There were no changes in methods or assumptions used to determine the legally required contributions, which are actuarially determined, from the June 30, 2011 to the June 30, 2012, funding valuation report.

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

**Santa Maria Public Airport District**  
**Funding Status – Other Post-Employment Benefits Obligation**  
**For the Fiscal Years Ended June 30, 2016 and 2015**

*Required Supplemental Information – Schedule of Funding Progress*

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Plan Assets (a)</u>	<u>Actuarial Accrued Liability (b)</u>	<u>Unfunded Actuarial Accrued Liability (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
October 1, 2014	\$ -	193,364	193,364	0.00%	\$ 775,515	24.93%
October 1, 2011	-	244,248	244,248	0.00%	705,553	34.62%
			<u>Active Employees</u>		<u>Retired Employees</u>	
<u>Calculation</u>		<u>Pre 65-years</u>	<u>Post 65-years</u>	<u>Pre 65-years</u>	<u>Post 65-years</u>	<u>Total</u>
Actuarial Accrued Liability – 2014	\$	11,325	66,759	21,686	93,594	193,364
Actuarial Accrued Liability – 2011		23,326	108,344	23,089	89,490	244,249

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

**< Page Intentionally Left Blank >**

# **Supplementary Information**



**Santa Maria Public Airport District**  
**Schedule of Revenues, Expenses and Changes in Net Position – Compared to Budget**  
**For the Fiscal Year Ended June 30, 2016**

	<u>Adopted Original Budget</u>	<u>Board Approved Changes</u>	<u>Final Budget</u>	<u>Actual Budgetary Basis</u>	<u>Variance Positive (Negative)</u>
Operating revenues:					
Landing area usage	\$ 170,722	-	170,722	180,445	9,723
Hangar area usage	616,439	-	616,439	616,514	75
Main hangar and F.B.O.	602,496	-	602,496	538,999	(63,497)
Terminal area usage	433,759	-	433,759	439,979	6,220
Land usage	1,457,420	-	1,457,420	1,399,132	(58,288)
Operating grant revenue	51,000	-	51,000	31,050	(19,950)
Other charges and fees	21,000	-	21,000	20,185	(815)
Total operating revenues	<u>3,352,836</u>	<u>-</u>	<u>3,352,836</u>	<u>3,226,304</u>	<u>(126,532)</u>
Operating expenses:					
Landing area usage	638,283	-	638,283	633,750	4,533
Hangar area usage	99,883	-	99,883	71,705	28,178
Main hangar and Fixed Base Operations	68,626	-	68,626	64,438	4,188
Terminal area usage	336,618	-	336,618	287,554	49,064
Land usage	385,232	-	385,232	328,038	57,194
Public administration	2,653,817	23,896	2,677,713	2,427,686	250,027
Total operating expenses	<u>4,182,459</u>	<u>23,896</u>	<u>4,206,355</u>	<u>3,813,171</u>	<u>393,184</u>
Operating loss before depreciation	(829,623)	(23,896)	(853,519)	(586,867)	266,652
Depreciation expense	(2,411,337)	-	(2,411,337)	(2,441,538)	(30,201)
<b>Operating loss</b>	<u>(3,240,960)</u>	<u>(23,896)</u>	<u>(3,264,856)</u>	<u>(3,028,405)</u>	<u>236,451</u>
Non-operating revenue(expense)					
Property taxes	1,342,430	-	1,342,430	1,498,359	155,929
Interest and investment earnings	23,535	-	23,535	30,371	6,836
Revenue guarantee expense	-	(387,922)	(387,922)	(387,922)	-
Total non-operating revenues, net	<u>1,365,965</u>	<u>(387,922)</u>	<u>978,043</u>	<u>1,140,808</u>	<u>162,765</u>
<b>Net loss before capital contributions</b>	<u>(1,874,995)</u>	<u>(411,818)</u>	<u>(2,286,813)</u>	<u>(1,887,597)</u>	<u>399,216</u>
Capital contributions:					
Federal capital grants	571,487	-	571,487	142,215	(429,272)
Passenger facility charges	180,141	-	180,141	184,905	4,764
<b>Capital contributions</b>	<u>751,628</u>	<u>-</u>	<u>751,628</u>	<u>327,120</u>	<u>(424,508)</u>
<b>Change in net position</b>	<u>(1,123,367)</u>	<u>(411,818)</u>	<u>(1,535,185)</u>	<u>(1,560,477)</u>	<u>(25,292)</u>
<b>Net position, beginning of year</b>	<u>35,810,882</u>		<u>35,810,882</u>	<u>35,810,882</u>	
<b>Net position, end of year</b>	<u>\$ 34,687,515</u>		<u>34,275,697</u>	<u>34,250,405</u>	

**Santa Maria Public Airport District**  
**Schedule of Operating & Non-Operating Expenses – Compared to Budget**  
**For the Fiscal Year Ended June 30, 2016**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Operating expenses:</b>			
Landing area usage:			
ARFF Services	\$ 562,430	599,651	(37,221)
Utilities	17,178	16,679	499
Repairs and maintenance	<u>58,675</u>	<u>17,420</u>	<u>41,255</u>
Total	<u>638,283</u>	<u>633,750</u>	<u>4,533</u>
Hangar area usage:			
Utilities	42,930	39,140	3,790
Repairs and maintenance	52,638	29,662	22,976
Owner build area	<u>4,315</u>	<u>2,903</u>	<u>1,412</u>
Total	<u>99,883</u>	<u>71,705</u>	<u>28,178</u>
Main hangar and Fixed Base Operations (FBO)			
Utilities	42,596	46,584	(3,988)
Repairs and maintenance	<u>26,030</u>	<u>17,854</u>	<u>8,176</u>
Total	<u>68,626</u>	<u>64,438</u>	<u>4,188</u>
Terminal area usage:			
Utilities	133,896	128,256	5,640
Repairs and maintenance	<u>202,722</u>	<u>159,298</u>	<u>43,424</u>
Total	<u>336,618</u>	<u>287,554</u>	<u>49,064</u>
Land usage:			
Utilities	6,962	4,439	2,523
Mobile home park	350,706	304,911	45,795
Repairs and maintenance	<u>27,564</u>	<u>18,688</u>	<u>8,876</u>
Total	<u>385,232</u>	<u>328,038</u>	<u>57,194</u>
Public administration			
Salaries and wages	817,667	771,978	45,689
Benefits	423,539	389,158	34,381
Utilities	84,021	70,344	13,677
Supplies	72,324	57,992	14,332
Repairs and maintenance	59,796	51,409	8,387
Contractual services	566,424	516,384	50,040
Office supplies, postage and stationary	84,054	81,289	2,765
Dues and subscriptions	25,649	25,513	136
Advertising	102,258	113,186	(10,928)
Insurance	113,519	109,700	3,819
Bad debt expense	1,000	(640)	1,640
Travel	50,350	47,525	2,825
Fire training	26,500	1,967	24,533
Consulting services	162,460	129,909	32,551
Economic development	70,000	52,377	17,623
Other expenses	<u>18,152</u>	<u>9,595</u>	<u>8,557</u>
Total	<u>2,677,713</u>	<u>2,427,686</u>	<u>250,027</u>
Depreciation of capital assets	<u>2,411,337</u>	<u>2,441,538</u>	<u>(30,201)</u>
<b>Total operating expenses</b>	<u>\$ 6,617,692</u>	<u>6,254,709</u>	<u>362,983</u>
<b>Non-operating expense:</b>			
Revenue guarantee expense (note 12)	<u>\$ 387,922</u>	<u>387,922</u>	<u>-</u>



# **Statistical Section**



**Santa Maria Public Airport District**  
**Statistical Section**  
**June 30, 2016**

This part of the District's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the District's overall financial health.

