



Santa Maria Public Airport District
Santa Maria, California

Comprehensive Annual Financial Report
For The Fiscal Years Ending June 30, 2011 and 2010



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, 2011**

<u>Name</u>	<u>Title</u>	<u>Elected/ Appointed</u>	<u>Current Term</u>
Hugh Rafferty	President	Elected	12/08 - 11/12
Chuck Adams	Vice President	Elected	12/08 - 11/12
Charles J. Damiano	Secretary	Elected	12/10 - 11/14
Carl Engel, Jr.	Director	Elected	12/08 - 11/12
Vacant	Director		12/10 - 11/14

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



**Comprehensive Annual Financial Report
For The Fiscal Years Ending
June 30, 2011 and 2010**

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, 2011 and 2010**

Table of Contents

	<u>Page No.</u>
Table of Contents	i
Introductory Section	
Letter of Transmittal	1-3
Organizational Chart	4
GFOA Certificate of Achievement for Excellence in Financial Reporting	5
Financial Section	
Independent Auditor's Report	6-7
Management's Discussion and Analysis	8-11
Basic Financial Statements:	
Statements of Net Assets	12
Statements of Revenues, Expenses and Changes in Net Assets	13
Statements of Cash Flows	14-15
Notes to the Basic Financial Statements	16-26
Supplementary Information:	
Schedule of Revenues, Expenses and Changes in Net Assets – Budget to Actual on a Budgetary Basis	27
Schedule of Operating Expenses – Compared to Budget	28
Schedule of Expenditures of Federal Awards	29
Statistical Section	30
Changes in Net Assets and Net Assets by Component – Last Ten Fiscal Years	31-32
Operating Revenue by Source – Last Ten Fiscal Years	33
Operating Expenses by Activity – Last Ten Fiscal Years	34
Revenue Base – Land Usage – Last Ten Fiscal Years	35
Land Usage – Last Ten Fiscal Years	36
Land Usage Revenue Rates – Last Ten Fiscal Years	37
Principal Leaseholders – Current Fiscal Year and Nine Years Ago	38
Demographics and Economic Statistics – Last Ten Fiscal Years	29
District Employees – Last Ten Fiscal Years	40
Operational Information	41
Flight Tower – Tracking of Flight Operations – Last Ten Fiscal Years	42
Flight Tower – Tracking of Landings – Last Ten Fiscal Years	43
Enplaned and Deplaned Passengers – Last Ten Fiscal Years	44
Gross Revenue Car Rental Agencies – Last Ten Fiscal Years	45
Fuel Flowage Reports in Gallons – Last Ten Fiscal Years	46
Principal Employers - Current Fiscal Year and Ten Years Ago	47
Report on Compliance and Internal Controls	
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>	48

Introductory Section



September 30, 2011

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, 2011.

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.

Charles Z. Fedak & Company, Certified Public Accountants, have issued an unqualified (“clean”) opinion on the Santa Maria Public Airport District’s financial statements for the year ended June 30, 2011. 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 eleven 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.

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'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.

Santa Barbara County seems to lag behind in economic recovery cycles. While there have been seven quarters of positive Gross Domestic Product at the national level, the County saw signs of slow growth during FY 2011. Unemployment remains high and the real estate market is struggling in terms of home sales, home prices, and new construction.

The County saw positive trends developing in the second half of FY 09-10 and the trends continued through FY 2011. Consumer spending and tourism showed signs of recovery. The real estate housing market and labor market have not shown much of a rebound and are caught in a tepid recovery.

Most County tax revenues increased slightly in FY 2011. Property taxes are the County's biggest source of revenue and largest discretionary revenue source. County property taxes grew 0.6% in FY 2011, the lowest growth rate in the last 30 years. However, many other California counties saw negative growth rates as well.

Local County sales tax grew 5.7% after a three year decline, and Proposition 172, the statewide Public Safety ½ cent sales tax, increased 6% after a four year decline. These are good signs of economic upturn in the County and throughout California. Transient occupancy tax increased 17% after three years of decline, with improved occupancy and revenues at the County's major destination resorts.

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. The District is in the process of expanding runway 12/30. However, environmental issues have put this project on hold.

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 adopts 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 plans to lengthen runway 12/30 by 700 additional feet. This project will be partially funded by the Federal Aviation Administration's Airport Improvement Program. Phase One of this project is nearing completion with Phase Two scheduled for fiscal year 2012. The 7,004 foot runway will allow for more general aviation activities at the District.

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, 2010. This was the fifth 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,

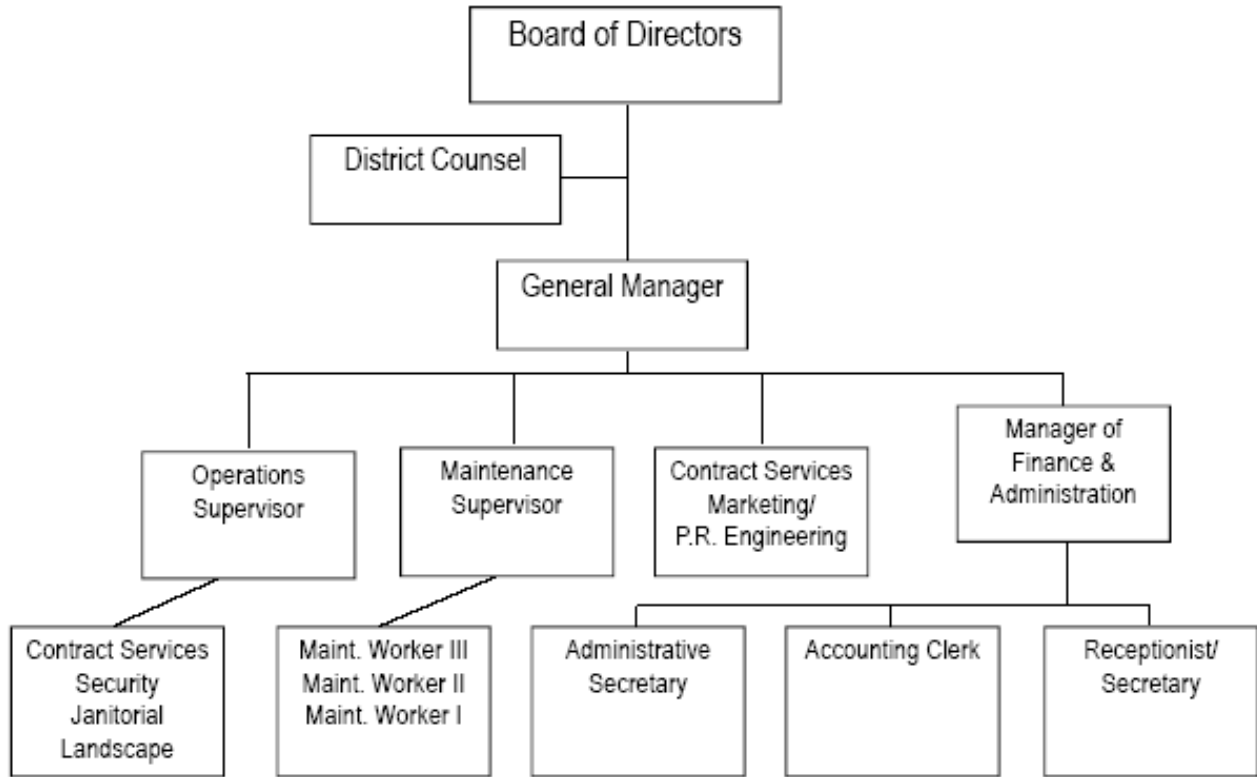


Chris Hastert
General Manager



Veroneka Reade
Manager of Finance and Administration

SANTA MARIA PUBLIC AIRPORT DISTRICT
Organizational Chart
June 2007



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, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

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Financial Section



Charles Z. Fedak, CPA, MBA
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Independent Auditor's Report

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

We have audited the accompanying financial statements of the Santa Maria Public Airport District (District) as of and for the years ended June 30, 2011 and 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these basic financial statements based on our audits.

We conducted our audits 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 audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the Santa Maria Public Airport District as of June 30, 2011 and 2010, and the respective changes in net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 30, 2011, 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 and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit. That report can be found on page 48.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 8 through 11 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 audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Independent Auditor's Report, continued

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 27 through 28, and the statistical section on pages 30 through 47 are presented for purposes of additional analysis and are not required parts of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, 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.

The accompanying schedule of expenditures of federal awards on page 29 is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Charles Z. Fedak & Co. CPA's
An Accountancy Corporation

Charles Z. Fedak and Company, CPA's – An Accountancy Corporation
Cypress, California
September 30, 2011

Santa Maria Public Airport District
Management's Discussion and Analysis
For the Fiscal Years Ended June 30, 2011 and 2010

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, 2011 and 2010. 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 assets increased 9.0% or \$2,776,923 to \$33,647,617 in fiscal year 2011 and decreased 4.0% or \$1,297,986 to \$30,870,694 in fiscal year 2010.
- The District's operating revenues decreased 2.7% or \$79,868 in fiscal year 2011 due primarily to an decrease in land usage revenues and increased 0.8% or \$23,891 in fiscal year 2010 due primarily to an increase in land usage revenues.
- The District's operating expenses decreased 4.4% in fiscal year 2011 due primarily to a decrease in public administration expenses and decreased 3.8% in fiscal year 2010 due primarily to a decrease in public administration expenses.

Required Financial Statements

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

Financial Analysis of the District

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

Santa Maria Public Airport District
Management's Discussion and Analysis
For the Fiscal Years Ended June 30, 2011 and 2010

These two statements report the District's *net assets* and changes in net assets. You can think of the District's net assets – the difference between assets and liabilities – as one way to measure the District's financial health, or *financial position*. Over time, *increases or decreases* in the District's net assets 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 16 through 26.

Statement of Net Assets

Condensed Statements of Net Assets					
Assets:	2011	2010	Change	2009	Change
Current assets	\$ 8,495,188	7,420,525	1,074,663	6,792,617	627,908
Non-current assets	7,757	13,836	(6,079)	19,275	(5,439)
Capital assets, net	26,441,682	23,920,195	2,521,487	25,845,201	(1,925,006)
Total assets	\$ 34,944,627	31,354,556	3,590,071	32,657,093	(1,302,537)
Liabilities:					
Current liabilities	\$ 1,169,205	359,837	809,368	370,888	(11,051)
Long-term liabilities	127,805	124,025	3,780	117,525	6,500
Total liabilities	1,297,010	483,862	813,148	488,413	(4,551)
Net assets:					
Net investment in capital assets	26,432,793	23,909,084	2,523,709	25,831,868	(1,922,784)
Restricted for capital projects	3,593,440	3,594,590	(1,150)	3,593,339	1,251
Unrestricted	3,621,384	3,367,020	254,364	2,743,473	623,547
Total net assets	33,647,617	30,870,694	2,776,923	32,168,680	(1,297,986)
Total liabilities and net assets	\$ 34,944,627	31,354,556	3,590,071	32,657,093	(1,302,537)

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets of the District exceeded liabilities by \$33,647,617 and \$30,870,694 as of June 30, 2011 and 2010, respectively.

