SANTA MARIA
PUBLIC AIRPORT DISTRICT

# Santa Maria Public Airport District

**Santa Maria, California**

# Comprehensive Annual Financial Report

## For The Fiscal Year Ending June 30, 2018

# 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, 2018**

| Name | Title | Elected/ Appointed | Current Term |
|---|---|---|---|
| Hugh Rafferty | President | Appointed | 12/16 - 12/18 |
| Chuck Adams | Vice President | Elected | 12/16 - 11/20 |
| Carl Engel, Jr. | Secretary | Elected | 12/14 - 11/18 |
| Steve Brown | Vice Secretary | Elected | 12/18 - 12/20 |
| David Baskett | Director | Elected | 12/16 - 11/20 |

**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 Year Ending

# June 30, 2018


**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 Year Ended June 30, 2018**

## Table of Contents

# Introductory Section

January 24, 2019

Board of Directors
Santa Maria Public Airport District

State law requires that every general-purpose government publish a complete set of audited financial statements. This report is published to fulfill that requirement for the fiscal year ended June 30, 2018.

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

Fedak & Brown LLP, have issued an unmodified ("clean") opinion on the Santa Maria Public Airport District's financial statements for the year ended June 30, 2018. 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 one regional airline (Allegiant Airlines) 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 thirteen employees.

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

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

**Profile of Government, continued**

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

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

**Local Economy**

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

According to the California Fiscal Outlook, the forecast anticipates a continuing of the expansion in the U.S. economy, but with anticipated stock market weakness. In California, the economy in 2018 is expected to have slower job growth and a tight labor market with relatively low unemployment rates. At the local level, the 2018 University of California Economic Forecast Project reported that the most recent data show a significant decline in real gross domestic product, increased payrolls, climbing real per capita income, and moderate housing price increases in Santa Barbara County. Overall, economic indicators at the national, state and local levels show that the economy continued to improve slowly but steadily on most measures in FY 17-18. (Source: Santa Barbara County CAFR page 4)

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, and industrial use.

**Long-term Financial Planning**

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

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

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

## Relevant Financial Policies

*Internal Control Structure*

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

*Investment Policy*

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

## Major Initiatives

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

The District has begun an update of the 2007 Master Plan project. The completion of Phase One of the terminal apron is nearing completion with phase two planned in the future.

## 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, 2017. This was the eleventh 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.

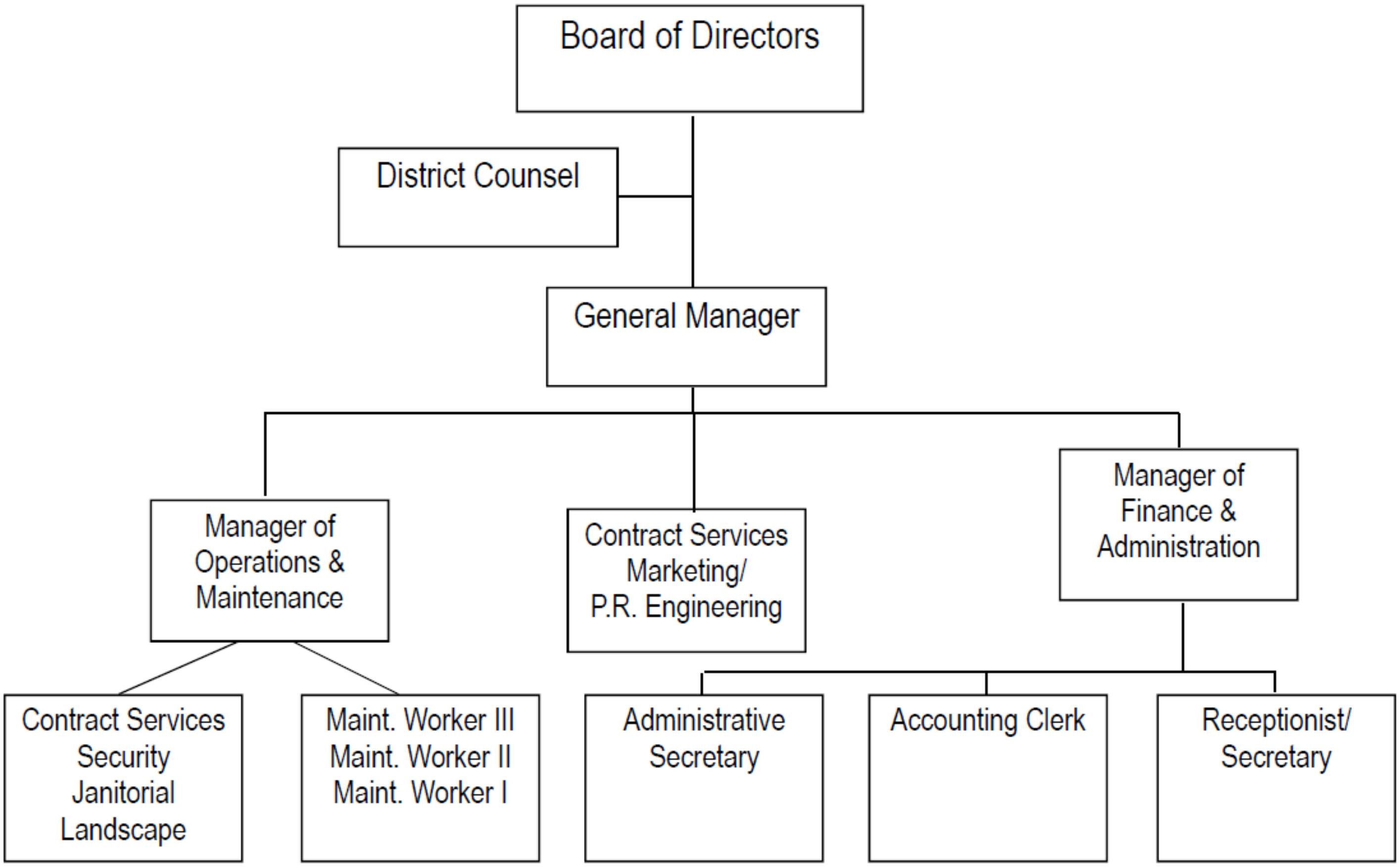
Preparation of this report was accomplished by the combined efforts of District staff. We appreciate the dedicated efforts and professionalism that our staff members bring to the District. We would also like to thank the members of the Board of Directors for their continued support in the planning and 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 2018