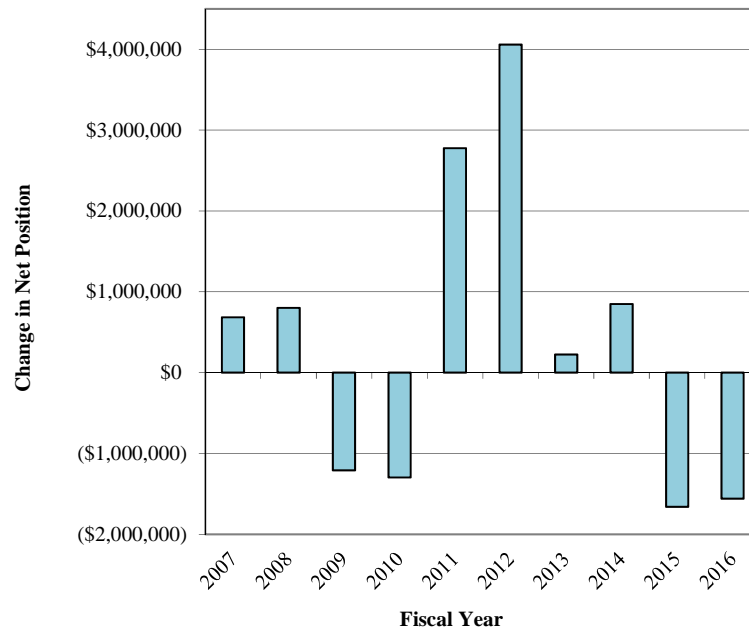
**Table of Contents**

	<b><u>Page No.</u></b>
Financial Trends These schedules contain information to help the reader understand how the District's financial performance and well-being have changed over time.	49-52
Revenue Capacity These schedules contain information to help the reader assess the District's most significant own-source revenue, land usage.	53-56
Demographic Information This schedule offers demographic indicators to help the reader understand the environment within which the District's financial activities take place.	57
Operating Information This schedule contains service and infrastructure data to help the reader understand how the information in the District's financial report relates to the service the District provides.	58-65

Note: The District is not presenting Debt Capacity information as the District has not had long-term debt instruments outstanding in the past ten fiscal years and is not subject to a debt limit.

**Santa Maria Public Airport District**  
**Changes in Net Position and Net Position by Component**  
**Last Ten Fiscal Years**

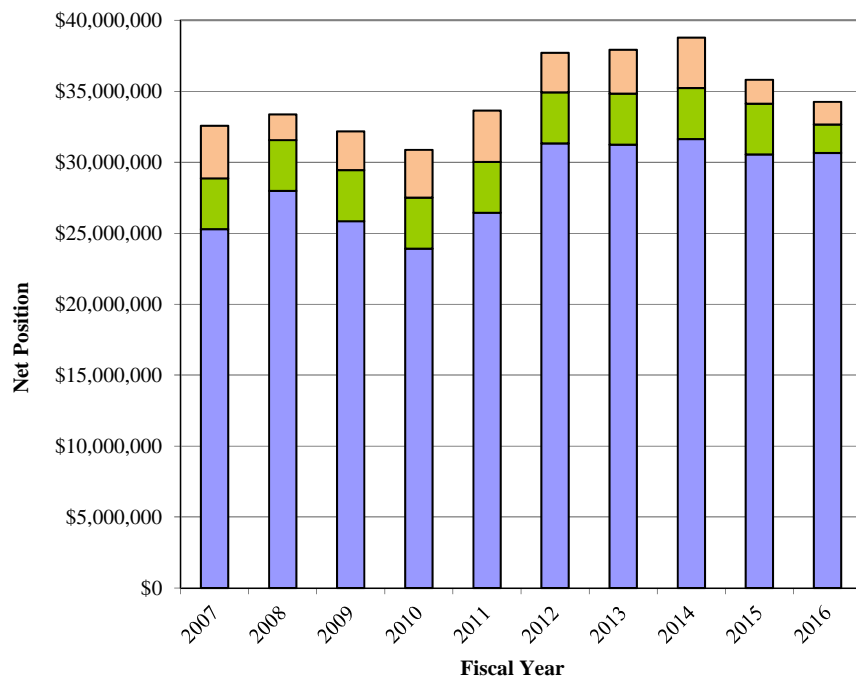
	Fiscal Year				
	2007	2008	2009	2010	2011
Changes in net position:					
Operating revenues (see Schedule 2)	\$ 2,670,554	2,927,305	2,975,198	2,999,089	2,919,221
Operating expenses (see Schedule 3)	(2,945,809)	(3,457,404)	(3,607,627)	(3,468,444)	(3,317,387)
Depreciation and amortization	(1,948,996)	(2,199,785)	(2,432,614)	(2,279,677)	(2,207,171)
<b>Operating income(loss)</b>	<b>(2,224,251)</b>	<b>(2,729,884)</b>	<b>(3,065,043)</b>	<b>(2,749,032)</b>	<b>(2,605,337)</b>
Non-operating revenues(expenses)					
Property taxes	1,236,199	1,311,836	1,284,120	1,222,744	1,236,952
Interest and investment earnings	460,288	300,180	139,324	49,557	31,472
Revenue guaranty expense	-	-	-	-	-
Gain/(Loss) on sale/disposition of assets	(7,782)	-	-	-	-
Other revenue/(expense), net	(86,879)	(14,773)	114,307	(16,557)	(28,585)
Total non-operating revenues(expenses), net	1,601,826	1,597,243	1,537,751	1,255,744	1,239,839
<b>Net income before capital contributions</b>	<b>(622,425)</b>	<b>(1,132,641)</b>	<b>(1,527,292)</b>	<b>(1,493,288)</b>	<b>(1,365,498)</b>
Capital contributions	1,305,228	1,932,562	318,815	195,302	4,142,421
<b>Changes in net position</b>	<b>\$ 682,803</b>	<b>799,921</b>	<b>(1,208,477)</b>	<b>(1,297,986)</b>	<b>2,776,923</b>
Net position by component:					
Net investment in capital assets	\$ 25,282,279	27,975,812	25,851,143	23,909,084	26,432,793
Restricted	3,590,032	3,590,032	3,593,339	3,594,590	3,593,440
Unrestricted	3,704,925	1,811,313	2,724,198	3,367,020	3,621,384
<b>Total net position</b>	<b>\$ 32,577,236</b>	<b>33,377,157</b>	<b>32,168,680</b>	<b>30,870,694</b>	<b>33,647,617</b>