By far the largest portion of the District's net assets (79% as of June 30, 2011 and 77% as of June 30, 2010) reflects the District's investment in capital assets (net of accumulated depreciation) less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to customers within the District's service area; consequently, these assets are *not* available for future spending.

At the end of fiscal years 2011 and 2010, the District showed a positive balance in its unrestricted net assets of \$3,621,384 and \$3,367,020 respectively, which may be utilized in future years.

Santa Maria Public Airport District
Management's Discussion and Analysis
For the Fiscal Years Ended June 30, 2011 and 2010

Statement of Revenues, Expenses and Changes in Net Assets

Condensed Statements of Revenues, Expenses and Changes in Net Assets

Revenues:	2011	2010	Change	2009	Change
Operating revenues	\$ 2,919,221	2,999,089	(79,868)	2,975,198	23,891
Non-operating revenues	1,270,105	1,272,466	(2,361)	1,553,603	(281,137)
Total revenues	4,189,326	4,271,555	(82,229)	4,528,801	(257,246)
Expenses:					
Operating expenses	3,317,387	3,468,444	(151,057)	3,607,627	(139,183)
Depreciation and amortization	2,207,171	2,279,677	(72,506)	2,432,614	(152,937)
Non-operating expenses	30,266	16,722	13,544	15,852	870
Total expenses	5,554,824	5,764,843	(210,019)	6,056,093	(291,250)
Net income before capital	(1,365,498)	(1,493,288)	127,790	(1,527,292)	34,004
Capital contributions	4,142,421	195,302	3,947,119	318,815	(123,513)
Change in net assets	2,776,923	(1,297,986)	4,074,909	(1,208,477)	(89,509)
Net assets, beginning of year	30,870,694	32,168,680	(1,297,986)	33,377,157	(1,208,477)
Net assets, end of year	\$ 33,647,617	30,870,694	2,776,923	32,168,680	(1,297,986)

The statement of revenues, expenses and changes of net assets shows how the District's net assets changed during the fiscal years. In the case of the District, net assets increased by \$2,776,923 and decreased by \$1,297,986 for the fiscal years ended June 30, 2011 and 2010.

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

The District's operating revenues decreased 2.7% or \$79,868 in fiscal year 2011 due primarily to a decrease in land usage revenues and increased 0.8% or \$23,891 in fiscal year 2010 due primarily to an increase in land usage revenues.

The District's operating expenses decreased 4.4% in fiscal year 2011 due primarily to a decrease in public administration expenses and decreased 3.8% in fiscal year 2010 due primarily to a decrease in public administration expenses.

Operating and Non-Operating Revenues

Operating revenues:	2011	2010	Change	2009	Change
Landing area usage	\$ 138,945	199,323	(60,378)	256,275	(56,952)
Hangar area usage	530,750	505,006	25,744	500,684	4,322
Main hangar and F.B.O.	460,954	468,894	(7,940)	516,655	(47,761)
Terminal area usage	406,756	424,805	(18,049)	439,320	(14,515)
Land usage	1,249,810	1,267,966	(18,156)	1,130,210	137,756
Operating grant revenue	110,831	108,852	1,979	109,493	(641)
Other charges and fees	21,175	24,243	(3,068)	22,561	1,682
Non-operating revenues:					
Property taxes	1,236,952	1,222,744	14,208	1,284,120	(61,376)
Interest earnings	31,472	49,557	(18,085)	139,324	(89,767)
Other	1,681	165	1,516	130,159	(129,994)
Total revenues	\$ 4,189,326	4,271,555	(82,229)	4,528,801	(257,246)

In 2011, total revenues decreased by \$82,229 due primarily to a decrease in landing area usage for the year.

In 2010, total revenues decreased by \$257,246 due primarily to a decrease in non-operating revenues for the year.

Santa Maria Public Airport District
Management's Discussion and Analysis
For the Fiscal Years Ended June 30, 2011 and 2010

Operating and Non-operating Expenses

Operating expenses:	2011	2010	Change	2009	Change
Landing area usage	\$ 440,256	441,413	(1,157)	460,886	(19,473)
Hangar area usage	93,748	84,700	9,048	92,218	(7,518)
Main hangar and F.B.O.	70,071	121,435	(51,364)	207,887	(86,452)
Terminal area usage	317,511	309,416	8,095	288,377	21,039
Land usage	410,196	423,595	(13,399)	317,147	106,448
Public administration	1,985,605	2,087,885	(102,280)	2,241,112	(153,227)
Depreciation	2,207,171	2,279,677	(72,506)	2,432,614	(152,937)
Non-operating expenses:					
Other	30,266	16,722	13,544	15,852	870
Total revenues	\$ 5,554,824	5,764,843	(210,019)	6,056,093	(291,250)

In 2011, total expenses decreased \$210,019, due primarily to a decrease in public administration expenses and a decrease in depreciation expense.

In 2010, total expenses decreased \$291,250, due primarily to a decrease in public administration expenses and a decrease in depreciation expense.

Capital Asset Administration

Changes in capital asset amounts for 2011 were as follows:

	Balance 2010	Additions	Transfers/ Deletions	Balance 2011
Capital assets:				
Non-depreciable assets	\$ 8,053,279	4,728,658	(1,267,161)	11,514,776
Depreciable assets	52,620,717	1,267,161	-	53,887,878
Accumulated depreciation	(36,753,801)	(2,207,171)	-	(38,960,972)
Total capital assets, net	\$ 23,920,195	3,788,648	(1,267,161)	26,441,682

Changes in capital asset amounts for 2010 were as follows:

	Balance 2009	Additions	Transfers/ Deletions	Balance 2010
Capital assets:				
Non-depreciable assets	\$ 7,992,141	354,671	(293,533)	8,053,279
Depreciable assets	52,327,184	293,533	-	52,620,717
Accumulated depreciation	(34,474,124)	(2,279,677)	-	(36,753,801)
Total capital assets, net	\$ 25,845,201	(1,631,473)	(293,533)	23,920,195

At the end of fiscal year 2011 and 2010, the District's investment in capital assets amounted to \$26,441,682 and \$23,920,195 (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 Assets
June 30, 2011 and 2010

<i>Assets</i>	2011	2010
Current assets:		
Cash and cash equivalents (note 2)	\$ 2,090,692	3,645,919
Restricted – cash and cash equivalents (note 2)	3,593,440	3,594,590
Certificate-of-deposit (note 2)	8,000	8,000
Accrued interest receivable	7,601	9,837
Accounts receivable – customers and tenants, net (note 3)	82,726	128,031
Accounts receivable – federal capital grants	680,869	-
Accounts receivable – federal operating grants	27,741	18,226
Note receivable – current portion	5,618	5,439
Advance to FAA for landing area improvements	1,987,163	-
Prepaid expenses and deposits	11,338	10,483
Total current assets	8,495,188	7,420,525
Non-current assets:		
Note receivable – non-current portion	7,757	13,836
Capital assets, not being depreciated (note 4)	11,514,776	8,053,279
Depreciable capital assets (note 4)	14,926,906	15,866,916
Total non-current assets	26,449,439	23,934,031
Total assets	34,944,627	31,354,556
<i>Liabilities and Net Assets</i>		
Current liabilities:		
Accounts payable and accrued expenses	906,542	148,576
Accrued wages and related payables	25,136	21,449
Deferred revenue – hanger and other rentals	104,283	76,772
Hangar and other deposits	90,642	72,440
Long-term liabilities – due in one year:		
Compensated absences (note 5)	40,380	38,378
Hangar improvements payable (note 6)	2,222	2,222
Total current liabilities	1,169,205	359,837
Long-term liabilities – due in more than one year:		
Compensated absences (note 5)	121,138	115,136
Hangar improvements payable (note 6)	6,667	8,889
Total long-term liabilities	127,805	124,025
Total liabilities	1,297,010	483,862
Net assets: (note 7)		
Investment in capital assets, net of related debt	26,432,793	23,909,084
Restricted for capital projects	3,593,440	3,594,590
Unrestricted	3,621,384	3,367,020
Total net assets	33,647,617	30,870,694
Total liabilities and net assets	\$ 34,944,627	31,354,556

See accompanying notes to the basic financial statements

Santa Maria Public Airport District
Statements of Revenues, Expenses and Changes in Net Assets
For the Fiscal Years Ended June 30, 2011 and 2010

	2011	2010
Operating revenues:		
Landing area usage	\$ 138,945	199,323
Hangar area usage	530,750	505,006
Main hangar and F.B.O.	460,954	468,894
Terminal area usage	406,756	424,805
Land usage	1,249,810	1,267,966
Operating grant revenue	110,831	108,852
Other charges and fees	21,175	24,243
Total operating revenues	2,919,221	2,999,089
Operating expenses:		
Landing area usage	440,256	441,413
Hangar area usage	93,748	84,700
Main hangar and F.B.O.	70,071	121,435
Terminal area usage	317,511	309,416
Land usage	410,196	423,595
Public administration	1,985,605	2,087,885
Total operating expenses	3,317,387	3,468,444
Operating loss before depreciation expense	(398,166)	(469,355)
Depreciation expense	(2,207,171)	(2,279,677)
Operating loss	(2,605,337)	(2,749,032)
Non-operating revenue(expense):		
Property taxes (note 8)	1,236,952	1,222,744
Interest and investment earnings	31,472	49,557
Other non-operating revenues	1,681	165
Other non-operating expenses	(30,266)	(16,722)
Total non-operating revenues, net	1,239,839	1,255,744
Net loss before capital contributions	(1,365,498)	(1,493,288)
Capital contributions:		
Federal capital grants	3,965,627	11,410
Passenger facility charges	176,794	183,892
Capital contributions	4,142,421	195,302
Change in net assets	2,776,923	(1,297,986)
Net assets, beginning of year	30,870,694	32,168,680
Net assets, end of year	\$ 33,647,617	30,870,694

See accompanying notes to the basic financial statements

Santa Maria Public Airport District
Statements of Cash Flows
For the Fiscal Years Ended June 30, 2011 and 2010