Government Finance Officers Association

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

**Santa Maria Public Airport District**

**California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

**June 30, 2017**

Christopher P. Morrill

Executive Director/CEO

**< Page Intentionally Left Blank >**

# Financial Section

Fedak & Brown LLP
Certified Public Accountants

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

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

Riverside Office:
1945 Chicago Avenue, Suite C-1
Riverside, California 92507
(951) 783-9149

# Independent Auditor's Report

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

## Report on the Financial Statements

We have audited the accompanying financial statements of the Santa Maria Public Airport District (District), which comprise the statement of net position as of June 30, 2018, and the related statement of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the District's basic financial statements.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these basic financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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 financial statements are free of material misstatement.

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

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

### *Opinion*

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

## Independent Auditor's Report, continued

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 9 through 14, and the required supplementary information on pages 46 through 48, 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.

### *Emphasis of Matter*

As part of our audit of the June 30, 2018, financial statements, we audited the adjustments described in note 11. An adjustment was recognized for the District's total other post-employment benefits liability; and has reclassified its employer pension contributions from expense to deferred outflows of resources and recorded a prior period adjustment to restate net position as of June 30, 2017.

As discussed in Note 1.C to the financial statements, in June 30, 2018, the District adopted new accounting guidance *Governmental Accounting Standards Board Statement Nos. 75 and 74.* Our opinion is not modified with respect to this matter.

### *Other Matters*

Our audit was 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 49 through 50, and the statistical section on pages 51 through 68 are presented for purposes of additional analysis and are not required parts of the basic financial statements. The supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

## Independent Auditor's Report, continued

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

In accordance with *Government Auditing Standards*, we have also issued a report dated January 24, 2019, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance. This report can be found on pages 69 and 70.

Fedak & Brown LLP

**Fedak & Brown LLP**
Cypress, California
January 24, 2019

**< Page Intentionally Left Blank >**

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 year ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with the basic financial statements and related notes, which follow this section.

## Financial Highlights

- The District's net position decreased 1.3% or $445,178 to $34,056,676 due to a decrease of $1,584,628 from ongoing operations, an increase $1,300,824 from capital contributions, which was offset by the effect of a $161,374 restatement to net position related to the implementation of GASB 75. (See note 11 for further information).
- Operating revenues decreased 0.5% or $15,525 to $3,294,618.
- Operating expenses before depreciation expense decreased 6.8% or $301,487 to $4,157,459.

## Required Financial Statements

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

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

## Financial Analysis of the District

One of the most important questions asked about the District's finances is, "Is the District better off or worse off as a result of this year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position report information about the District in a way that helps answer this question. These statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the *accrual basis of accounting*, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

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

## Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the basic financial statements can be found on pages 19 through 45.

## Statements of Net Position

**Condensed Statements of Net Position**

| Assets: | | 2018 | 2017 | Change |
|---|---|---|---|---|
| Current assets | $ | 4,064,501 | 5,572,349 | (1,507,848) |
| Non-current assets | | 128,934 | 120,788 | 8,146 |
| Capital assets, net | | 32,355,141 | 32,171,380 | 183,761 |
| **Total assets** | | 36,548,576 | 37,864,517 | (1,315,941) |
| **Deferred outflows of resources:** | | 478,113 | 309,433 | 168,680 |
| **Liabilities:** | | | | |
| Current liabilities | | 705,535 | 1,813,900 | (1,108,365) |
| Long-term liabilities | | 2,090,922 | 1,680,048 | 410,874 |
| **Total liabilities** | | 2,796,457 | 3,493,948 | (697,491) |
| **Deferred inflows of resources:** | | 173,556 | 178,148 | (4,592) |
| **Net position:** | | | | |
| Net investment in capital assets | | 32,334,335 | 32,136,697 | 197,638 |
| Restricted for capital projects | | 1,805,459 | 1,967,435 | (161,976) |
| Unrestricted | | (83,118) | 397,722 | (480,840) |
| **Total net position** | $ | 34,056,676 | 34,501,854 | (445,178) |

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of the District exceeded liabilities and deferred inflows by $34,056,676 as of June 30, 2018.

By far the largest portion of the District's net position (95% as of June 30, 2018) 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.

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

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

| **Revenues:** | **2018** | **2017** | **Change** |
|---|---|---|---|
| Operating revenues | $ 3,294,618 | 3,310,143 | (15,525) |
| Non-operating revenues | 1,726,498 | 1,559,066 | 167,432 |
| **Total revenues** | 5,021,116 | 4,869,209 | 151,907 |
| **Expenses:** | | | |
| Operating expenses | 4,157,459 | 4,458,946 | (301,487) |
| Depreciation and amortization | 2,263,682 | 2,288,269 | (24,587) |
| Non-operating expenses | 184,603 | 737,054 | (552,451) |
| **Total expenses** | 6,605,744 | 7,484,269 | (878,525) |
| **Net loss before capital contributions** | (1,584,628) | (2,615,060) | 1,030,432 |
| **Capital contributions** | 1,300,824 | 2,755,237 | (1,454,413) |
| **Change in net position** | (283,804) | 140,177 | (423,981) |
| **Net position, beginning of year** | 34,501,854 | 34,361,677 | 140,177 |
| **Prior period adjustment** | (161,374) | - | (161,374) |
| **Net position, beginning of year – as restated** | 34,340,480 | 34,361,677 | (21,197) |
| **Net position, end of year** | $ 34,056,676 | 34,501,854 | (445,178) |

The statement of revenues, expenses and changes in net position shows how the District's net position changed during the fiscal year. In the case of the District, net position decreased 1.3% or $445,178 to $34,056,676, due to a decrease of $1,584,628 from ongoing operations, an increase of $1,300,824 from capital contributions, which was offset by the effect of a $161,374 restatement to net position related to the implementation of GASB 75. (See note 11 for further information).