Source: Santa Maria Public Airport District - Finance Department

# Schedule 1

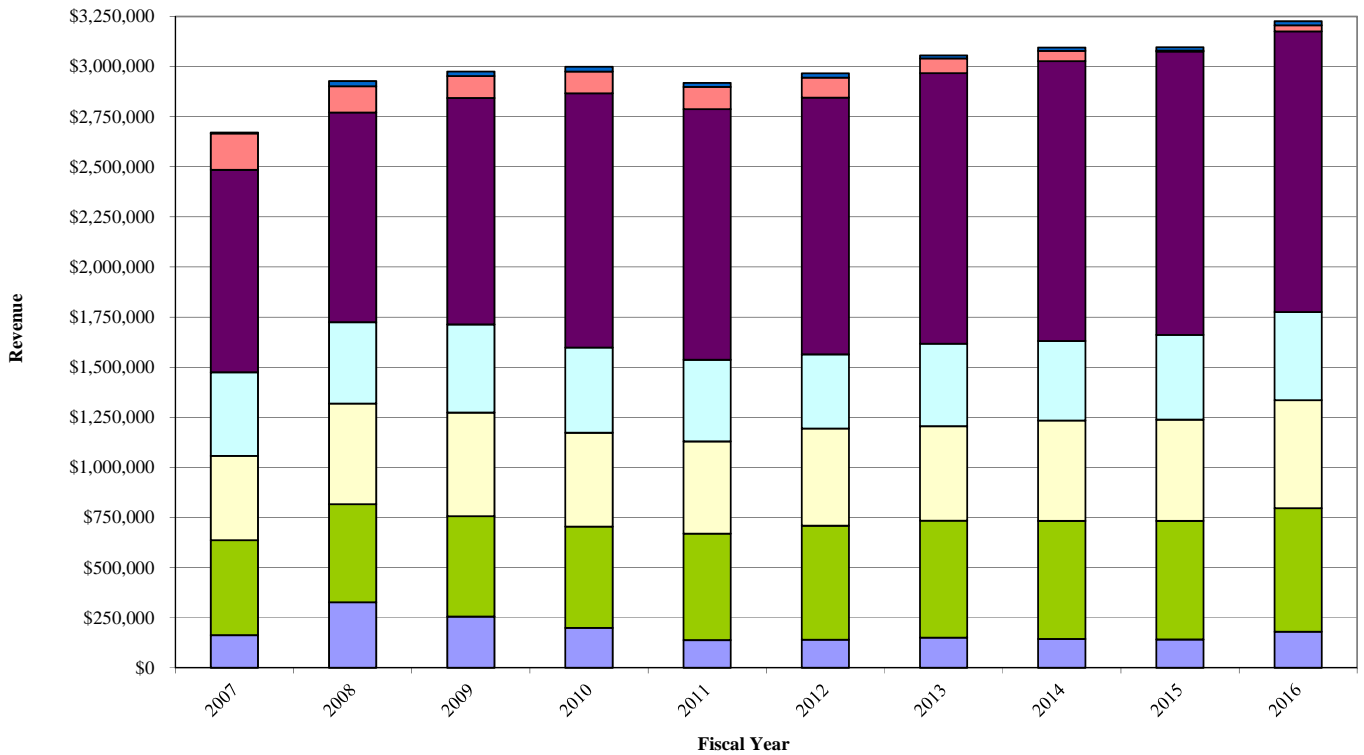
Fiscal Year				
2012	2013	2014	2015	2016
2,965,457	3,055,567	3,095,288	3,096,058	3,226,304
(3,499,414)	(3,562,952)	(3,573,252)	(3,720,240)	(3,813,171)
(2,256,291)	(2,222,345)	(2,328,936)	(2,490,934)	(2,441,538)
(2,790,248)	(2,729,730)	(2,806,900)	(3,115,116)	(3,028,405)
1,252,193	1,338,669	1,337,709	1,393,188	1,498,359
19,411	15,323	21,372	24,181	30,371
-	-	-	(372,078)	(387,922)
-	-	-	3,600	-
(336,319)	(44,616)	(13,881)	-	-
935,285	1,309,376	1,345,200	1,048,891	1,140,808
(1,854,963)	(1,420,354)	(1,461,700)	(2,066,225)	(1,887,597)
5,912,156	1,644,404	2,309,291	405,886	327,120
4,057,193	224,050	847,591	(1,660,339)	(1,560,477)
31,325,016	31,236,490	31,639,442	30,542,007	30,657,372
3,592,707	3,590,796	3,591,104	3,591,381	2,011,280
2,787,087	3,101,578	3,545,909	1,677,494	1,581,753
37,704,810	37,928,864	38,776,455	35,810,882	34,250,405



## Santa Maria Public Airport District Operating Revenue by Source Last Ten Fiscal Years

## Schedule 2

Fiscal Year	Landing Area	Hangar Area	Main Hangar and F.B.O.	Terminal Area	Land Usage	Operating Grant Revenue	Other Operating Revenue	Total Operating Revenue
2007	\$ 163,718	473,637	420,261	417,001	1,009,215	182,820	3,902	2,670,554
2008	327,323	489,356	501,836	406,491	1,045,881	130,773	25,645	2,927,305
2009	256,275	500,684	516,655	439,320	1,130,210	109,493	22,561	2,975,198
2010	199,323	505,006	468,894	424,805	1,267,966	108,852	24,243	2,999,089
2011	138,945	530,750	460,756	406,756	1,249,810	110,831	21,175	2,919,023
2012	140,377	569,250	484,376	369,839	1,280,780	99,958	20,877	2,965,457
2013	151,414	583,228	470,861	412,098	1,349,896	73,283	14,787	3,055,567
2014	144,302	588,838	500,601	397,517	1,396,246	51,000	16,784	3,095,288
2015	142,027	590,671	505,714	423,456	1,412,179	5,310	16,701	3,096,058
2016	180,445	616,514	538,999	439,979	1,399,132	31,050	20,185	3,226,304