	2011	2010
Cash flows from operating activities:		
Cash receipts from customers and tenants	\$ 2,855,376	2,891,076
Cash receipts from federal operating grants	101,316	117,863
Cash paid to vendors for materials and services	(1,828,914)	(2,783,196)
Cash paid to employees for salaries	(704,224)	(704,224)
Net cash provided(used) by operating activities	423,554	(478,481)
Cash flows from non-capital financing activities:		
Proceeds from property taxes	1,236,952	1,222,744
Net cash provided by non-capital financing activities	1,236,952	1,222,744
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(4,728,658)	(354,671)
Proceeds from federal capital grants	3,284,758	21,637
Proceeds from passenger facility charges	176,794	183,892
Proceeds from note receivable	5,900	5,278
Advance to FAA for landing area improvements	(1,987,163)	-
Payments for hanger improvements	(2,222)	(2,222)
Net cash used in capital and related financing activities	(3,250,591)	(146,086)
Cash flows from investing activities:		
Interest received on cash and cash equivalents	33,708	62,292
Net cash provided by investing activities	33,708	62,292
Net increase(decrease) in cash and cash equivalents	(1,556,377)	660,469
Cash and cash equivalents, beginning of year	7,240,509	6,580,040
Cash and cash equivalents, end of year	\$ 5,684,132	7,240,509
Reconciliation of cash and cash equivalents to statement of financial position:		
Cash and cash equivalents	\$ 2,090,692	3,645,919
Restricted assets – cash and cash equivalents	3,593,440	3,594,590
Total cash and cash equivalents	\$ 5,684,132	7,240,509

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, 2011 and 2010

	2011	2010
Reconciliation of operating loss to net cash provided(used) by operating activities:		
Operating loss	\$ (2,605,337)	(2,749,032)
Adjustments to reconcile operating loss to net cash provided(used) by operating activities:		
Depreciation and amortization	2,207,171	2,279,677
Other non-operating revenues	1,681	165
Other non-operating expenses	(30,266)	(16,722)
Changes in assets and liabilities:		
(Increase)Decrease in assets:		
Accounts receivable – customers and tenants, net	45,305	674
Accounts receivable – federal operating grants	(9,515)	9,011
Prepaid expenses and deposits	(855)	75
Increase(Decrease) in liabilities:		
Accounts payable and accrued expenses	757,966	(1,782)
Accrued wages and related liabilities	3,687	(875)
Compensated absences	8,004	11,629
Deferred revenue	27,511	(19,026)
Hangar and other deposits	18,202	7,725
Total adjustments	3,028,891	2,270,551
Net cash provided(used) by operating activities	\$ 423,554	(478,481)

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, 2011 and 2010

(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 are presented in conformance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, "*Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*" (GASB No. 34). This statement established revised financial reporting requirements for state and local governments throughout the United States for the purpose of enhancing the understandability and usefulness of financial reports.

GASB No. 34 and its related GASB pronouncements provide for a revised view of financial information and restructure the format of financial information provided prior to its adoption. A statement of net assets replaces the balance sheet and reports assets, liabilities, and the difference between them as net assets, not equity. A statement of revenues, expenses and changes in net assets replaces both the income statement and the statement of changes in retained earnings and contributed capital. GASB No. 34 also requires that the statement of cash flows be prepared using the direct method. Under the direct method, cash flows from operating activities are presented by major categories.

Under GASB No. 34, enterprise funds, such as the District, have the option of consistently following or not following pronouncements issued by the Financial Accounting Standards Board (FASB) subsequent to November 30, 1989. The District has elected not to follow FASB standards issued after that date, unless such standards are specifically adopted by GASB.

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

Santa Maria Public Airport District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2011 and 2010

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

D. Assets, Liabilities and Net Assets

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 assets during the reporting period. Actual results could differ from those estimates.

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 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. 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.

5. 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 assets and as capital grant contribution or operating grant revenue, as appropriate, on the statement of revenues, expenses and changes in net assets.

6. Prepaid Expenses

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

Santa Maria Public Airport District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2011 and 2010

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

D. Assets, Liabilities and Net Assets, continued

7. 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

8. 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.

9. Deferred Revenue

Deferred revenue consists of 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.

10. Net Assets

The financial statements utilize a net assets presentation. Net assets are categorized as follows:

- **Net Investment in Capital Assets** – This component of net assets consists of capital assets, net of accumulated depreciation and reduced by any outstanding debt outstanding against the acquisition, construction or improvement of those assets.
- **Restricted Net Assets** – This component of net assets consists of constraints placed on net assets 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 Assets** – This component of net assets consists of net assets that do not meet the definition of *restricted* or *net investment in capital assets*.

Santa Maria Public Airport District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2011 and 2010

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

D. Assets, Liabilities and Net Assets, continued

11. 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

12. Capital Contributions

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

13. 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.

(2) Cash, Cash Equivalents and Investments

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

	<u>2011</u>	<u>2010</u>
Cash and cash equivalents	\$ 2,090,692	3,645,919
Restricted cash and cash equivalents	3,593,440	3,594,590
Certificate-of-deposit	8,000	8,000
Total cash and investments	<u>\$ 5,692,132</u>	<u>7,248,509</u>

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

	<u>2011</u>	<u>2010</u>
Cash on hand	\$ 1,250	1,250
Deposits with financial institutions	82,735	56,431
Certificate-of-deposit held with a financial institution	8,000	8,000
Deposits held with California Local Agency Investment Fund (LAIF)	5,600,147	7,182,828
Total cash and investments	<u>\$ 5,692,132</u>	<u>7,248,509</u>

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

	<u>2011</u>	<u>2010</u>
Certificate-of-deposit held with a financial institution	May 2012	May 2010
Deposits held with California Local Agency Investment Fund (LAIF)	237 days	203 days

Santa Maria Public Airport District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2011 and 2010

(2) Cash and Cash Equivalents and Investments, continued

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.

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 market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

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).

Santa Maria Public Airport District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2011 and 2010

(2) Cash and Cash Equivalents and Investments, continued

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.

(3) Accounts Receivable – Customers and Tenants, Net

The balance at June 30, consists of the following:

	2011	2010
Accounts receivable – customers and tenants	\$ 95,463	138,031
Allowance for uncollectible accounts	(12,737)	(10,000)
Accounts receivable – customers and tenants, net	\$ 82,726	128,031

(4) Capital Assets

Changes in capital assets for 2011 were as follows:

	Balance 2010	Additions/ Transfers	Deletions/ Transfers	Balance 2011
Non-depreciable assets:				
Land and land rights	\$ 6,435,579	-	-	6,435,579
Construction-in-process	1,617,700	4,728,658	(1,267,161)	5,079,197
Total non-depreciable assets	8,053,279	4,728,658	(1,267,161)	11,514,776
Depreciable assets:				
Landing area	20,580,806	704,077	-	21,284,883
Revenue generating land	6,868,145	122,381	-	6,990,526
Owner-Builder area	34,664	-	-	34,664
T-Hangars	6,418,908	21,394	-	6,440,302
Fixed Based Operations (F.B.O.)	1,947,103	161,783	-	2,108,886
Terminal	14,272,195	190,615	-	14,462,810
Administration and equipment	2,498,896	66,911	-	2,565,807
Total depreciable assets	52,620,717	1,267,161	-	53,887,878
Accumulated depreciation:				
Landing area	(15,573,200)	(949,560)	-	(16,522,760)
Revenue generating land	(2,816,635)	(245,127)	-	(3,061,762)
Owner-Builder area	(21,090)	(3,468)	-	(24,558)
T-Hangars	(4,715,016)	(195,974)	-	(4,910,990)
Fixed Based Operations (F.B.O.)	(1,724,869)	(54,256)	-	(1,779,125)
Terminal	(9,995,754)	(693,512)	-	(10,689,266)
Administration and equipment	(1,907,237)	(65,274)	-	(1,972,511)
	(36,753,801)	(2,207,171)	-	(38,960,972)
Total depreciable assets, net	15,866,916	(940,010)	-	14,926,906
Total capital assets, net	\$ 23,920,195			26,441,682

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

Santa Maria Public Airport District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2011 and 2010

(4) Capital Assets, continued

Changes in capital assets for 2010 were as follows:

	<u>Balance 2009</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>Balance 2010</u>
Non-depreciable assets:				
Land and land rights	\$ 6,435,579	-	-	6,435,579
Construction-in-process	1,556,562	354,671	(293,533)	1,617,700
Total non-depreciable assets	<u>7,992,141</u>	<u>354,671</u>	<u>(293,533)</u>	<u>8,053,279</u>
Depreciable assets:				
Landing area	20,519,955	60,851	-	20,580,806
Revenue generating land	6,686,205	181,940	-	6,868,145
Owner-Builder area	34,664	-	-	34,664
T-Hangars	6,418,908	-	-	6,418,908
Fixed Based Operations (F.B.O.)	1,947,103	-	-	1,947,103
Terminal	14,237,082	35,113	-	14,272,195
Administration and equipment	2,483,267	15,629	-	2,498,896
Total depreciable assets	<u>52,327,184</u>	<u>293,533</u>	<u>-</u>	<u>52,620,717</u>
Accumulated depreciation:				
Landing area	(14,535,018)	(1,038,182)	-	(15,573,200)
Revenue generating land	(2,557,236)	(259,399)	-	(2,816,635)
Owner-Builder area	(17,622)	(3,468)	-	(21,090)
T-Hangars	(4,519,952)	(195,064)	-	(4,715,016)
Fixed Based Operations (F.B.O.)	(1,685,949)	(38,920)	-	(1,724,869)
Terminal	(9,315,423)	(680,331)	-	(9,995,754)
Administration and equipment	(1,842,924)	(64,313)	-	(1,907,237)
	<u>(34,474,124)</u>	<u>(2,279,677)</u>	<u>-</u>	<u>(36,753,801)</u>
Total depreciable assets, net	<u>17,853,060</u>	<u>(1,986,144)</u>	<u>-</u>	<u>15,866,916</u>
Total capital assets, net	<u>\$ 25,845,201</u>			<u>23,920,195</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>2009</u>	<u>2010</u>	<u>2011</u>
Landing area improvements	\$ 1,381,460	1,463,348	5,072,592
Revenue generating land	172,538	100,599	6,605
Main hangar stairs	2,564	6,404	-
Terminal area	-	47,349	-
Construction-in-process	<u>\$ 1,556,562</u>	<u>1,617,700</u>	<u>5,079,197</u>

Santa Maria Public Airport District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2011 and 2010

(5) Compensated Absences

Changes in compensated absences were as follows:	<u>2011</u>	<u>2010</u>
Balance at beginning of year	\$ 153,514	141,885
Additions	112,584	109,785
Payments to employees	<u>(104,580)</u>	<u>(98,156)</u>
Balance at end of year	161,518	153,514
Less: Current portion	<u>(40,380)</u>	<u>(38,378)</u>
Long-term portion	<u>\$ 121,138</u>	<u>115,136</u>

(6) Hangar Improvements Payable

Hangar improvements payable are improvements made by a tenant of the District to their hangar. The District has agreed to compensate the tenant \$20,000 for those improvements, which will be paid over a nine year period or \$2,222 per year beginning in 2007.