The District's total revenues increased by 3.1% or $151,907 to $5,021,116, due primarily to an increase of $167,432 in non-operating revenues, which were offset by a decrease of $15,525 in operating revenue for the year.

In 2018, the District's total expenses including depreciation decreased by 11.7% or $878,525 to $6,605,744, due primarily to decreases of $552,451 in non-operating expenses, $301,487 in operating expenses, and $24,587 in depreciation expense for the year.

The District's capital contributions decreased by 52.8% or $1,454,413 to $1,300,824 due primarily to a decrease of $1,453,554 in federal capital grants.

## Operating and Non-Operating Revenues

| **Operating revenues:** | | **2018** | **2017** | **Change** |
|---|---|---|---|---|
| Landing area usage | $ | 165,798 | 225,764 | (59,966) |
| Hangar area usage | | 634,733 | 614,150 | 20,583 |
| Main hangar and F.B.O. | | 582,949 | 563,435 | 19,514 |
| Terminal area usage | | 423,074 | 417,380 | 5,694 |
| Land usage | | 1,452,920 | 1,445,718 | 7,202 |
| Operating grant revenue | | 16,540 | 33,925 | (17,385) |
| Other charges and fees | | 18,604 | 9,771 | 8,833 |
| **Total operating revenues** | | 3,294,618 | 3,310,143 | (15,525) |
| **Non-operating revenues:** | | | | |
| Property taxes | | 1,663,981 | 1,522,529 | 141,452 |
| Interest earnings | | 56,218 | 36,311 | 19,907 |
| Other | | 6,299 | 226 | 6,073 |
| **Total non-operating revenues** | | 1,726,498 | 1,559,066 | 167,432 |
| **Total revenues** | $ | 5,021,116 | 4,869,209 | 151,907 |

A closer examination of the District's revenues reveals that:

The District's total revenues increased by 3.1% or $151,907 to $5,021,116. The District's operating revenues decreased 0.5% or $15,525 to $3,294,618, due primarily to decreases of $59,966 in landing area usage and $17,385 in operating grant revenue, which were offset by increases of $20,583 in hangar area usage, $19,514 in main hangar and fixed base operations.

The District's non-operating revenues increased by 10.7% or $167,432 to $1,726,498 due primarily to increases of $141,452 in property taxes and $19,907 in interest earnings.

## Operating and Non-operating Expenses

| **Operating expenses:** | | **2018** | **2017** | **Change** |
|---|---|---|---|---|
| Landing area usage | $ | 712,196 | 998,105 | (285,909) |
| Hangar area usage | | 68,880 | 66,423 | 2,457 |
| Main hangar and F.B.O. | | 62,767 | 57,013 | 5,754 |
| Terminal area usage | | 310,253 | 326,014 | (15,761) |
| Land usage | | 342,706 | 340,656 | 2,050 |
| Public administration | | 2,660,657 | 2,670,735 | (10,078) |
| **Total operating expenses** | | 4,157,459 | 4,458,946 | (301,487) |
| **Depreciation** | | 2,263,682 | 2,288,269 | (24,587) |
| **Non-operating expenses:** | | | | |
| Other | | 184,603 | 737,054 | (552,451) |
| **Total non-operating expenses** | | 184,603 | 737,054 | (552,451) |
| **Total expenses** | $ | 6,605,744 | 7,484,269 | (878,525) |

A closer examination of the District's expenses reveals that:

The District's total expenses including depreciation decreased by 11.7% or $878,525 to $6,605,744. The District's operating expenses, decreased 6.8% or $301,487 to $4,157,459, due primarily to decreases of $285,909 in landing area usage, $15,761 in terminal area usage, $10,078 in public administration.

The District's depreciation decreased by 1.1% or $24,587 to $2,263,682 due primarily to maturing of existing capital assets depreciation.

The District's non-operating expenses decreased by 75.0% or $552,451 to $184,603 due primarily to decreases of $537,657 in revenue guarantee expense and $14,794 in gain(loss) on disposal of capital assets.

## Capital Asset Administration

Changes in capital asset amounts for 2018 were as follows:

| Capital assets: | | **Balance 2017** | **Additions** | **Transfers/ Deletions** | **Balance 2018** |
|---|---|---|---|---|---|
| Non-depreciable assets | $ | 10,971,458 | 1,933,668 | (298,760) | 12,606,366 |
| Depreciable assets | | 72,947,168 | 812,535 | (37,333) | 73,722,370 |
| Accumulated depreciation | | (51,747,246) | (2,263,682) | 37,333 | (53,973,595) |
| Total capital assets, net | $ | 32,171,380 | 482,521 | (298,760) | 32,355,141 |

At the end of fiscal year 2018, the District's investment in capital assets amounted to $32,355,141 (net of accumulated depreciation). 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 5 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
## Statement of Net Position
### June 30, 2018

| | | 2018 |
|---|---|---|
| **Current assets:** | | |
| Cash and cash equivalents (note 2) | $ | 1,889,401 |
| Restricted – cash and cash equivalents (note 2) | | 1,805,459 |
| Certificate-of-deposit (note 2) | | 8,000 |
| Accrued interest receivable | | 217 |
| Accounts receivable – customers and tenants, net (note 3) | | 63,635 |
| Accounts receivable – federal capital grants | | 167,916 |
| Note receivable (note 4) | | 2,400 |
| Prepaid expenses and deposits | | 127,473 |
| Total current assets | | 4,064,501 |
| **Non-current assets:** | | |
| Note receivable (note 4) | | 128,934 |
| Capital assets, not being depreciated (note 5) | | 12,606,366 |
| Depreciable capital assets (note 5) | | 19,748,775 |
| Total non-current assets | | 32,484,075 |
| **Total assets** | | 36,548,576 |
| **Deferred outflows of resources:** | | |
| Deferred other post-employment benefits outflows (note 8) | | 6,264 |
| Deferred pension outflows (note 9) | | 471,849 |
| Total deferred outflows of resources | | 478,113 |
| **Current liabilities:** | | |
| Accounts payable and accrued expenses | | 383,236 |
| Accrued wages and related payables | | 21,444 |
| Unearned revenue – hanger and other rentals | | 144,708 |
| Hangar and other deposits | | 113,100 |
| Long-term liabilities – due in one year: | | |
| Compensated absences (note 6) | | 29,802 |
| Land improvements payable (note 7) | | 13,245 |
| Total current liabilities | | 705,535 |
| **Long-term liabilities – due in more than one year:** | | |
| Compensated absences (note 6) | | 89,406 |
| Land improvements payable (note 7) | | 7,561 |
| Total other post-employment benefits liability (note 8) | | 247,795 |
| Net pension liability (note 9) | | 1,746,160 |
| Total long-term liabilities | | 2,090,922 |
| **Total liabilities** | | 2,796,457 |
| **Deferred inflows of resources:** | | |
| Deferred pension inflows (note 9) | | 173,556 |
| **Total deferred inflows of resources** | | 173,556 |
| **Net position:** (note 10) | | |
| Net investment in capital assets | | 32,334,335 |
| Restricted for capital projects | | 1,805,459 |
| Unrestricted | | (83,118) |
| **Total net position** | $ | 34,056,676 |