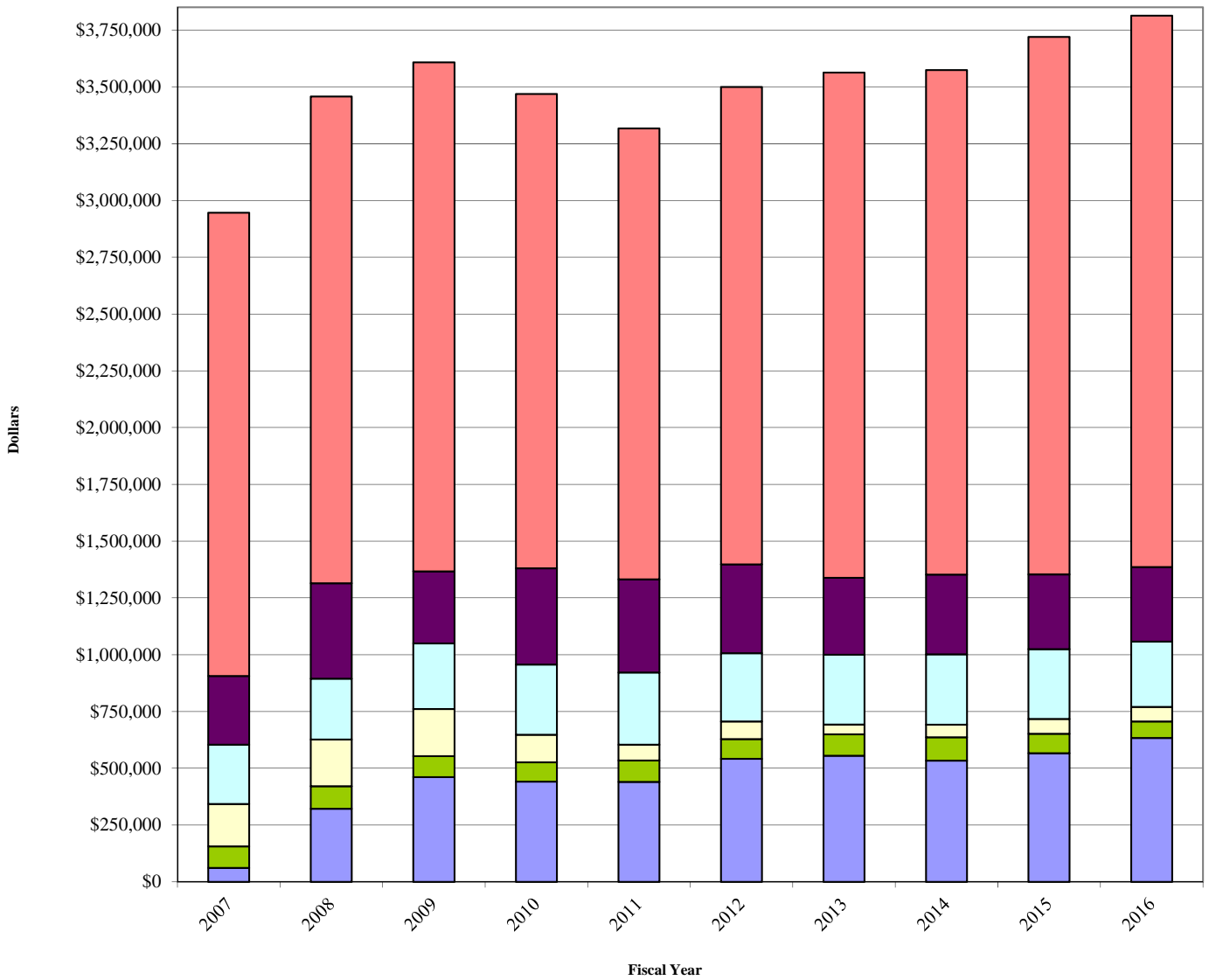


Source: Santa Maria Public Airport District - Finance Department

**Santa Maria Public Airport District  
Operating Expenses by Activity  
Last Ten Fiscal Years**

**Schedule 3**

Fiscal Year	Landing Area	Hangar Area	Main Hangar and F.B.O.	Terminal Area	Land Usage	Public Administration	Total Operating Expenses
2007	\$ 61,174	94,904	186,695	261,075	302,476	2,039,485	2,945,809
2008	321,573	99,189	206,295	267,681	420,310	2,142,356	3,457,404
2009	460,886	92,218	207,887	288,377	317,147	2,241,112	3,607,627
2010	441,413	84,700	121,435	309,416	423,595	2,087,885	3,468,444
2011	440,256	93,748	70,071	317,511	410,196	1,985,605	3,317,387
2012	541,606	87,289	76,699	301,654	390,619	2,101,547	3,499,414
2013	555,445	94,296	42,705	306,946	338,899	2,224,661	3,562,952
2014	533,468	103,564	54,576	309,662	351,754	2,220,228	3,573,252
2015	566,998	84,492	65,143	307,847	329,530	2,366,230	3,720,240
2016	633,750	71,705	64,438	287,554	328,038	2,427,686	3,813,171

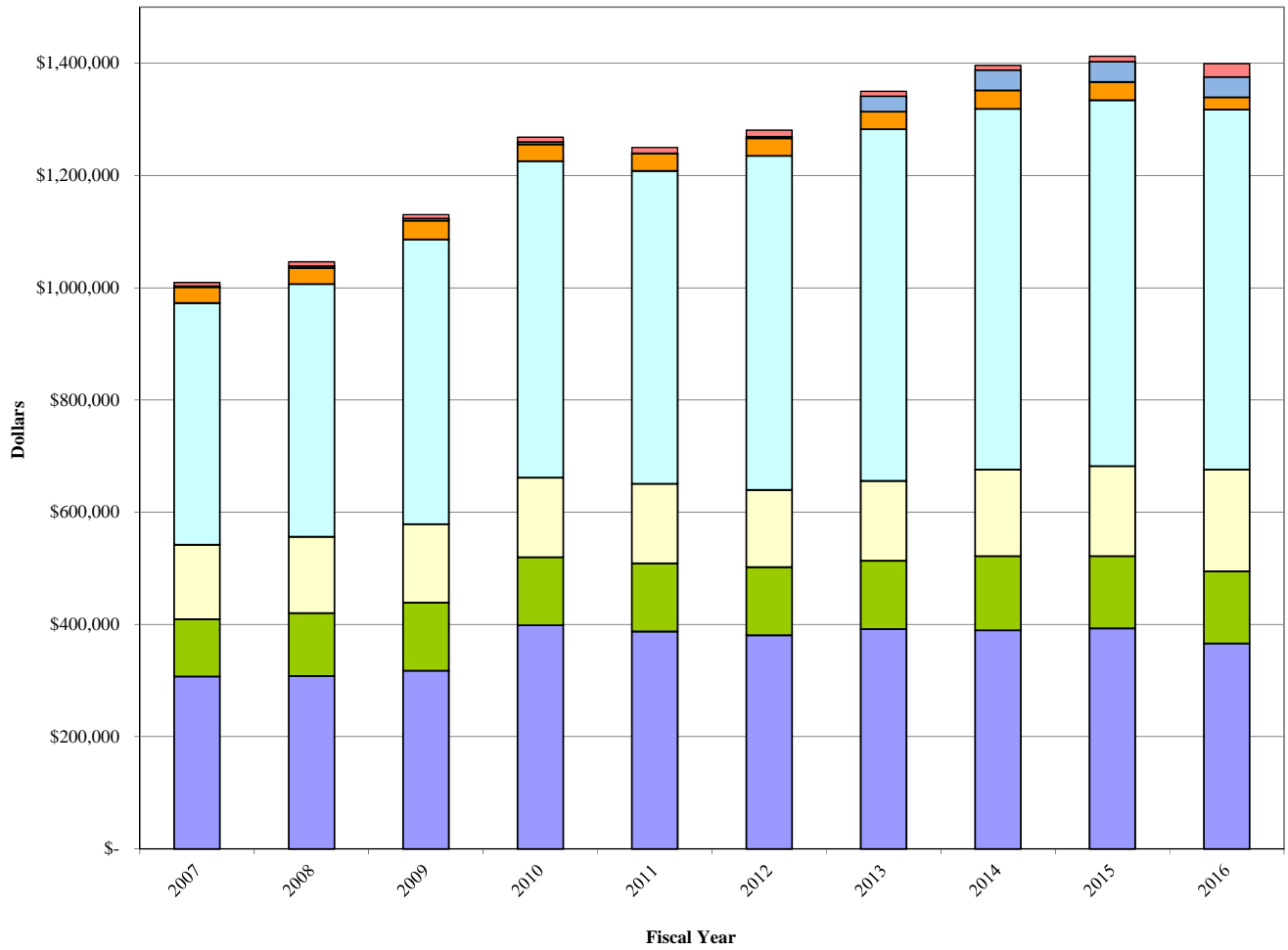


Source: Santa Maria Public Airport District - Finance Department

**Santa Maria Public Airport District  
Revenue Base – Land Usage  
Last Ten Fiscal Years**

**Schedule 4**

<b>Fiscal Year</b>	<b>Mobile Home Park</b>	<b>Business Park</b>	<b>Hotel</b>	<b>Agricultural</b>	<b>Recreation Golf Course</b>	<b>Recreation Karting</b>	<b>Other Revenue Generating Land</b>	<b>Total Land Usage Revenue</b>
2007	\$ 307,365	101,736	132,697	430,722	28,380	1,914	6,401	1,009,215
2008	307,943	112,215	136,101	450,250	28,380	3,507	7,485	1,045,881
2009	317,438	121,524	139,693	507,265	33,442	4,200	6,648	1,130,210
2010	398,462	121,524	141,534	564,007	30,000	4,200	8,239	1,267,966
2011	387,308	121,524	141,754	557,284	31,218	714	10,008	1,249,810
2012	380,616	121,524	137,536	595,313	31,218	3,049	11,524	1,280,780
2013	391,975	121,524	142,194	626,701	31,218	27,411	8,873	1,349,896
2014	389,424	132,288	154,217	642,627	32,725	36,588	8,377	1,396,246
2015	392,966	128,700	160,581	651,609	32,424	36,588	9,311	1,412,179
2016	365,964	128,700	181,132	641,700	21,616	36,588	23,432	1,399,132