(7) Net Assets

Calculation of net assets as of June 30, were as follows:	<u>2011</u>	<u>2010</u>
Net investment in capital assets:		
Capital assets, not being depreciated	\$ 11,514,776	8,053,279
Depreciable capital assets	14,926,906	15,866,916
Current:		
Hangar improvements payable	(2,222)	(2,222)
Non-current:		
Hangar improvements payable	<u>(6,667)</u>	<u>(8,889)</u>
Total net investment in capital assets	<u>26,432,793</u>	<u>23,909,084</u>
Restricted net assets:		
Restricted – cash and cash equivalents	<u>3,593,440</u>	<u>3,594,590</u>
Total restricted net assets	<u>3,593,440</u>	<u>3,594,590</u>
Unrestricted net assets:		
Non-spendable net assets:		
Advance to FAA for landing area improvements	1,987,163	-
Prepaid expenses and deposits	11,338	10,483
Note receivable – non-current portion	<u>7,757</u>	<u>13,836</u>
Total non-spendable net assets	<u>2,006,258</u>	<u>24,319</u>
Spendable net assets are designated as follows:		
Designated for emergency reserve	1,000,000	1,000,000
Designated for operating reserve	<u>615,126</u>	<u>2,342,701</u>
Total spendable net assets	<u>1,615,126</u>	<u>3,342,701</u>
Total unrestricted net assets	<u>3,621,384</u>	<u>3,367,020</u>
Total net assets	<u>\$ 33,647,617</u>	<u>30,870,694</u>

Santa Maria Public Airport District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2011 and 2010

(8) Property Taxes and Sale of a Receivable

Under the provisions of the State of California Proposition 1A and as part of the 2010 fiscal year State of California budget package passed by the California State Legislature on July 28, 2009, the State of California borrowed 8.0% of the amount of property tax revenue apportioned to cities, counties and special districts. The State of California is required to repay this borrowing plus interest by June 30, 2013. After repayment of this initial borrowing, the California State Legislature may consider only one additional borrowing within a ten-year period. The amount of the borrowing pertaining to the District was \$101,758.

Authorized with the 2010 fiscal year State of California budget package, the State of California Proposition 1A Securitization Program (Securitization Program) was instituted by the California Statewide Communities Development Authority (California Communities), a joint-powers authority sponsored by the California State Association of Counties and the League of California Cities, to enable local governments to sell their State of California Proposition 1A receivables to California Communities. Under the Securitization Program, California Communities simultaneously purchased the State of California Proposition 1A receivables and issued bonds (Prop 1A Bonds) to provide California local governmental agencies with cash proceeds in two equal installments, on January 15, 2010 and May 3, 2010. The purchase price paid to the California local governmental agencies equaled 100% of the amount of the property tax reduction. All transaction costs of the issuance and interest were paid by the State of California. Participating California local governmental agencies have no obligation on the bonds and no credit exposure to the State of California. The District participated in the Securitization Program and accordingly property tax revenue has been recorded in the same manner as if the State of California had not exercised its rights under State of California Proposition 1A. The receivable sale proceeds were equal to the book value of the property tax reduction for each agency and, as a result, no gain or loss was recorded to recognize these proceeds.

(9) 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. Market value of all plan assets held in trust by Hartford Financial Services at June 30, 2011 and 2010, were \$311,416 and \$270,684, 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 assets.

Santa Maria Public Airport District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2011 and 2010

(10) Defined Benefit Pension Plan

Plan Description

The District contributes to the California Public Employees Retirement System (CalPERS), a cost-sharing multiple-employer defined benefit pension plan. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public agencies within the State of California. Benefit provisions and all other requirements are established by state statute and the District. Copies of CalPERS annual financial report may be obtained from their executive Office: 400 P Street, Sacramento, CA, 95814.

Funding Policy

The contribution rate for plan members in the CalPERS 2.0% at 55 Risk Pool Retirement Plan is 7% of their annual covered salary. The District makes these contributions required of District employees on their behalf and for their account. Also, the District is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The required employer contribution rates are equal to the annual pension cost (APC) percentage of payroll for fiscal years 2011, 2010 and 2009 as noted below. The contribution requirements of the plan members are established by State statute, and the employer contribution rate is established and may be amended by CalPERS. For fiscal years 2011, 2010 and 2009, the District's annual contributions for the CalPERS plan were equal to the District's required and actual contributions for each fiscal year as follows:

Three Years CalPERS Funding Information

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>	<u>Required Contribution Percentage</u>
2008-2009	\$ 82,441	100%	-	12.121%
2009-2010	75,837	100%	-	11.585%
2010-2011	81,881	100%	-	12.017%

(11) 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, 2011, 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 \$5.0 million, combined single limit at \$5.0 million per occurrence, subject to the following deductibles – \$500/\$1000 per occurrence for third party general liability property damage – 50% co-insurance of cost expended by SDRMA, in excess of \$10,000 up to \$50,000, per occurrence, for employment related claims. However, 100% of the obligation will be waived if certain criteria are met.
- Employee dishonesty coverage up to \$400,000 per loss includes public employee dishonesty, forgery or alteration and theft, disappearance and destruction coverages.
- Property loss is paid at the replacement cost for property on file, if replaced within 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, 2011 and 2010

(11) Risk Management, continued

- Boiler and machinery coverage for the replacement cost up to \$50 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, 2011, 2010 and 2009. 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, 2011, 2010 and 2009.

(12) 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, 2011, the District had \$562,182 in 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.

(13) Subsequent Events

Events occurring after June 30, 2011 have been evaluated for possible adjustment to the financial statements or disclosure as of September 30, 2011, which is the date the financial statements were available to be issued.

Supplementary Information

Santa Maria Public Airport District
Schedule of Revenues, Expenses and Changes in Net Assets – Compared to Budget
For the Fiscal Year Ended June 30, 2011

	Adopted Original Budget	Board Approved Changes	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
Operating revenues:					
Landing area usage	\$ 269,303	-	269,303	138,945	(130,358)
Hangar area usage	476,401	-	476,401	530,750	54,349
Main hangar and F.B.O.	484,765	-	484,765	460,954	(23,811)
Terminal area usage	462,218	-	462,218	406,756	(55,462)
Land usage	1,227,573	-	1,227,573	1,249,810	22,237
Operating grant revenue	113,617	-	113,617	110,831	(2,786)
Other charges and fees	10,000	-	10,000	21,175	11,175
Total operating revenues	<u>3,043,877</u>	<u>-</u>	<u>3,043,877</u>	<u>2,919,221</u>	<u>(124,656)</u>
Operating expenses:					
Landing area usage	506,300	(20,000)	486,300	440,256	46,044
Hangar area usage	89,616	4,200	93,816	93,748	68
Main hangar and F.B.O.	97,246	29,200	126,446	70,071	56,375
Terminal area usage	306,972	22,109	329,081	317,511	11,570
Land usage	407,404	55,024	462,428	410,196	52,232
Public administration	2,172,087	33,336	2,205,423	1,985,605	219,818
Total operating expenses	<u>3,579,625</u>	<u>123,869</u>	<u>3,703,494</u>	<u>3,317,387</u>	<u>386,107</u>
Operating income before depreciation	(535,748)	(123,869)	(659,617)	(398,166)	261,451
Depreciation expense	<u>(2,443,468)</u>	<u>-</u>	<u>(2,443,468)</u>	<u>(2,207,171)</u>	<u>236,297</u>
Operating loss	<u>(2,979,216)</u>	<u>(123,869)</u>	<u>(3,103,085)</u>	<u>(2,605,337)</u>	<u>497,748</u>
Non-operating revenue(expense)					
Property taxes	1,200,000	-	1,200,000	1,236,952	36,952
Interest and investment earnings	200,000	-	200,000	31,472	(168,528)
Other non-operating revenues	-	-	-	1,681	1,681
Other non-operating expenses	-	-	-	(30,266)	(30,266)
Total non-operating revenues, net	<u>1,400,000</u>	<u>-</u>	<u>1,400,000</u>	<u>1,239,839</u>	<u>(160,161)</u>
Net income before capital contributions	<u>(1,579,216)</u>	<u>(123,869)</u>	<u>(1,703,085)</u>	<u>(1,365,498)</u>	<u>337,587</u>
Capital contributions:					
Federal capital grants	4,231,300	-	4,231,300	3,965,627	(265,673)
Passenger facility charges	235,872	-	235,872	176,794	(59,078)
Capital contributions	<u>4,467,172</u>	<u>-</u>	<u>4,467,172</u>	<u>4,142,421</u>	<u>(324,751)</u>
Change in net assets	<u>2,887,956</u>	<u>(123,869)</u>	<u>2,764,087</u>	<u>2,776,923</u>	<u>12,836</u>
Net assets, beginning of year	<u>30,870,694</u>		<u>30,870,694</u>	<u>30,870,694</u>	
Net assets, end of year	<u>\$ 33,758,650</u>		<u>33,634,781</u>	<u>33,647,617</u>	

Santa Maria Public Airport District
Schedule of Operating Expenses – Compared to Budget
For the Fiscal Year Ended June 30, 2011

	Final Budget	Actual	Variance Positive (Negative)
Operating expenses:			
Landing area usage:			
ARFF Services	\$ 395,000	395,436	(436)
Utilities	14,000	18,315	(4,315)
Supplies	1,500	228	1,272
Repairs and maintenance	<u>75,800</u>	<u>26,277</u>	<u>49,523</u>
Total	<u>486,300</u>	<u>440,256</u>	<u>46,044</u>
Hangar area usage:			
Utilities	46,223	41,870	4,353
Supplies	-	911	(911)
Repairs and maintenance	40,195	47,582	(7,387)
Owner build area	<u>7,398</u>	<u>3,385</u>	<u>4,013</u>
Total	<u>93,816</u>	<u>93,748</u>	<u>68</u>
Main hangar and F.B.O.:			
Utilities	52,141	39,646	12,495
Customs	29,418	1,695	27,723
Repairs and maintenance	<u>44,887</u>	<u>28,730</u>	<u>16,157</u>
Total	<u>126,446</u>	<u>70,071</u>	<u>56,375</u>
Terminal area usage:			
Utilities	114,650	120,118	(5,468)
Repairs and maintenance	<u>214,431</u>	<u>197,393</u>	<u>17,038</u>
Total	<u>329,081</u>	<u>317,511</u>	<u>11,570</u>
Land usage:			
Utilities	4,000	18,461	(14,461)
Mobile home park	426,554	368,874	57,680
Repairs and maintenance	<u>31,874</u>	<u>22,861</u>	<u>9,013</u>
Total	<u>462,428</u>	<u>410,196</u>	<u>52,232</u>
Public administration			
Salaries and wages	674,018	703,605	(29,587)
Benefits	334,340	310,705	23,635
Utilities	62,324	63,725	(1,401)
Supplies	65,322	59,331	5,991
Repairs and maintenance	71,915	46,855	25,060
Contractual services	564,847	426,208	138,639
Office supplies, postage and stationary	37,765	48,490	(10,725)
Dues and subscriptions	16,620	11,201	5,419
Advertising	23,000	28,492	(5,492)
Insurance	123,092	107,331	15,761
Bad debt expense	-	3,393	(3,393)
Other expenses	<u>232,180</u>	<u>176,269</u>	<u>55,911</u>
Total	<u>2,205,423</u>	<u>1,985,605</u>	<u>219,818</u>
Depreciation and amortization of capital assets	<u>2,443,468</u>	<u>2,207,171</u>	<u>236,297</u>
Total operating expenses	<u>\$ 6,146,962</u>	<u>5,524,558</u>	<u>622,404</u>