See accompanying notes to the basic financial statements

## Santa Maria Public Airport District
### Statement of Revenues, Expenses and Changes in Net Position
### For the Fiscal Year Ended June 30, 2018

| | | 2018 |
|---|---|---|
| **Operating revenues:** | | |
| Landing area usage | $ | 165,798 |
| Hangar area usage | | 634,733 |
| Main hangar and Fixed Base Operations (FBO) | | 582,949 |
| Terminal area usage | | 423,074 |
| Land usage | | 1,452,920 |
| Operating grant revenue | | 16,540 |
| Other charges and fees | | 18,604 |
| **Total operating revenues** | | 3,294,618 |
| **Operating expenses:** | | |
| Landing area usage | | 712,196 |
| Hangar area usage | | 68,880 |
| Main hangar and Fixed Base Operations (FBO) | | 62,767 |
| Terminal area usage | | 310,253 |
| Land usage | | 342,706 |
| Public administration | | 2,660,657 |
| **Total operating expenses before depreciation** | | 4,157,459 |
| Operating loss before depreciation expense | | (862,841) |
| Depreciation expense – capital recovery | | (2,263,682) |
| **Operating loss** | | (3,126,523) |
| **Non-operating revenue(expense):** | | |
| Property taxes | | 1,633,826 |
| Redevelopment agency property tax increment | | 30,155 |
| Interest and investment earnings | | 56,218 |
| Revenue guarantee expense (note 12) | | (184,603) |
| Gain on disposal of assets | | 1,850 |
| Other non-operating income | | 4,449 |
| **Total non-operating revenues, net** | | 1,541,895 |
| **Net loss before capital contributions** | | (1,584,628) |
| **Capital contributions:** | | |
| Federal capital grants | | 1,182,306 |
| Passenger facility charges | | 118,518 |
| **Capital contributions** | | 1,300,824 |
| **Change in net position** | | (283,804) |
| **Net position, beginning of year – as restated (note 11)** | | 34,340,480 |
| **Net position, end of year** | $ | 34,056,676 |

See accompanying notes to the basic financial statements

# Santa Maria Public Airport District
## Statement of Cash Flows
## For the Fiscal Year Ended June 30, 2018

| | | 2018 |
|---|---|---|
| **Cash flows from operating activities:** | | |
| Cash receipts from customers and tenants | $ | 3,304,873 |
| Cash receipts from federal operating grants | | 871,260 |
| Cash paid to vendors for materials and services | | (4,260,671) |
| Cash paid to employees for salaries | | (880,570) |
| Net cash used in operating activities | | (965,108) |
| **Cash flows from non-capital financing activities:** | | |
| Proceeds from property taxes | | 1,633,826 |
| Proceeds from redevelopment agency property tax increment | | 30,155 |
| Net cash provided by non-capital financing activities | | 1,663,981 |
| **Cash flows from capital and related financing activities:** | | |
| Acquisition and construction of capital assets | | (2,448,261) |
| Proceeds from federal capital grants | | 836,747 |
| Proceeds from passenger facility charges | | 118,518 |
| Payments for land improvements payable | | (13,877) |
| Net cash used in capital and related financing activities | | (1,506,873) |
| **Cash flows from investing activities:** | | |
| Proceeds from note receivable | | 2,200 |
| Interest received on cash and cash equivalents | | 58,225 |
| Net cash provided by investing activities | | 60,425 |
| **Net decrease in cash and cash equivalents** | | (747,575) |
| Cash and cash equivalents, beginning of year | | 4,442,435 |
| Cash and cash equivalents, end of year | $ | 3,694,860 |
| **Reconciliation of cash and cash equivalents to statement of net position:** | | |
| Cash and cash equivalents | $ | 1,889,401 |
| Restricted assets – cash and cash equivalents | | 1,805,459 |
| Total cash and cash equivalents | $ | 3,694,860 |

*Continued on next page*

See accompanying notes to the basic financial statements

# Santa Maria Public Airport District
## Statement of Cash Flows, continued
## For the Fiscal Year Ended June 30, 2018

| | | 2018 |
|---|---|---|
| **Reconciliation of operating loss to net cash used in operating activities:** | | |
| **Operating loss** | $ | (3,126,523) |
| **Adjustments to reconcile operating loss to net cash used in operating activities:** | | |
| Depreciation and amortization | | 2,263,682 |
| Gain on disposal of assets | | 1,850 |
| Other non-operating expenses | | 4,449 |
| Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources: | | |
| (Increase)Decrease in assets: | | |
| Accounts receivable – customers and tenants, net | | 24,945 |
| Accounts receivable – federal capital grants | | 854,720 |
| Prepaid expenses and deposits | | (120,999) |
| Note receivable | | (10,346) |
| Increase in deferred outflows of resources: | | |
| Deferred other post-employement benefits outflows | | (6,264) |
| Deferred pension outflows | | (162,416) |
| Increase(Decrease) in liabilities: | | |
| Accounts payable and accrued expenses | | (1,122,730) |
| Accrued wages and related liabilities | | 3,709 |
| Compensated absences | | (12,818) |
| Unearned revenue | | 1,799 |
| Hangar and other deposits | | 13,024 |
| Other post-employment benefits payable | | 182,464 |
| Net pension liability | | 250,938 |
| Decrease in deferred inflows of resources: | | |
| Deferred pension inflows | | (4,592) |
| Total adjustments | | 2,161,415 |
| Net cash used in operating activities | $ | (965,108) |
| **Non-cash investing, capital and financing transactions:** | | |
| Change in fair value of funds deposited with LAIF | $ | 86 |
| Change in capital contributions – federal capital grants | $ | 854,720 |

See accompanying notes to the basic financial statements

## (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 one regional airline (Allegiant Airlines) 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 expenses of the airport and depreciation expense are also considered and classified as operating expenses. Other revenues, such as property taxes and investment income, and expenses not included in the above categories are reported as non-operating revenues and expenses.