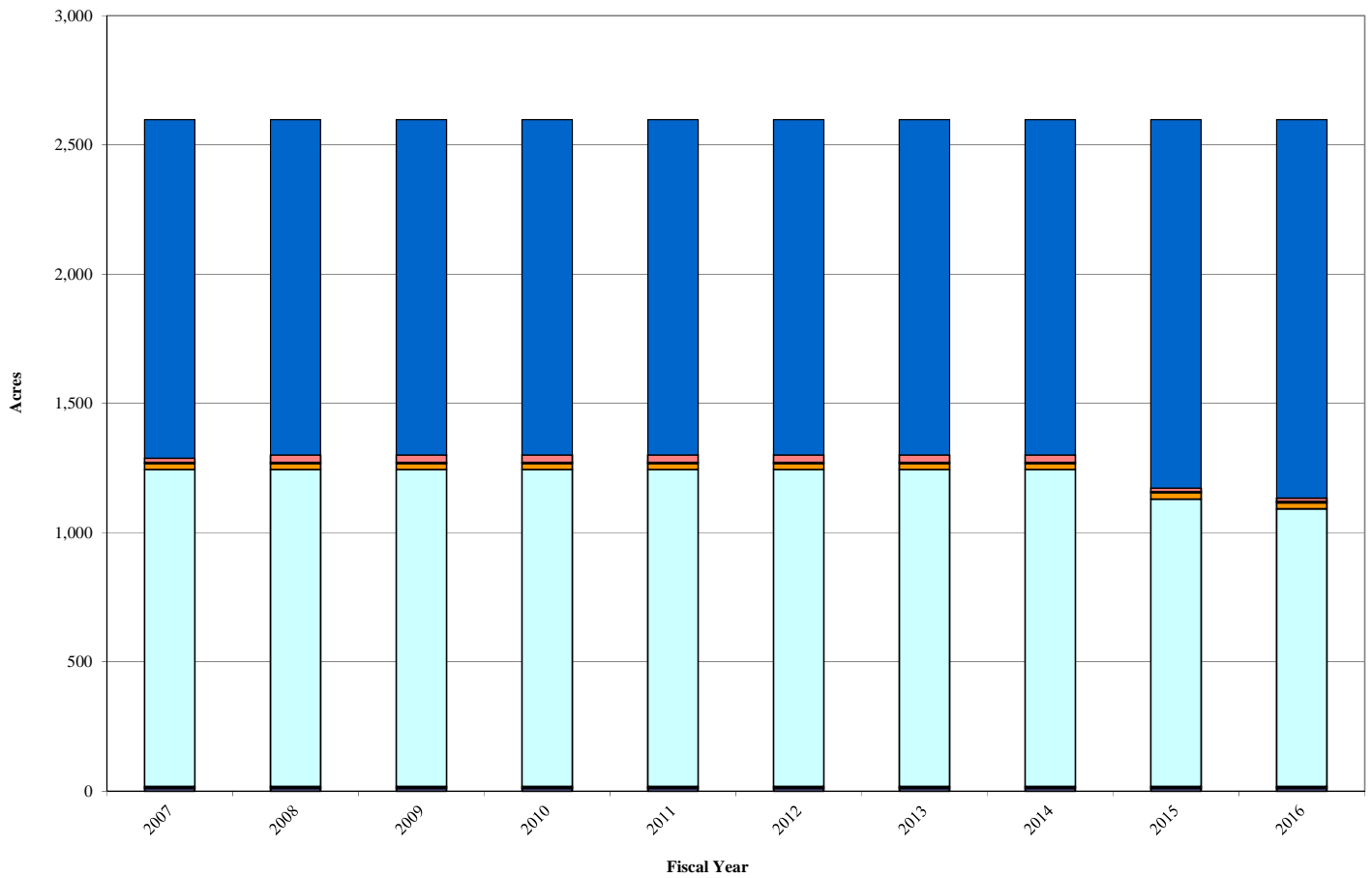
Source: Santa Maria Public Airport District - Finance Department



**Santa Maria Public Airport District  
Land Usage  
Last Ten Fiscal Years**

**Schedule 5**

Fiscal Year	Total Land Acres								Total Land Area
	Mobile Home Park	Business Park	Hotel	Agricultural	Recreation Golf Course	Recreation Karting	Other Revenue Generating Land	Other Land Use	
2007	10	3	5	1,226	24	4	16	1,310	2,598
2008	10	3	5	1,226	24	4	29	1,297	2,598
2009	10	3	5	1,226	24	4	29	1,297	2,598
2010	10	3	5	1,226	24	4	29	1,297	2,598
2011	10	3	5	1,226	24	4	29	1,297	2,598
2012	10	3	5	1,226	24	4	29	1,297	2,598
2013	10	3	5	1,226	24	4	29	1,297	2,598
2014	10	3	5	1,226	24	4	29	1,297	2,598
2015	10	3	5	1,112	24	4	14	1,426	2,598
2016	10	3	5	1,074	24	4	14	1,464	2,598



Source: Santa Maria Public Airport District - Finance Department

- Notes:
- (1) Excludes overhead absorption.
  - (2) Water treatment began in fiscal year 2000 with the completion of the District's water treatment plant.

**Santa Maria Public Airport District  
Land Usage Revenue Rates<sup>(1)</sup>  
Last Ten Fiscal Years**

**Schedule 6**

<u>Land Use</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Mobile Home Park	30,737	30,794	31,744	39,846	38,731	38,062	39,198	38,942	39,297	36,596
Business Park	33,912	37,405	40,508	40,508	40,508	40,508	40,508	44,096	42,900	42,900
Hotel	26,539	27,220	27,939	28,307	28,351	27,507	28,439	30,843	32,116	36,226
Agricultural	351	367	414	460	455	486	511	524	586	597
Recreation – Golf Course	1,183	1,183	1,393	1,250	1,301	1,301	1,301	1,364	1,351	901
Recreation – Karting	479	877	1,050	1,050	179	762	6,853	9,147	9,147	9,147
Other Land	400	258	229	284	345	9	306	289	7	1,674

**Notes:**

(1) Land usage is rated per acre per year based on actual land usage and revenue generated by that land

**Source:** Santa Maria Public Airport District - Finance Department

**Santa Maria Public Airport District  
Principal Leaseholders  
Current Fiscal Year and Nine Years Ago**

**Schedule 7**

Name	Type of Land Usage	2016		2007	
		Land Leased (Acres)	Percentage of Total Land	Land Leased (Acres)	Percentage of Total Land
Gresser	Agricultural	449.26	39.62%	411.17	31.92%
Castellanos (the leasee is now CJJ)	Agricultural	131.09	11.56%	114.30	8.87%
Village Mobile Home Park	Mobile Home Park	10.00	0.88%	10.00	0.78%
Commercial Land – Hotel	Hotel	5.19	0.46%	5.19	0.40%
Airport Business Park	Business Park	2.98	0.26%	2.98	0.23%
Corporate Hangar FBO 3940 Mitchell	Other Land	0.69	0.06%	0.49	0.04%
Corporate Hangar Row	Other Land	0.51	0.04%	-	0.00%
Corporate Hangar FBO 3409 Corsair	Other Land	0.39	0.03%	1.83	0.14%
Terminal – Restaurant	Other Land	-	0.00%	0.14	0.01%
Terminal Concessions – Avis	Other Land	0.08 <sup>(1)</sup>	0.01%	0.08 <sup>(1)</sup>	0.01%
Terminal Concessions – Hertz	Other Land	0.08 <sup>(1)</sup>	0.01%	0.08 <sup>(1)</sup>	0.01%
Terminal - Transportation Safety Administration	Other Land	0.03	0.00%	-	0.00%
Total attributable to ten largest lease holders		<u>600.30</u>	<u>52.94%</u>	<u>546.26</u>	<u>42.41%</u>
	Total land leased	<u>1,134</u>	<u>100.00%</u>	<u>1,288</u>	<u>100.00%</u>