**Santa Maria Public Airport District
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2011**

<u>Federal Grantor/Program Title:</u>	<u>Federal CFDA Number</u>	<u>Amount Receivable June 30, 2010</u>	<u>Grant Expenditures</u>	<u>Grant Funds Received by June 30, 2011</u>	<u>Amount Receivable June 30, 2011</u>
U.S. Department of Transportation Federal Transportation Administration					
Major Program:					
Airport Improvement Program	20.106				
Directly Awarded:					
AIP30-06-0237-28	20.106	\$ -	236,959	75,617	161,342
AIP30-06-0237-30	20.106	-	3,728,668	3,209,141	519,527
Total for CFDA No.	20.106	<u>\$ -</u>	<u>3,965,627</u>	<u>3,284,758</u>	<u>680,869</u>
Other Programs:					
U.S. Department of Homeland Security					
Law Enforcement Officer Reimbursement Ag.					
Directly Awarded:					
DTSA20-03-P-01608	97.090	\$ 18,226	110,831	101,316	27,741
Total		<u>\$ 18,226</u>	<u>4,076,458</u>	<u>3,386,074</u>	<u>708,610</u>

Notes to Schedule of Expenditures of Federal Awards

(1) Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of Santa Maria Public Airport District (District) and is presented on the accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

(2) Reconciliation of the Schedule of Expenditures of Federal Awards to the Financial Statements

Statement of Revenues, Expenses and Changes in Net Assets	
Operating revenues:	
Operating grant revenue	\$ 110,831
Capital contributions:	
Federal capital grants	<u>3,965,627</u>
Total Federal awards	4,076,458
Add – Accounts receivable – federal funding – June 30, 2010	18,226
Less – Accounts receivable – federal funding – June 30, 2011	<u>(708,610)</u>
Federal receipts or revenues recognized per Schedule	<u>\$ 3,386,074</u>

(3) Single-Audit

In 2011, the District expended more than \$500,000 in federal award assistance; therefore, a single-audit report was required and presented in a separate report.

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Statistical Section

Santa Maria Public Airport District
Statistical Section
June 30, 2011

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.

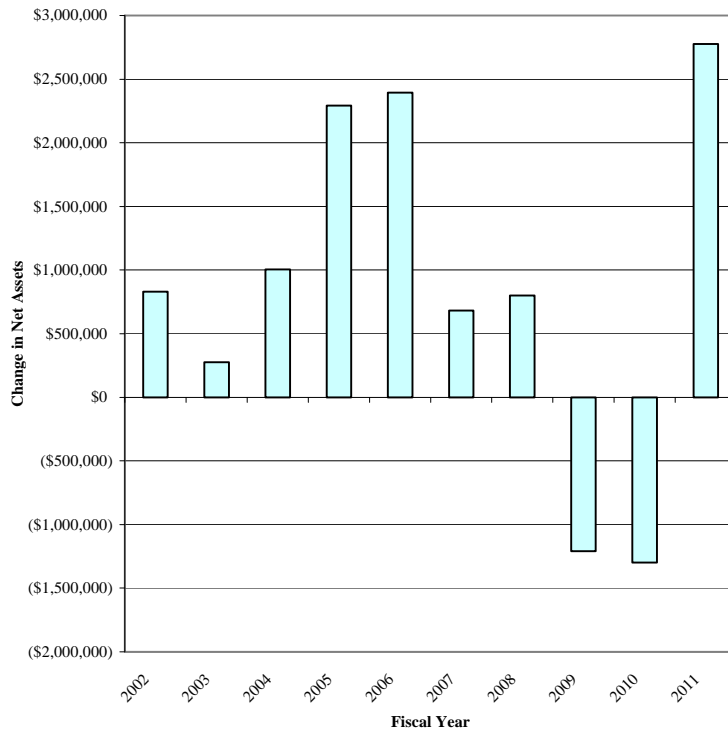
Table of Contents

	<u>Page No.</u>
Financial Trends These schedules contain information to help the reader understand how the District's financial performance and well-being have changed over time.	31-34
Revenue Capacity These schedules contain information to help the reader assess the District's most significant own-source revenue, land usage.	35-38
Demographic Information This schedule offers demographic indicators to help the reader understand the environment within which the District's financial activities take place.	39
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.	40-47

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 Assets and Net Assets by Component
Last Ten Fiscal Years

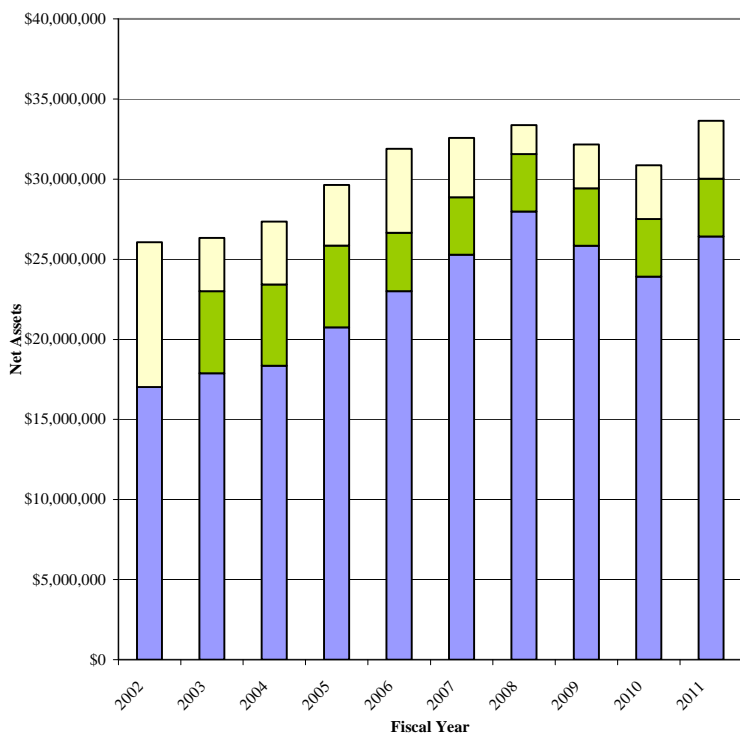
	Fiscal Year				
	2002	2003	2004	2005	2006
Changes in net assets:					
Operating revenues (see Schedule 2)	\$ 1,603,573	2,009,518	2,394,019	2,418,170	2,615,711
Operating expenses (see Schedule 3)	(1,647,328)	(2,083,500)	(2,166,415)	(2,315,239)	(2,475,419)
Depreciation and amortization	(1,254,791)	(1,422,374)	(1,542,368)	(1,450,478)	(1,769,722)
Operating income(loss)	(1,298,546)	(1,496,356)	(1,314,764)	(1,347,547)	(1,629,430)
Non-operating revenues(expenses)					
Property taxes	710,995	761,903	827,662	568,000	734,524
Interest and investment earnings	319,440	213,284	103,029	186,466	344,310
Gain/(Loss) on sale/disposition of assets	-	-	485,885	-	1,571,359
Other revenue/(expense), net	(23,643)	423,776	(10,874)	4,565	-
Total non-operating revenues(expenses), net	1,006,792	1,398,963	1,405,702	759,031	2,650,193
Net income before capital contributions	(291,754)	(97,393)	90,938	(588,516)	1,020,763
Capital contributions	1,121,949	373,181	912,972	2,881,598	1,373,874
Changes in net assets	\$ 830,195	275,788	1,003,910	2,293,082	2,394,637
Net assets by component:					
Invested in capital assets, net of related debt	\$ 17,020,908	17,889,947	18,345,963	20,746,224	23,012,164
Restricted	-	5,113,295	5,086,145	5,109,313	3,633,088
Unrestricted	9,039,862	3,333,316	3,908,360	3,778,013	5,249,181
Total net assets	\$ 26,060,770	26,336,558	27,340,468	29,633,550	31,894,433



Source: Santa Maria Public Airport District - Finance Department

Schedule 1

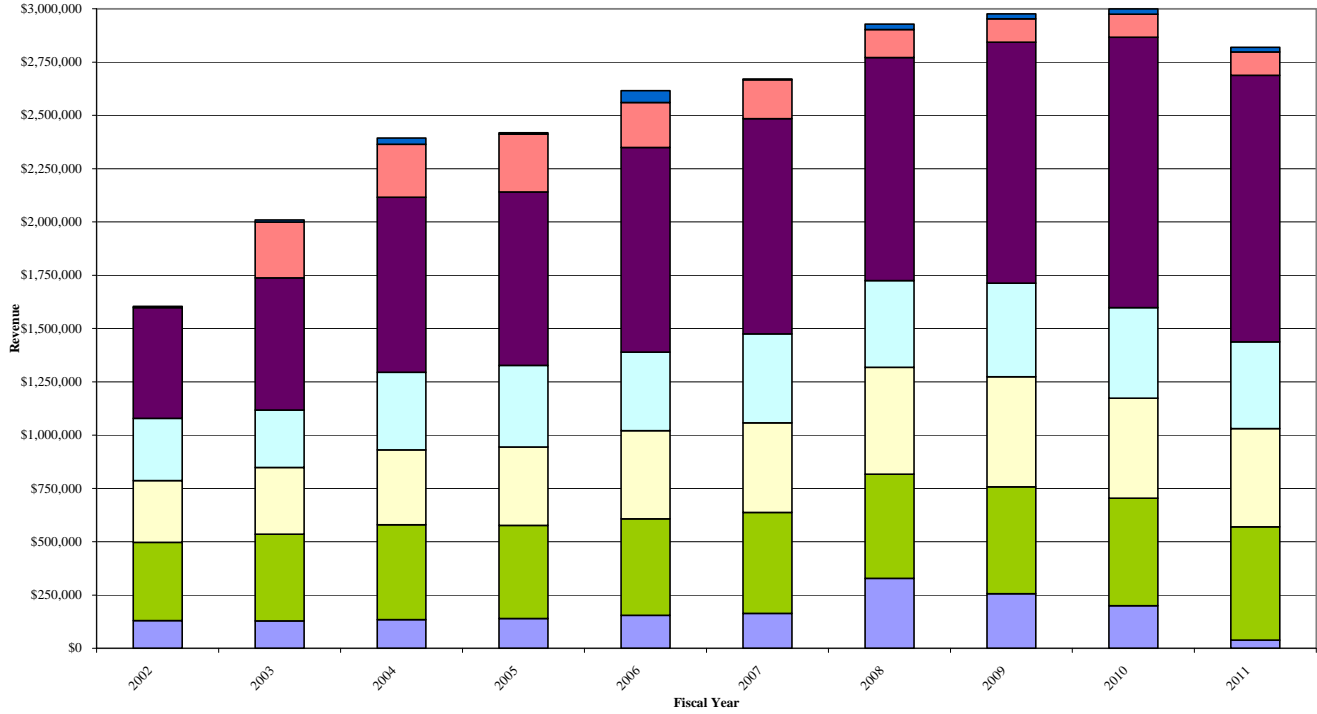
Fiscal Year				
2007	2008	2009	2010	2011
2,670,554	2,927,305	2,975,198	2,999,089	2,919,221
(2,945,809)	(3,457,404)	(3,607,627)	(3,468,444)	(3,317,387)
<u>(1,948,996)</u>	<u>(2,199,785)</u>	<u>(2,432,614)</u>	<u>(2,279,677)</u>	<u>(2,207,171)</u>
<u>(2,224,251)</u>	<u>(2,729,884)</u>	<u>(3,065,043)</u>	<u>(2,749,032)</u>	<u>(2,605,337)</u>
1,236,199	1,311,836	1,284,120	1,222,744	1,236,952
460,288	300,180	139,324	49,557	31,472
(7,782)	-	-	-	-
<u>(86,879)</u>	<u>(14,773)</u>	<u>114,307</u>	<u>(16,557)</u>	<u>(28,585)</u>
<u>1,601,826</u>	<u>1,597,243</u>	<u>1,537,751</u>	<u>1,255,744</u>	<u>1,239,839</u>
(622,425)	(1,132,641)	(1,527,292)	(1,493,288)	(1,365,498)
<u>1,305,228</u>	<u>1,932,562</u>	<u>318,815</u>	<u>195,302</u>	<u>4,142,421</u>
<u>682,803</u>	<u>799,921</u>	<u>(1,208,477)</u>	<u>(1,297,986)</u>	<u>2,776,923</u>
25,282,279	27,975,812	25,831,868	23,909,084	26,432,793
3,590,032	3,590,032	3,593,339	3,594,590	3,593,440
<u>3,704,925</u>	<u>1,811,313</u>	<u>2,743,473</u>	<u>3,367,020</u>	<u>3,621,384</u>
<u>32,577,236</u>	<u>33,377,157</u>	<u>32,168,680</u>	<u>30,870,694</u>	<u>33,647,617</u>