### C. Financial Reporting

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

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

*Governmental Accounting Standards Board Statement No. 75*

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

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

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

### C. Financial Reporting, continued

*Governmental Accounting Standards Board Statement No. 81*

In March 2016, the GASB issued Statement No. 81 – *Irrevocable Split-Interest Agreements.* The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period.

The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively.

*Governmental Accounting Standards Board Statement No. 85*

In March 2017, the GASB issued Statement No. 85 – *Omnibus 2017.* The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits - OPEB).

The provisions of this Statement are effective for reporting periods beginning after June 15, 2017. The impact of the implementation of this Statement to the District's financial statements has not been assessed at this time.

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

#### 1. Use of Estimates

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

#### 2. Cash and Cash Equivalents

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

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

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

#### 3. Investments and Investment Policy

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

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

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

#### 4. Fair Value Measurements

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

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

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

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

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

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

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

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

#### 6. Federal Capital and Operating Grants

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

#### 7. Prepaids

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

#### 8. Capital Assets

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

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

#### 9. Deferred Outflows of Resources

The statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of resources applicable to future periods and therefore will *not* be recognized as an outflow of resources (expenditure) until that time. The District has the following items that qualify for reporting in this category:

*Post-Employment Benefits Other Than Pensions (OPEB)*

- Deferred outflow which is equal to the employer contributions made after the measurement date of the total OPEB liability. This amount will be amortized-in-full against the total OPEB liability in the next fiscal year.

*Pensions*

- Deferred outflow which is equal to the employer contributions made after the measurement date of the net pension liability. This amount will be amortized-in-full against the net pension liability in the next fiscal year.
- Deferred outflow for the net changes in assumptions which will be amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the Plan.
- Deferred outflow for the net difference in projected and actual earnings on investments of the pension plans fiduciary net position. This amount is amortized over a 5 year period.

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

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

#### 10. Unearned Revenue

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

#### 11. 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.

#### 12. Post-Employment Benefits Other Than Pensions (OPEB)

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

GASB 75 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

- Valuation Date: June 30, 2017
- Measurement Date: June 30, 2017
- Measurement Period: July 1, 2016 to June 30, 2017

#### 13. Pensions

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

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

- Valuation Date: June 30, 2016
- Measurement Date: June 30, 2017
- Measurement Period: July 1, 2016 to June 30, 2017

#### 14. Deferred Inflows of Resources

The statement of net position will sometimes report a separate section for deferred inflows of resources. This financial statement element, deferred inflows of resources, represents an acquisition of resources applicable to future periods and therefore will not be recognized as an inflow of resources (revenue) until that time. The District has the following items that qualify for reporting in this category:

- Deferred inflow for the net differences between the actual and expected experience which will be amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the Plan.

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

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

#### 14. Deferred Inflows of Resources, continued

- Deferred inflow for the net difference in actual and proportionate share of employer contribution and net changes in proportion which will be amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the Plan.
- Deferred inflow for the net change due to differences in the changes in proportions of the net pension liability which will be amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the Plan.

#### 15. Net Position

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

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

During the fiscal year ended June 30, 2018, the Authority incurred a negative unrestricted net position balance in the District's enterprise funds of $245,094 due to current year operating costs exceeding operating revenue. The District intends to reduce the negative unrestricted net position balance through the collection of operating usage revenue and main hangar and fixed base operations revenue in future periods.

#### 16. 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 |

#### 17. Capital Contributions

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

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

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

#### 18. 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:

| | | **2018** |
|---|---|---|
| Cash and cash equivalents | $ | 1,889,401 |
| Restricted cash and cash equivalents | | 1,805,459 |
| Certificate-of-deposit | | 8,000 |
| Total cash and investments | $ | 3,702,860 |

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

| | | **2018** |
|---|---|---|
| Cash on hand | $ | 1,350 |
| Deposits with financial institutions | | 565,534 |
| Investments | | 3,135,976 |
| Total cash and investments | $ | 3,702,860 |

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

| | **2018** |
|---|---|
| Certificate-of-deposit held with a financial institution | May 2019 |
| Deposits with California Local Agency Investment Fund (LAIF) | 193 days |

***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 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. 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).

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 or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies.

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

***Custodial Credit Risk, continued***

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. Of the bank balances, up to $250,000 is federally insured and the remaining balance is collateralized in accordance with the Code; however, the collateralized securities are not held in the District's name.

***Investment in State Investment Pool***

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

The pool portfolio is invested in a manner that meets the maturity, quality, diversification and liquidity requirements set forth by GASB 79 for external investments pools that elect to measure, for financial reporting purposes, investments at amortized cost. LAIF does not have any legally binding guarantees of share values. LAIF does not impose liquidity fees or redemption gates on participant withdrawals.

***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. One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio matures or comes close to maturity evenly over time as necessary to provide requirements for cash flow and liquidity needed for operations. Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity date:

Investments at June 30, 2018 consisted of the following:

| Investment Type | | Amount | Remaining Maturity (in Months) 12 months or less |
|---|---|---|---|
| Certificates-of-deposit | $ | 8,000 | 8,000 |
| Local Agency Investment Fund | | 45,662 | 45,662 |
| Money Market Savings Account | | 3,082,314 | 3,082,314 |
| Total | $ | 3,135,976 | 3,135,976 |

***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. Presented below is the minimum rating required by (where applicable) the California Government Code, the District's investment policy, or debt agreements, and the actual rating as of year-end for each investment type.