**Note:**

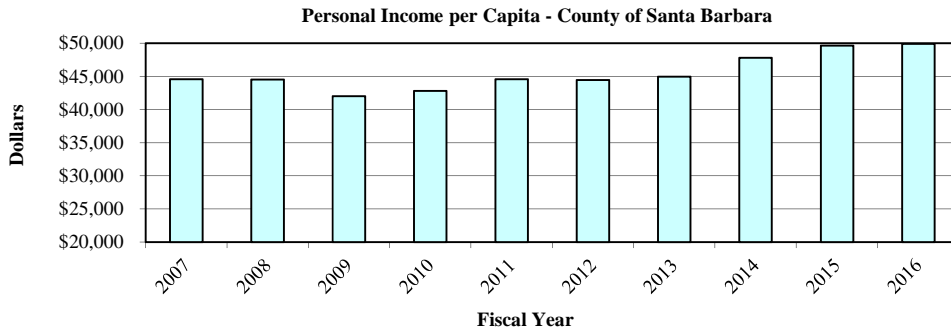
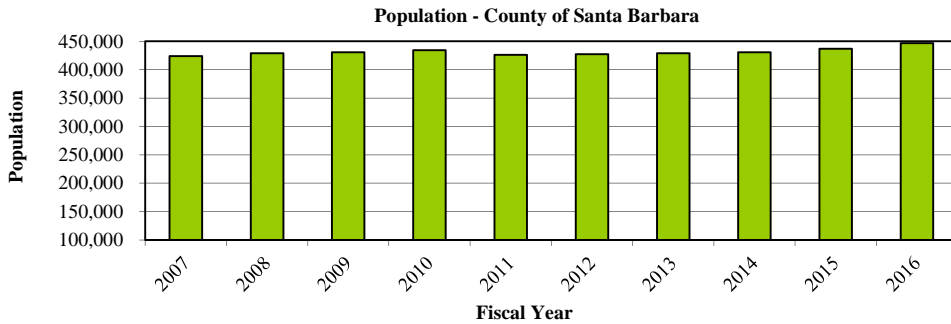
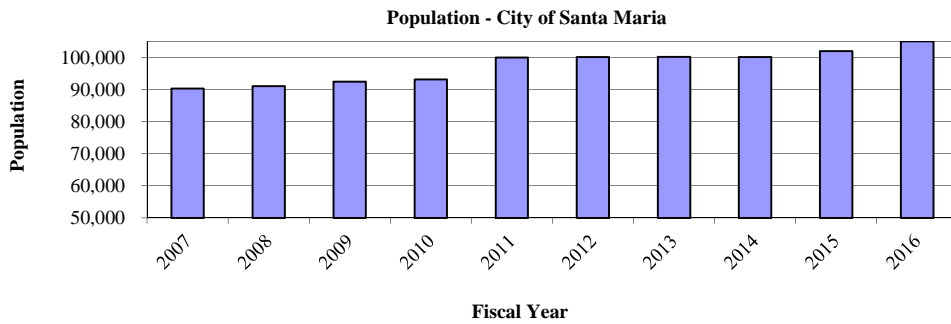
<sup>(1)</sup> Reported as acreage is equal.

**Source:** Santa Maria Public Airport District – Finance Department

**Santa Maria Public Airport District  
Demographics and Economics Statistics  
Last Ten Fiscal Years**

**Schedule 8**

Year	County of San Barbara <sup>(2)</sup>				
	City of Santa Maria Population <sup>(1)</sup>	Unemployment Rate	Population	Personal Income (thousands of dollars)	Personal Income per Capita
2007	90,333	3.8%	424,000	\$ 18,900,000	\$ 44,575
2008	91,110	5.2%	429,000	19,100,000	44,522
2009	92,542	8.2%	431,000	18,100,000	41,995
2010	93,225	8.8%	434,481	18,600,000	42,810
2011	100,062	8.9%	426,189	19,000,000	44,581
2012	100,199	7.9%	427,267	19,000,000	44,469
2013	100,306	6.3%	429,200	19,300,000	44,967
2014	100,222	5.4%	431,000	20,600,000	47,796
2015	102,087	4.7%	437,000	21,700,000	49,657
2016	105,093	4.9%	447,000	22,300,000	49,888



**Sources:** California Department of Finance and California Labor Market Info

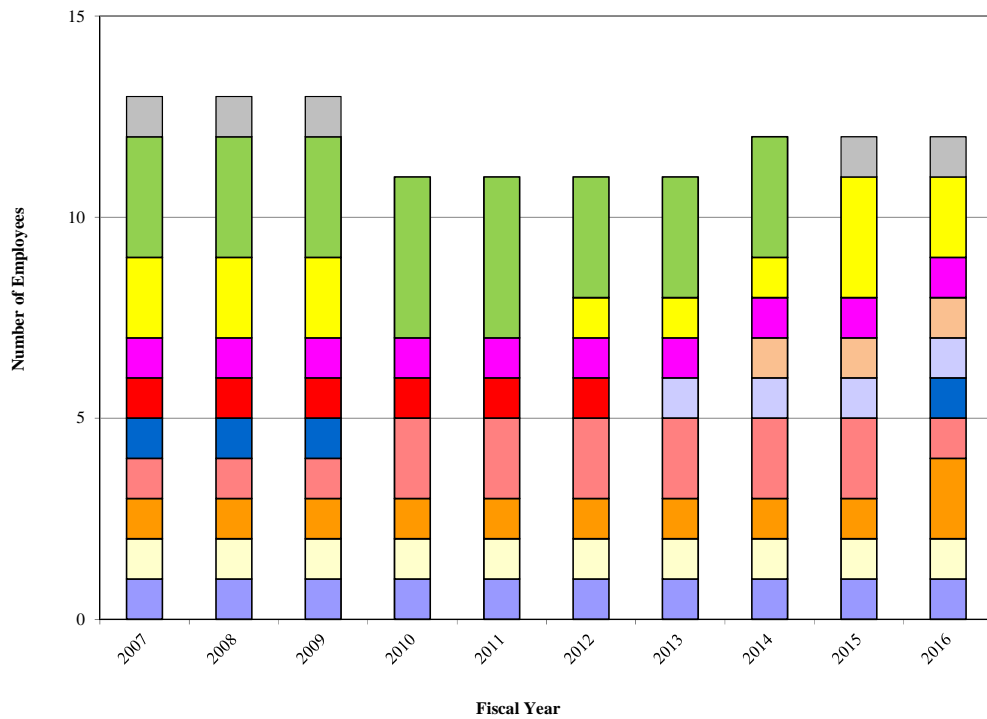
**Notes:**

- (1) Separate data is not prepared for the District, therefore, the District has used data for the City of Santa Maria. A substantial portion of the District lies within the City, and therefore, is a reasonable basis for determining the demographic and economic statistics of the District.
- (2) Only County data is updated annually. Therefore, the District has chose to use its data since the District believes that the County data is representative of the conditions and experience of the District.