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
2002	\$ 129,849	367,273	289,175	292,238	519,422	-	5,616	1,603,573
2003	127,981	406,399	314,400	268,473	620,222	261,659	10,384	2,009,518
2004	134,414	444,824	351,205	364,268	821,132	248,762	29,414	2,394,019
2005	139,346	436,743	368,087	382,776	813,660	271,339	6,219	2,418,170
2006	154,198	453,537	412,527	368,418	960,389	211,322	55,320	2,615,711
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	38,945	530,750	460,756	406,756	1,249,810	110,831	21,175	2,819,023

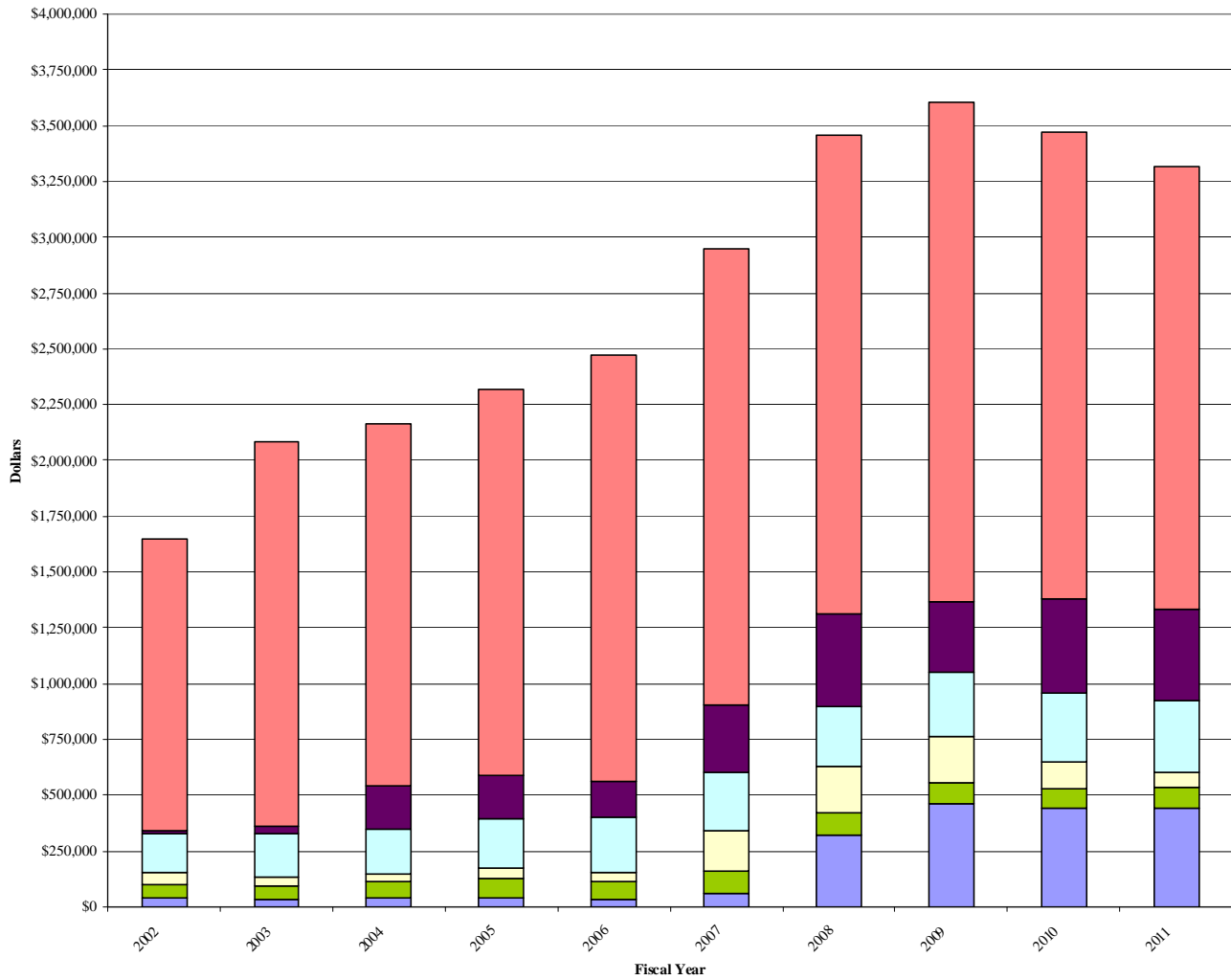


Source: Santa Maria Public Airport District - Finance Department

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
2002	\$ 37,661	59,179	57,848	175,424	14,101	1,303,115	1,647,328
2003	30,654	64,658	39,663	190,376	34,383	1,723,766	2,083,500
2004	37,377	72,712	32,625	207,895	194,153	1,621,653	2,166,415
2005	38,938	86,146	49,988	218,560	192,350	1,729,257	2,315,239
2006	32,189	83,296	36,027	249,286	160,249	1,914,372	2,475,419
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

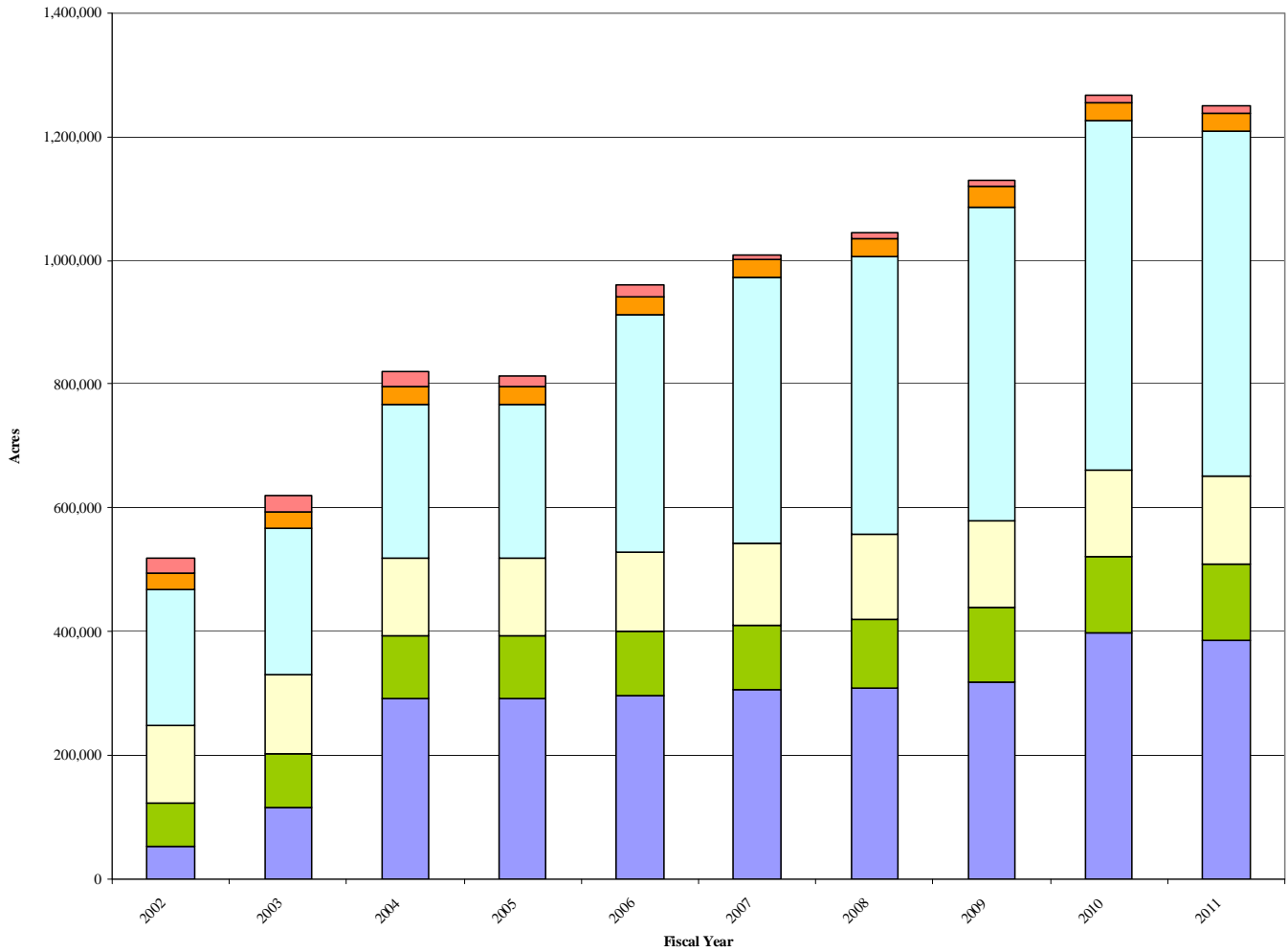


Source: Santa Maria Public Airport District - Finance Department

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

Schedule 4

Fiscal Year	Mobile Home Park	Business Park	Hotel	Agricultural	Golf Course	Other Revenue Generating Land	Total Land Usage Revenue
2002	\$ 53,892	68,592	126,504	219,422	26,400	24,612	519,422
2003	117,318	86,144	126,504	236,241	26,895	27,120	620,222
2004	290,904	101,736	126,504	248,239	28,380	25,369	821,132
2005	290,904	101,736	126,504	248,239	28,830	17,447	813,660
2006	298,030	101,736	128,832	384,594	28,242	18,955	960,389
2007	307,365	101,736	132,697	430,722	28,380	8,315	1,009,215
2008	307,943	112,215	136,101	450,250	28,380	10,992	1,045,881
2009	317,438	121,524	139,693	507,265	33,442	10,848	1,130,210
2010	398,462	121,524	141,534	564,007	30,000	12,439	1,267,966
2011	387,308	121,524	141,754	557,284	31,218	10,722	1,249,810