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

Credit ratings at June 30, 2018 consisted of the following:

| Investment Type | | Amount | Minimum Legal Rating | Exempt From Disclosure | Ratings AAA |
|---|---|---|---|---|---|
| Certificates-of-deposit | $ | 8,000 | N/A | 8,000 | - |
| Local Agency Investment Fund | | 45,662 | N/A | 45,662 | - |
| Money Market Savings Account | | 3,082,314 | AAA | - | 3,082,314 |
| Total | $ | 3,135,976 | | 53,662 | 3,082,314 |

### *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.

### *Fair Value Measurements*

Investments measured at fair value on a recurring and non-recurring basis, are as follows:

| **Investments at June 30, 2018:** | | | Fair Value Measurements Using | | |
|---|---|---|---|---|---|
| **Investment Type** | | **Total** | **Quoted Prices in Active Markets for Identical Assets (Level 1)** | **Significant Other Observable Inputs (Level 2)** | **Significant Unobservable Inputs (Level 3)** |
| Certificates-of-deposit | $ | 8,000 | - | 8,000 | - |
| Money Market Savings Account | | 3,082,314 | 3,082,314 | - | - |
| Total investments measured at fair value | | 3,090,314 | 3,082,314 | 8,000 | - |
| Investments measured at amortized cost: | | | | | |
| Local Agency Investment Fund (LAIF) | | 45,662 | | | |
| Total | $ | 3,135,976 | | | |

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

The balance as of June 30 consists of the following:

| | | 2018 |
|---|---|---|
| Accounts receivable – customers and tenants | $ | 67,495 |
| Allowance for uncollectible accounts | | (3,860) |
| Accounts receivable – customers and tenants, net | $ | 63,635 |

## (4) Note Receivable

In June 14, 2000, the Board authorized a loan guarantee of $150,000 in the form of a certificate-of-deposit with Santa Barbara Bank and Trust for Pacific Skyway, Inc. (Pacific Skyway), an airline start-up, owned by an individual, David Baskett (Mr. Baskett). Subsequently, Pacific Skyway went out of business and filed for bankruptcy protection in 2001. As a result of the bankruptcy filing, Pacific Skyway defaulted on its loan and the certificate-of-deposit was forfeited and recognized as a loss by the District.

On October 1, 2001, the amount in default was recorded as a note receivable between the District and Mr. Baskett. On August 29, 2002, a note agreement was signed by the District and Mr. Baskett. Terms of the note called for an 8% annual interest rate and monthly payments of $7,507, beginning on January 1, 2003.

In fiscal year 2005, the loan went into default. During the fiscal year ended June 30, 2006, the District had determined that the note was uncollectible and set up an allowance in the amount $111,272.

In December 2012, Mr. Baskett was elected to the Board. The note receivable became a related party transaction. On February 21, 2013, the District entered into a new promissory note agreement with Mr. Baskett. Terms of the agreement called for a 4% annual interest rate and monthly payments of $200, until the loan is repaid in full. The agreements terms provide that District retain all subsequent Director’s fees to assist in satisfying the obligation.

During the fiscal year ended June 30, 2017, the District filed suit with the Santa Barbara County Court to recover the outstanding balance of $122,788 and additional legal fees. On August 31, 2017, a summary judgement was granted in favor of the District.

The balance at June 30 consists of the following:

| | | 2017 | Additions | Payments Received | 2018 |
|---|---|---|---|---|---|
| Note receivable | $ | 122,788 | 10,746 | (2,200) | 131,334 |
| Note receivable | | 122,788 | 10,746 | (2,200) | 131,334 |
| Less: current portion | | (1,800) | | | (2,400) |
| Total non-current | $ | 120,988 | | | 128,934 |

## (5) Capital Assets

Changes in capital assets for 2018 were as follows:

| | Balance 2017 | Additions/ Transfers | Deletions/ Transfers | Balance 2018 |
|---|---|---|---|---|
| Non-depreciable assets: | | | | |
| Land and land rights | $ 6,435,579 | - | - | 6,435,579 |
| Construction-in-process | 4,535,879 | 1,933,668 | (298,760) | 6,170,787 |
| Total non-depreciable assets | 10,971,458 | 1,933,668 | (298,760) | 12,606,366 |
| Depreciable assets: | | | | |
| Landing area | 38,591,576 | 181,689 | - | 38,773,265 |
| Revenue generating land | 7,608,026 | - | - | 7,608,026 |
| Owner-Builder area | 34,664 | - | - | 34,664 |
| T-Hangars | 6,509,092 | 39,339 | (3,578) | 6,544,853 |
| Fixed Based Operations (F.B.O.) | 2,541,866 | 9,080 | - | 2,550,946 |
| Terminal | 15,004,163 | 7,147 | - | 15,011,310 |
| Administration and equipment | 2,657,781 | 575,280 | (33,755) | 3,199,306 |
| Total depreciable assets | 72,947,168 | 812,535 | (37,333) | 73,722,370 |
| Accumulated depreciation: | | | | |
| Landing area | (23,676,366) | (1,301,370) | - | (24,977,736) |
| Revenue generating land | (4,488,051) | (242,685) | - | (4,730,736) |
| Owner-Builder area | (34,665) | - | - | (34,665) |
| T-Hangars | (5,813,323) | (146,836) | 3,578 | (5,956,581) |
| Fixed Based Operations (F.B.O.) | (2,172,561) | (56,683) | - | (2,229,244) |
| Terminal | (13,785,902) | (360,107) | - | (14,146,009) |
| Administration and equipment | (1,776,378) | (156,001) | 33,755 | (1,898,624) |
| Total accumulated depreciation | (51,747,246) | (2,263,682) | 37,333 | (53,973,595) |
| Total depreciable assets, net | 21,199,922 | (1,451,147) | - | 19,748,775 |
| Total capital assets, net | $ 32,171,380 | | | 32,355,141 |

Major capital assets additions during the year include landing area improvements, T-hangar improvements, and administration equipment acquisitions. Major capital asset deletions during the year included disposals of administration and equipment which were replaced at June 30.