**Santa Maria Public Airport District  
District Employees  
Last Ten Fiscal Years**

**Schedule 9**

Position	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Manager	1	1	1	1	1	1	1	1	1	1
Assistant General Mgr.	-	-	-	-	-	-	-	-	-	-
Mgr. of Finance & Admin	1	-	1	1	1	1	1	1	1	1
Controller	-	-	-	-	-	-	-	-	-	-
Accounting Clerk	1	1	1	1	1	1	1	1	1	2
Administrative Secretary	1	1	1	2	2	2	2	2	2	1
Secretary Receptionist	1	1	1	-	-	-	-	-	-	1
Mgr. of Maint. & Ops.	-	-	-	-	-	-	1	1	1	1
Operations Supervisor	1	1	1	1	1	1	-	-	-	-
Operations Officer	-	-	-	-	-	-	-	1	1	1
Maintenance Supervisor	1	1	1	1	1	1	1	1	1	1
Maintenance Worker I	2	2	2	-	-	1	1	1	3	2
Maintenance Worker II	3	3	3	4	4	3	3	3	-	-
Maintenance Worker III	1	1	1	-	-	-	-	-	1	1
	<u>13</u>	<u>13</u>	<u>13</u>	<u>11</u>	<u>11</u>	<u>11</u>	<u>11</u>	<u>12</u>	<u>12</u>	<u>12</u>



Source: Santa Maria Public Airport District - Finance Department

**Santa Maria Public Airport District  
Operational Information**

**Schedule 10**

<b><i>Location:</i></b>	3 miles south of downtown Santa Maria, California	
<b><i>Land Area:</i></b>	2,598 acres	
<b><i>Elevation:</i></b>	261 feet	
<b><i>Airport Code:</i></b>	SMX	
<b><i>Runways:</i></b>	12/30	8,004 x 150 ft., paved, lighted
	2/20	5,130 x 75 ft., paved
<b><i>Tower:</i></b>	118.3 (0600 to 2000)	

**Source:** Santa Maria Public Airport District - Finance Department

**Santa Maria Public Airport District  
Flight Tower – Tracking of Flight Operations – Last Ten Fiscal Years**

**Schedule 11**

<b>Flight Tower - Tracking of Flight Operations During Each Period</b>													
	<b>July</b>	<b>August</b>	<b>September</b>	<b>October</b>	<b>November</b>	<b>December</b>	<b>January</b>	<b>February</b>	<b>March</b>	<b>April</b>	<b>May</b>	<b>June</b>	<b>Totals</b>
<b>2007</b>	5,687	6,216	5,035	6,067	5,059	5,016	5,611	4,435	5,716	5,100	6,341	6,418	66,701
<b>2008</b>	7,358	8,394	6,546	6,156	5,360	5,289	5,166	4,860	5,938	5,226	5,736	5,645	71,674
<b>2009</b>	5,450	6,100	5,268	6,031	4,736	4,548	4,492	3,222	5,002	3,904	4,448	4,359	57,560
<b>2010</b>	4,697	6,270	5,585	5,123	4,716	3,840	4,380	3,702	4,687	3,826	4,357	4,408	55,591
<b>2011</b>	4,868	4,911	4,732	3,594	4,387	3,365	4,703	3,752	4,330	3,948	3,828	3,713	50,131
<b>2012</b>	3,862	4,348	4,157	3,659	3,828	3,884	4,938	3,100	3,330	3,415	3,724	3,357	45,602
<b>2013</b>	3,723	4,002	3,706	3,478	3,244	4,241	5,432	3,665	3,341	3,816	3,786	3,513	45,947
<b>2014</b>	3,712	3,636	3,771	3,891	3,255	3,636	3,673	2,949	3,398	3,399	3,791	3,944	43,055
<b>2015</b>	3,789	3,781	3,542	3,379	3,040	2,928	3,312	2,723	3,619	3,333	3,116	3,280	39,842
<b>2016</b>	3,188	3,474	3,517	3,062	2,930	2,709	2,414	3,450	2,866	2,651	3,234	3,918	37,413
<b>Average</b>	4,633	5,113	4,586	4,444	4,056	3,946	4,412	3,586	4,223	3,862	4,236	4,256	51,352

Source: Santa Maria Public Airport District - Finance Department

**Santa Maria Public Airport District  
Flight Tower – Tracking of Flight Landings – Last Ten Fiscal Years**

**Schedule 12**

<b>Flight Tower - Tracking of Flight Landings During Each Period</b>													
	<b>July</b>	<b>August</b>	<b>September</b>	<b>October</b>	<b>November</b>	<b>December</b>	<b>January</b>	<b>February</b>	<b>March</b>	<b>April</b>	<b>May</b>	<b>June</b>	<b>Totals</b>
<b>2007</b>	302	342	333	315	309	325	312	289	320	303	325	326	3,801
<b>2008</b>	1,026	1,325	294	385	339	349	335	324	342	342	342	373	5,776
<b>2009</b>	526	512	314	281	315	314	284	255	279	273	411	274	4,038
<b>2010</b>	274	1,014	257	281	243	281	249	228	253	254	289	300	3,923
<b>2011</b>	300	299	298	301	269	315	281	268	295	288	297	298	3,509
<b>2012</b>	288	307	307	282	273	306	274	273	291	283	304	281	3,469
<b>2013</b>	284	319	269	325	283	293	286	265	280	280	363	338	3,585
<b>2014</b>	318	317	295	303	267	284	289	257	291	295	339	311	3,566
<b>2015</b>	354	301	282	322	323	216	248	222	243	240	169	152	3,072
<b>2016</b>	114	229	174	208	156	188	155	151	173	164	180	483	2,375
<b>Average</b>	379	497	282	300	278	287	271	253	277	272	302	314	3,711

Source: Santa Maria Public Airport District - Finance Department



**Santa Maria Public Airport District  
Enplaned and Deplaned Passengers – Last Ten Fiscal Years**

**Schedule 13**

<b>Enplaned and Deplaned Passengers During Each Period</b>													
	<b>July</b>	<b>August</b>	<b>September</b>	<b>October</b>	<b>November</b>	<b>December</b>	<b>January</b>	<b>February</b>	<b>March</b>	<b>April</b>	<b>May</b>	<b>June</b>	<b>Totals</b>
<b>2007</b>	10,271	9,623	9,016	9,666	8,988	9,053	8,831	7,705	8,954	9,382	9,469	10,119	111,077
<b>2008</b>	10,245	10,617	8,842	8,995	10,089	10,028	9,341	9,928	12,188	10,874	12,035	9,264	122,446
<b>2009</b>	9,346	9,445	8,305	8,655	7,985	8,073	7,306	6,760	8,172	7,955	8,378	8,318	98,698
<b>2010</b>	8,295	8,757	7,587	8,019	7,756	8,257	8,091	6,969	8,175	8,342	9,147	9,377	98,772
<b>2011</b>	9,031	9,446	9,146	8,946	8,146	8,101	7,596	6,499	7,611	7,780	8,241	8,517	99,060
<b>2012</b>	8,218	8,932	7,787	7,908	7,925	7,769	6,957	6,460	7,689	7,870	7,404	8,888	93,807
<b>2013</b>	9,570	8,906	8,044	8,502	8,459	10,667	8,739	6,305	8,756	8,746	10,282	13,105	110,081
<b>2014</b>	14,632	9,973	7,814	8,207	7,795	8,532	7,285	6,451	7,806	8,191	9,042	11,083	106,811
<b>2015</b>	11,620	9,787	8,294	8,844	7,737	8,201	7,041	6,202	7,260	7,745	8,677	9,574	100,982
<b>2016</b>	9,856	8,267	7,609	7,723	7,420	7,282	6,076	5,370	6,543	6,756	6,907	10,822	90,631
<b>Average</b>	10,108	9,375	8,244	8,547	8,230	8,596	7,726	6,865	8,315	8,364	8,958	9,907	103,237