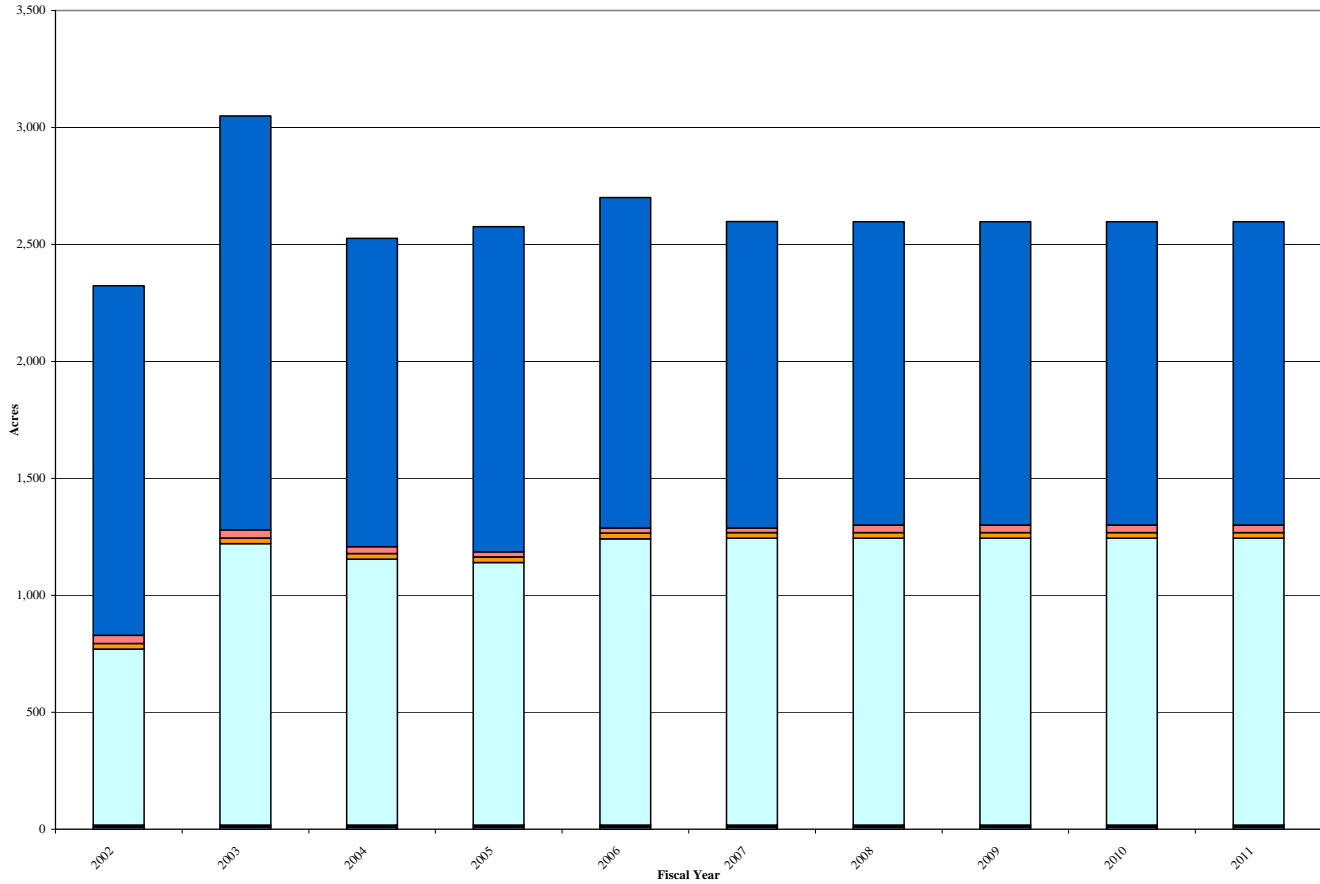


Source: Santa Maria Public Airport District - Finance Department

**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	Golf Course	Other Revenue Generating Land	Other Land Use	
2002	10	3	5	752	24	35	1,495	2,324
2003	10	3	5	1,203	24	35	1,769	3,049
2004	10	3	5	1,137	24	29	1,318	2,526
2005	10	3	5	1,122	24	22	1,390	2,576
2006	10	3	5	1,224	24	22	1,412	2,700
2007	10	3	5	1,226	24	20	1,310	2,598
2008	10	3	5	1,226	24	33	1,296	2,597
2009	10	3	5	1,226	24	33	1,296	2,597
2010	10	3	5	1,226	24	33	1,296	2,597
2011	10	3	5	1,226	24	33	1,296	2,597



Source: Santa Maria Public Airport District - Finance Department

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

Schedule 6

<u>Land Use</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Mobile Home Park	5,389	11,732	29,090	29,090	29,803	30,737	30,794	31,744	39,846	38,731
Business Park	22,864	28,715	33,912	33,912	33,912	34,140	37,405	40,508	40,508	40,508
Hotel	25,301	25,301	25,301	25,301	25,766	25,568	27,220	27,939	28,307	28,351
Agricultural	292	196	218	221	314	352	367	414	460	455
Golf Course	1,100	1,121	1,183	1,201	1,177	1,183	1,183	1,393	1,250	13,001
Other Land	703	775	875	793	862	366	333	329	337	325

Source: Santa Maria Public Airport District

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

Schedule 7

Name	Type of Land Usage	2011		2002	
		Land Leased (Acres)	Percentage of Total Land	Land Leased (Acres)	Percentage of Total Land
Mahoney Brothers	Agricultural	-	0.00%	899.94	68.91%
Gresser	Agricultural	411.17	31.48%	-	0.00%
Castellanos	Agricultural	117.97	9.03%	114.30	8.75%
Village Mobile Home Park	Mobile Home Park	10.00	0.77%	10.00	0.77%
Commercial Land - Hotel	Hotel	5.19	0.40%	5.19	0.40%
U.S. Forrest Service Land Use	Other Land	0.08	0.01%	-	0.00%
Aiport Business Park	Business Park	2.98	0.23%	2.98	0.23%
Corporate Hangar FBO 3409 Corsair	Other Land	-	0.00%	1.83	0.14%
Corporate Hangar FBO 3940 Mitchell	Other Land	0.69	0.05%	-	0.00%
Corporate Hangar 3029 Airpark	Other Land	-	0.00%	0.48	0.04%
Avionics West	Other Land	-	0.00%	0.34	0.03%
Terminal - Restaurant	Other Land	0.14	0.01%	0.14	0.01%
Terminal - TSA	Other Land	0.03	0.00%	-	0.00%
Avis	Other Land	0.08	0.01%	0.08	0.01%
Hertz	Other Land	0.08	0.01%	0.08	0.01%
Total attributable to ten largest lease holders		<u>548.41</u>	<u>41.99%</u>	<u>1,035.36</u>	<u>79.28%</u>
Total land leased		<u>1,306</u>	<u>100.00%</u>	<u>1,306</u>	<u>100.00%</u>

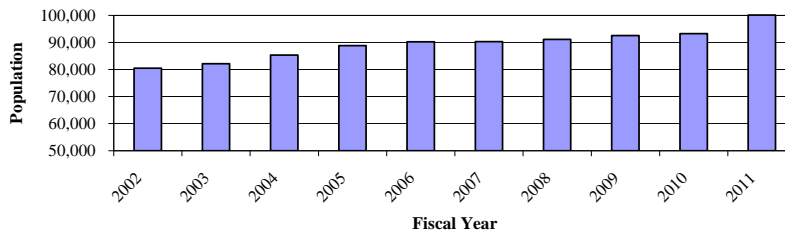
Source: Santa Maria Public Airport District - Finance Department

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

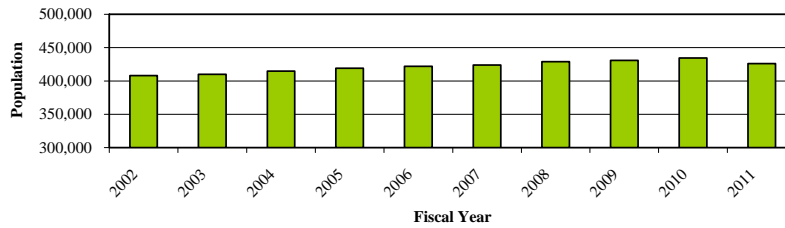
Schedule 8

Year	County of San Barbara ⁽²⁾				
	City of Santa Maria Population ⁽¹⁾	Unemployment Rate	Population	Personal Income (thousands of dollars)	Personal Income per Capita
2002	80,511	3.7%	408,000	13,400,000	32,843
2003	82,148	3.5%	410,000	14,100,000	34,390
2004	85,325	3.4%	415,000	15,800,000	38,072
2005	88,793	4.0%	419,000	16,700,000	39,857
2006	90,204	3.5%	422,000	18,300,000	43,365
2007	90,333	3.8%	424,000	19,100,000	45,047
2008	91,110	5.2%	429,000	19,400,000	45,221
2009	92,542	8.2%	431,000	19,000,000	44,084
2010	93,225	8.8%	434,481	19,300,000	44,421
2011	100,062	8.9%	426,189	19,000,000	44,581