***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:

| | 2018 |
|---|---|
| Landing area improvements | $ 536,795 |
| Terminal area | 4,066,789 |
| Revenue generating land | 1,567,203 |
| Construction-in-process | $ 6,170,787 |

## (6) Compensated Absences

Changes in compensated absences balance at June 30 were as follows:

| Balance 2017 | Additions | Deletions | Balance 2018 | Due Within One Year | Due in More Than One Year |
|---|---|---|---|---|---|
| $ 132,026 | 96,707 | (109,525) | 119,208 | 29,802 | 89,406 |

## (7) Land Improvements Payable

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

Changes in land improvements payable at June 30 were as follows:

| | 2017 | Additions | Payments | 2018 |
|---|---|---|---|---|
| Land improvements payable | $ 34,683 | - | (13,877) | 20,806 |
| Less current-portion | (14,208) | | | (13,245) |
| Total non-current | $ 20,475 | | | 7,561 |

Future annual payments are as follows:

| Fiscal Year | Annual Payment |
|---|---|
| 2019 | $ 13,245 |
| 2020 | 1,326 |
| 2021 | 1,326 |
| 2022 | 1,326 |
| 2023 | 3,583 |
| Total | 20,806 |
| Less: current | (13,245) |
| Non-current | $ 7,561 |

## (8) Other Post-Employment Benefits (OPEB) Plan

***General Information about the OPEB Plan***

*Plan Description*

The District offers post-employment medical benefits to retired employees who satisfy the eligibility rules. Dependents are also eligible to receive benefits. Retirees may enroll in any plan available through the District's CalPERS Medical Program.

*Benefits Provided*

For retirees at age of 50 with a minimum of 5 years of service, the District's contribution toward the CalPERS Medical Program will be 100% of the District's share of the premium amount for the retiree and their dependents.

***Employees Covered by Benefit Terms***

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

| | Measurement Date 2017 |
|---|---|
| Inactive employees or beneficiaries currently receiving benefit payments | 4 |
| Inactive employees entitled to but not receiving benefit payments | - |
| Active employees | 13 |
| Total Plan membership | 17 |

***Contributions***

The Plan and its contribution requirements for eligible retired employees of the District are established and may be amended by the Board of Directors. The District pays 100% of its share of the cost of health insurance for retirees under any group plan offered by CalPERS, subject to certain restrictions as determined by the District. The District's cap is $128 per month which is adjusted for each year in accordance with California Government Code Section 22892. The annual contribution is based on the actuarially determined contribution.

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

| | 2018 |
|---|---|
| Contributions – employer | $ 6,264 |

As of June 30 2018, employer pension contributions of $6,264 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the fiscal year ended June 30, 2019.

***Total OPEB Liability***

The District's total OPEB liability was measured as of June 30, 2017 and the total OPEB liability used to calculate the total OPEB liability was determined by an actuarial valuation as of June 30, 2017. Standard actuarial update procedures were used to project/discount from valuation to measurement dates.

## (8) Other Post-Employment Benefits (OPEB) Plan, continued

***Total OPEB Liability, continued***

*Actuarial Assumptions*

The total OPEB liability was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

| | |
|---|---|
| Inflation | 2.75 percent |
| Salary increases | 2.75 percent |
| Discount rate | 3.50 percent |
| Healthcare cost trend rates | 4.00 percent per year |
| Retirees' share of benefit-related costs | 100 percent of projected health insurance premiums for retirees at age 50 with a minimum 5 years of service |

Notes:

The discount rate was based on the Bond Buyer 20-Year Bond Index.

***Discount Rate***

The discount rate used to measure the total OPEB liability was 3.50 percent. The projection of cash flows used to determine the discount rate assumed that District contributions will be made at rates equal to the actuarially determined contribution rates.

***Changes in the Total OPEB Liability***

| | | Total OPEB Liability (a) |
|---|---|---|
| **Balance at June 30, 2016** | $ | 232,892 |
| **Changes for the year:** | | |
| Service cost | | 12,829 |
| Interest | | 8,261 |
| Employer contributions | | (6,187) |
| Employee contributions | | - |
| Actual investment income | | - |
| Administrative expenses | | - |
| Benefit payments | | - |
| **Net changes** | | 14,903 |
| **Balance at June 30, 2017** | $ | 247,795 |

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

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.50 percent) or 1-percentage-point higher (4.50 percent) than the current discount rate:

| | | Discount Rate - 1% (2.50%) | Current Discount Rate (3.50%) | Discount Rate + 1% (4.50%) |
|---|---|---|---|---|
| District's Total OPEB liability | $ | 292,799 | 247,795 | 212,196 |

## (8) Other Post-Employment Benefits (OPEB) Plan, continued

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

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (3.00 percent decreasing to 2.00 percent) or 1-percentage-point higher (5.00 percent decreasing to 4.00 percent) than the current healthcare cost trend rates:

| | | 1% Decrease (3.00% decreasing to 2.00%) | Healthcare Cost Trend Rates (4.00% decreasing to 3.00%) | 1% Increase (5.00% decreasing to 4.00%) |
|---|---|---|---|---|
| District's Total OPEB liability | $ | 212,787 | 247,795 | 290,440 |

For the year ended June 30, 2018, the District recognized OPEB expense of $239,758.

***OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB***

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

| Description | | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|---|
| OPEB contributions subsequent to the measurement date at June 30, 2017 | $ | 6,264 | - |

At June 30, 2018, there were no amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB which are required to be recognized in OPEB expense over future periods.

***Schedule of Changes in the District's Total OPEB Liability and Related Ratios***

See page 46 for the Required Supplementary Schedule.