Source: Santa Maria Public Airport District - Finance Department

**Santa Maria Public Airport District  
Gross Revenue Car Rental Agencies – Last Ten Fiscal Years**

**Schedule 14**

Gross Revenue Car Rental Agencies During Each Period													
	July	August	September	October	November	December	January	February	March	April	May	June	Totals
<b>2007</b>	299,400	328,810	292,621	302,332	295,870	283,828	231,054	216,549	265,531	245,489	274,222	265,537	3,301,242
<b>2008</b>	285,463	298,665	267,706	229,058	230,514	241,449	221,141	263,465	318,279	239,756	259,559	253,987	3,109,043
<b>2009</b>	274,076	284,168	238,343	257,970	195,872	194,712	171,854	180,501	198,321	174,812	197,279	201,720	2,569,629
<b>2010</b>	199,798	221,648	214,247	218,234	185,572	169,550	153,256	165,696	227,511	195,777	216,997	222,836	2,391,121
<b>2011</b>	237,394	220,336	219,839	5,841	184,565	187,431	189,292	189,694	210,249	197,659	188,509	197,566	2,228,375
<b>2012</b>	216,985	227,690	198,913	203,134	174,997	166,152	157,771	149,016	181,971	182,622	185,853	219,361	2,264,465
<b>2013</b>	240,318	288,233	186,761	200,143	169,198	186,555	161,668	144,072	185,167	188,912	182,870	221,445	2,355,342
<b>2014</b>	234,267	209,547	183,080	172,014	152,310	187,339	146,953	153,666	183,893	197,298	206,878	222,960	2,250,205
<b>2015</b>	249,189	244,035	194,969	213,272	221,904	225,722	164,354	178,801	206,087	214,640	214,125	234,966	2,562,064
<b>2016</b>	248,697	265,869	208,684	229,740	209,245	201,469	196,263	198,157	194,431	197,770	219,632	215,492	2,585,449
<b>Average</b>	248,559	258,900	220,516	203,174	202,005	204,421	179,361	183,962	217,144	203,473	214,592	225,587	2,561,694

Source: Santa Maria Public Airport District - Finance Department

**Santa Maria Public Airport District  
Fuel Flowage Reports in Gallons – Last Ten Fiscal Years**

**Schedule 15**

<b>Fuel Flowage Reports in Gallons During Each Period</b>													
	<b>July</b>	<b>August</b>	<b>September</b>	<b>October</b>	<b>November</b>	<b>December</b>	<b>January</b>	<b>February</b>	<b>March</b>	<b>April</b>	<b>May</b>	<b>June</b>	<b>Totals</b>
<b>2007</b>	85,102	124,927	112,049	90,724	82,275	72,907	77,589	74,946	96,804	94,991	78,455	85,338	1,076,108
<b>2008</b>	167,708	379,101	105,543	108,922	83,418	69,454	66,950	81,717	90,054	80,046	84,063	185,498	1,502,474
<b>2009</b>	172,304	120,871	89,591	102,168	90,539	63,671	72,797	63,094	72,725	55,193	103,578	55,949	1,062,480
<b>2010</b>	68,404	232,511	63,994	82,518	64,894	55,928	40,045	52,894	64,517	64,254	60,181	64,092	914,232
<b>2011</b>	55,575	55,509	63,493	55,632	63,718	47,895	47,890	39,871	51,849	55,713	47,737	36,093	620,975
<b>2012</b>	59,265	55,566	58,527	55,774	47,941	47,940	39,733	39,755	55,890	47,881	63,710	79,449	651,431
<b>2013</b>	56,612	64,360	51,940	68,725	71,803	107,770	72,580	52,455	68,130	88,041	105,476	127,752	935,644
<b>2014</b>	138,796	75,951	74,852	61,604	55,806	56,623	56,404	47,922	67,934	52,349	87,135	100,642	876,018
<b>2015</b>	95,235	72,788	71,951	88,149	63,283	52,483	44,008	56,284	64,267	51,751	88,174	89,025	837,398
<b>2016</b>	113,096	111,244	160,277	118,877	79,719	79,909	76,532	72,136	63,825	64,161	88,717	324,451	1,352,944
<b>Average</b>	101,210	129,283	85,222	83,309	70,340	65,458	59,453	58,107	69,600	65,438	80,723	114,829	982,970

Source: Santa Maria Public Airport District - Finance Department

**Santa Maria Public Airport District  
Demographic Information – Principal Employers Prior Fiscal Year and Ten Fiscal Years Ago\***

**Schedule 16**

City of Santa Maria Northern Santa Barbara County/Santa Maria Employer	Fiscal Year 2015*			Fiscal Year 2006*		
	Employees	Rank	Percentage of	Employees	Rank	Percentage of
			Total City Employment			Total City Employment
Vandenberg Airforce Base	6,878	1	13.72%	4,782	1	13.42%
Santa-Maria-Bonita School District	1,650	2	3.29%	1,718	3	4.82%
Marian Medical Center	1,545	3	3.08%	1,345	4	3.77%
C&D Zodiac Aerospace, Incorporated	1,476	4	2.94%	444	9	1.25%
Allan Hancock College	1,150	5	2.29%	2,200	2	6.17%
Santa Maria Joint Union High School District	693	6	1.38%	785	6	2.20%
Windset Farms	667	7	1.33%	-	-	0.00%
City of Santa Maria	648	8	1.29%	598	7	1.68%
Betteravia Farms	450	9	0.90%	-	-	0.00%
Wal-Mart (3 locations)	420	10	0.84%	-	-	0.00%
Lockheed Martin Corporation	-	-	0.00%	844	5	2.37%
Den-Mat Corporation	-	-	0.00%	479	8	1.34%
Vocational Training	-	-	0.00%	325	10	0.91%
<b>Total</b>	<b>15,577</b>		<b>31.06%</b>	<b>13,520</b>		<b>37.93%</b>

**Note:**

\* Only 2015 data was available at time of District CAFR publishing

Source - City of Santa Maria - CAFR 2015

# **Report on Compliance and Internal Controls**





Charles Z. Fedak, CPA, MBA  
Christopher J. Brown, CPA, CGMA  
Jonathan P. Abadesco, CPA

## Fedak & Brown LLP

Certified Public Accountants

Cypress Office:  
6081 Orange Avenue  
Cypress, California 90630  
(657) 214-2307  
FAX (714) 527-9154

Riverside Office:  
4204 Riverwalk Pkwy. Ste. 390  
Riverside, California 92505  
(951) 977-9888

### **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  
Santa Maria Public Airport District  
Santa Maria, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Santa Maria Public Airport District (District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprises the District's basic financial statements, and have issued our report thereon dated December 8, 2016.

#### **Internal Control Over Financial Reporting**

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

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

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

#### **Compliance and Other Matters**

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

**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*, continued**

**Purpose of this Report**

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

*Fedak & Brown LLP*

**Fedak & Brown LLP**  
Cypress, California  
December 8, 2016