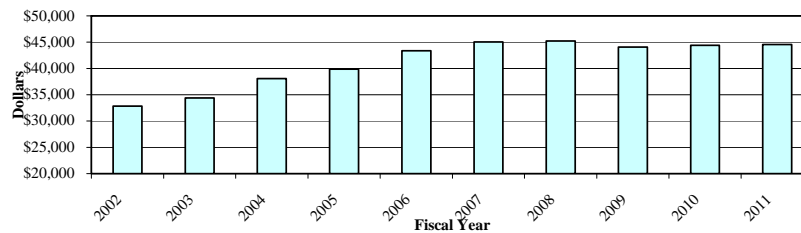
Population - City of Santa Maria



Population - County of Santa Barbara



Personal Income per Capita - County of Santa Barbara



Sources: California Department of Finance and California Labor Market Info

N/A - Data not available

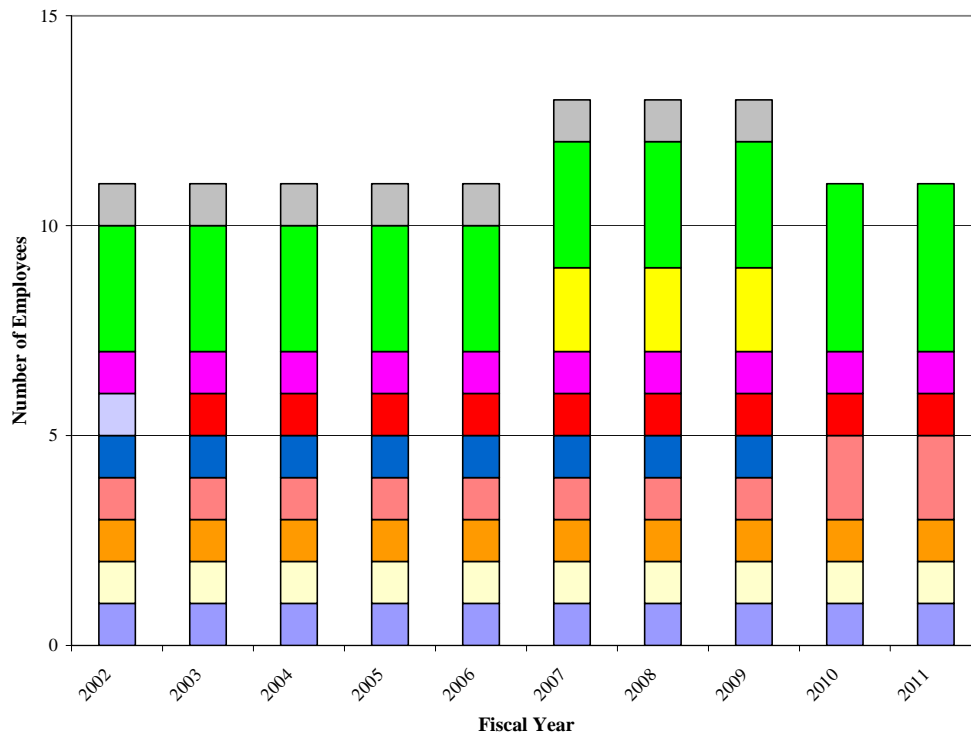
Notes:

- (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									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Manager	1	1	1	1	1	1	1	1	1	1
Assistant General Mgr.	0	0	0	0	0	0	0	0	0	0
Mgr. of Finance & Admin	1	1	1	1	1	1	1	1	1	1
Controller	0	0	0	0	0	0	0	0	0	0
Accounting Clerk	1	1	1	1	1	1	1	1	1	1
Administrative Secretary	1	1	1	1	1	1	1	1	2	2
Secretary Receptionist	1	1	1	1	1	1	1	1	0	0
Mgr. of Maint. & Ops.	1	0	0	0	0	0	0	0	0	0
Operations Supervisor	0	1	1	1	1	1	1	1	1	1
Maintenance Supervisor	1	1	1	1	1	1	1	1	1	1
Maintenance Worker I	0	0	0	0	0	2	2	2	0	0
Maintenance Worker II	3	3	3	3	3	3	3	3	4	4
Maintenance Worker III	1	1	1	1	1	1	1	1	0	0
	11	11	11	11	11	13	13	13	11	11



General Note:

The District has staffed 11 employees over the previous 10 years.

Source: Santa Maria Public Airport District - Finance Department

**Santa Maria Public Airport District
Operational Information**

Schedule 10

<i>Location:</i>	3 miles south of downtown Santa Maria, California	
<i>Land Area:</i>	2,598 acres	
<i>Elevation:</i>	261 feet	
<i>Airport Code:</i>	SMX	
<i>Runways:</i>	12/30	6,304 x 150 ft., paved, lighted
	2/20	5,130 x 75 ft., paved
<i>Tower:</i>	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

Flight Tower - Tracking of Flight Operations During Each Period													
	July	August	September	October	November	December	January	February	March	April	May	June	Totals
2002	6,452	6,898	4,744	6,245	5,792	5,527	11,418	5,679	6,266	5,739	6,672	6,971	78,403
2003	6,624	6,923	7,326	6,386	5,934	4,640	6,271	4,575	5,474	5,011	5,816	5,268	70,248
2004	5,988	5,974	5,881	5,298	5,703	5,076	5,810	4,963	5,662	6,023	6,427	6,348	69,153
2005	7,235	6,611	5,994	5,709	5,427	5,407	6,353	4,871	6,232	6,310	6,187	6,469	72,805
2006	6,456	6,030	5,892	5,630	5,953	5,140	5,731	4,954	4,605	4,368	5,535	5,207	65,501
2007	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
2008	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
2009	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
2010	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
2011	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
Average	6,082	6,433	5,700	5,624	5,307	4,785	5,994	4,501	5,391	4,946	5,535	5,481	65,777

Source: Santa Maria Public Airport District

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

Schedule 12

Flight Tower - Tracking of Flight Landings During Each Period													
	July	August	September	October	November	December	January	February	March	April	May	June	Totals
2002	420	453	353	405	350	365	392	309	341	349	363	272	4,372
2003	345	361	318	363	330	346	341	326	399	356	355	345	4,185
2004	356	357	344	347	330	375	352	330	370	356	341	356	4,214
2005	355	315	353	435	297	338	313	287	327	309	319	320	3,968
2006	350	378	341	331	318	281	303	297	329	305	333	325	3,891
2007	302	342	333	315	309	325	312	289	320	303	325	326	3,801
2008	1,026	1,325	294	385	339	349	335	324	342	342	342	373	5,776
2009	526	512	314	281	315	314	284	255	279	273	411	274	4,038
2010	274	1,014	257	281	243	281	249	228	253	254	289	300	3,923
2011	300	299	298	301	269	315	281	268	295	288	297	298	3,509
Average	425	536	321	344	310	329	316	291	326	314	338	319	4,168

Source: Santa Maria Public Airport District

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

Schedule 13

Enplaned and Deplaned Passengers During Each Period													
	July	August	September	October	November	December	January	February	March	April	May	June	Totals
2002	6,774	7,550	4,788	5,250	4,967	5,041	4,593	4,161	4,880	5,306	5,941	6,607	65,858
2003	6,624	6,835	5,890	6,759	6,328	6,382	5,274	5,026	5,325	5,397	6,217	6,637	72,694
2004	6,997	6,862	6,518	6,670	6,764	7,296	6,347	5,939	6,380	6,709	7,321	7,314	81,117
2005	7,373	7,576	6,525	7,208	6,876	7,032	6,505	5,648	6,332	6,960	7,292	7,508	82,835
2006	6,631	6,775	7,439	7,753	6,615	7,057	6,633	6,952	8,091	8,205	9,197	10,101	91,449
2007	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
2008	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
2009	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
2010	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
2011	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
Average	8,159	8,349	7,406	7,792	7,451	7,632	7,052	6,559	7,611	7,691	8,324	8,376	92,401

Source: Santa Maria Public Airport District

**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
2002	262,438	339,684	278,861	270,641	221,554	221,144	146,945	198,544	189,173	182,198	236,426	217,559	2,765,166
2003	221,495	229,486	185,653	173,464	193,791	197,512	151,788	168,325	173,248	174,716	202,571	209,990	2,282,040
2004	213,129	261,278	195,794	234,957	208,099	233,041	183,199	207,713	214,681	253,060	266,487	244,026	2,715,464
2005	292,380	296,274	240,255	258,129	236,196	226,644	211,649	222,662	317,016	306,141	307,816	334,496	3,249,658
2006	309,514	331,360	298,191	393,776	245,332	234,994	216,713	213,286	294,917	298,211	280,051	288,940	3,405,285
2007	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
2008	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
2009	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
2010	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
2011	237,394	220,336	219,839	195,841	184,565	187,431	189,292	189,694	210,249	197,659	188,509	197,566	2,418,375
Average	259,509	281,171	243,151	253,440	219,736	219,031	187,689	202,644	240,893	226,782	242,992	243,666	2,820,702

Source: Santa Maria Public Airport District

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

Schedule 15

Fuel Flowage Reports in Gallons During Each Period													
	July	August	September	October	November	December	January	February	March	April	May	June	Totals
2002	74,092	73,551	64,067	63,527	55,147	51,428	52613.3	51,328	54,443	57,071	60,127	66,719	724,112
2003	62,395	60,535	62,561	58,895	63,554	49,088	48,083	45,432	41,697	51,491	55,316	65,548	664,596
2004	60,565	73,571	65,960	64,418	57,782	57,152	51,856	62,027	67,788	77,958	74,075	79,567	792,718
2005	87,571	82,052	95,415	81,272	70,597	86,256	67,267	70,911	75,246	85,122	90,887	84,552	977,149
2006	77,420	97,378	98,448	100,208	82,148	71,763	88,563	72,088	80,502	78,576	102,159	84,074	1,033,327
2007	85,102	124,927	112,049	90,724	82274.9	72,907	77,589	74,946	96,804	94,991	78,455	85,338	1,076,108
2008	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
2009	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
2010	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
2011	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
Average	91,114	130,001	82,112	80,828	71,407	62,554	61,365	61,431	69,562	70,042	75,658	80,743	936,817

Source: Santa Maria Public Airport District

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

Schedule 16

City of Santa Maria Northern Santa Barbara County/Santa Maria Employer	Fiscal Year 2010			Fiscal Year 2001		
	Employees	Rank	Percentage of	Employees	Rank	Percentage of
			Total City Employment			Total City Employment
Vandanberg Airforce Base	4,300	1	11.09%	5,235	1	15.56%
Marian Medical Center	1,450	2	3.74%	1,330	3	3.95%
Santa-Maria-Bonita School District	1,400	3	3.61%	1,600	2	4.76%
Allan Hancock College	890	4	2.30%	1,300	4	3.86%
Santa Maria Joint Union High School District	871	5	2.25%	700	7	2.08%
City of Santa Maria	541	6	1.40%	450	10	0.96%
Betteravia Farms	533	7	1.37%	-		
C&D Zodiac, Inc.	491	8	1.27%	525	9	1.56%
Den-Mat Corporation	361	9	0.93%	550	8	1.63%
Vaocational Training Center	340	10	0.88%	-		
United Parcel Service	-			800	5	2.38%
Microage	-			759	6	2.26%
Total	11,177		28.84%	13,249		28.84%

Source - City of Santa Maria - CAFR 2010

Only 2010 Information Was Available at Time of District CAFR Publishing

Report on Compliance and Internal Controls



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Paul J. Kaymark, CPA
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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 the basic financial statements of the Santa Maria Public Airport District (District) as of and for the year ended June 30, 2011, and have issued our report thereon dated September 30, 2011. We conducted our audits 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.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A deficiency in internal control over financial reporting 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Directors and management and is not intended to be and should not be used by anyone other than these specified parties.

*Charles Z. Fedak & Co. CPAs
An Accountancy Corporation*

Charles Z. Fedak and Company, CPA's – An Accountancy Corporation
Cypress, California
September 30, 2011