## (9) Defined Benefit Pension Plan

***Plan Description***

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

## (9) Defined Benefit Pension Plan, continued

***Benefits Provided***

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

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

The Plans' provision and benefits in effect at June 30, 2018 are summarized as follows:

| | Miscellaneous Plan | |
|---|---|---|
| **Description** | **Tier 1** | **Tier 2** |
| Hire date | Prior to January 1, 2013 | On or after January 1, 2013 |
| Benefit formula | 2.0% @ 55 | 2.0% @ 62 |
| Benefit vesting schedule | 5 years of service | 5 years of service |
| Benefit payments | monthly for life | monthly for life |
| Retirement age | 50 - 55 | 52 - 67 |
| Monthly benefits, as a % of eligible compensation | 2.0% to 2.5% | 1.0% to 2.5% |
| Required employee contribution rates | 6.896% | 6.250% |
| Required employer contribution rates | 8.921% | 6.533% |

***Contributions***

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

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

| | | Miscellaneous Plan 2018 |
|---|---|---|
| Contributions – employer | $ | 137,310 |
| Contributions – employee (paid by employer) | | 42,475 |
| Total employer paid contributions | $ | 179,785 |

## (9) Defined Benefit Pension Plan, continued

***Net Pension Liability***

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

| | Proportionate Share of Net Pension Liability 2018 |
|---|---|
| Miscellaneous Plan | $ 1,746,160 |

The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2017, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016, rolled forward to June 30, 2017, using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

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

| | Miscellaneous Plan |
|---|---|
| Proportion – June 30, 2016 | 0.01728% |
| Proportion – June 30, 2017 | 0.01761% |
| Change – Increase (Decrease) | 0.00033% |

As a result of the implementation of the GASB 68 pronouncement at June 30, 2018, the District recognized pension expense of $221,240.

## (9) Defined Benefit Pension Plan, continued

### *Deferred Pension Outflows (Inflows) of Resources*

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

| Description | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Pension contributions subsequent to the measurement date | $ 137,310 | - |
| Net differences between actual and expected experience | - | (31,248) |
| Net changes in assumptions | 268,743 | - |
| Net differences between projected and actual earnings on plan investments | 65,796 | - |
| Net differences between actual contribution and proportionate share of contribution | - | (115,900) |
| Net adjustment due to differences in proportions of net pension liability | - | (26,408) |
| Total | $ 471,849 | (173,556) |

As of June 30 2018, employer pension contributions of $137,310 were reported as deferred outflows of resources related to contributions subsequent to the measurement date were and will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2019.

As a result of the implementation of the GASB 68 at June 30, 2018, the District recognized other amounts reported by the Plan actuarial as deferred outflows of resources and deferred inflows of resources related to the pension liability. Pension related amounts will be recognized as pension expense as follows.

| Fiscal Year Ending June 30: | Deferred Outflows/ (Inflows) of Resources |
|---|---|
| 2018 | $ (74,061) |
| 2019 | (61,559) |
| 2020 | 103,442 |
| 2021 | 46,474 |
| 2022 | - |
| Thereafter | - |

## (9) Defined Benefit Pension Plan, continued

***Actuarial Assumptions***

The total pension liability in the June 30, 2016, actuarial valuation reports were determined using the following actuarial assumptions:

| | |
|---|---|
| Valuation Date | June 30, 2016 |
| Measurement Date | June 30, 2017 |
| Actuarial cost method | Entry Age Normal in accordance with the requirements of GASB Statement No. 68 |
| Actuarial assumptions: | |
| Discount rate | 7.15% |
| Inflation | 2.75% |
| Salary increases | Varies by Entry Age and Service |
| Investment Rate of Return | 7.50 % Net of Pension Plan Investment and Administrative Expenses; includes inflation |
| Mortality Rate Table* | Derived using CalPERS' Membership Data for all Funds |
| Post Retirement Benefit | Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter |

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

***Discount Rate***

The discount rate used to measure the total pension liability was 7.15% for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the Plan, the amortization and smoothing periods recently adopted by CalPERS were utilized. The crossover test was performed for a miscellaneous agent plan and a safety agent plan selected as being more at risk of failing the crossover test and resulting in a discount rate that would be different from the long-term expected rate of return on pension investments.

Based on the testing of the plans, the tests revealed the assets would not run out. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the Plan.

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

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

## (9) Defined Benefit Pension Plan, continued

***Discount Rate, continued***

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

| Asset Class | New Strategic Allocation | Real Return Years 1–10* | Real Return Year 11+** |
|---|---|---|---|
| Global Equity | 47.0% | 4.90% | 5.38% |
| Global Fixed Income | 19.0% | 0.80% | 2.27% |
| Inflation Sensitive | 6.0% | 0.60% | 1.39% |
| Private Equity | 12.0% | 6.60% | 6.63% |
| Real Estate | 11.0% | 2.80% | 5.21% |
| Infrastructure and Forestland | 3.0% | 3.90% | 5.36% |
| Liquidity | 2.0% | -0.40% | -0.90% |
| Total | 100.0% | | |

* An expected inlfation of 2.5% used for this period
** An expected inlfation of 3.0% used for this period

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

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

As of June 30, 2018, the discount rate comparison was the following:

| | Discount Rate – 1% (6.15%) | Current Discount Rate (7.15%) | Discount Rate + 1% (8.15%) |
|---|---|---|---|
| District's Net Pension Liability | $ 2,705,137 | 1,746,160 | 951,917 |

***Pension Plan Fiduciary Net Position***

Detailed information about the pension plan's fiduciary net position is available in separately issued CalPERS financial reports. See pages 47 through 48 for the Required Supplementary Schedules.

***Payable to the Pension Plan***

As of June 30, 2018, the District reported no payables for the outstanding amount of contribution to the pension plan.

## (10) Net Position

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

| | | 2018 |
|---|---|---|
| Net investment in capital assets: | | |
| Capital assets, not being depreciated | $ | 12,606,366 |
| Depreciable capital assets | | 19,748,775 |
| Current: | | |
| Land improvements payable | | (13,245) |
| Non-current: | | |
| Land improvements payable | | (7,561) |
| Total net investment in capital assets | | 32,334,335 |
| Restricted net position: | | |
| Restricted – cash and cash equivalents | | 1,805,459 |
| Total restricted net position | | 1,805,459 |
| Unrestricted net position: | | |
| Non-spendable net position: | | |
| Prepaid expenses and deposits | | 127,473 |
| Total non-spendable net position | | 127,473 |
| Spendable net position are designated as follows: | | |
| Total spendable net position | | (210,591) |
| Total unrestricted net position | | (83,118) |
| Total net position | $ | 34,056,676 |

## (11) Adjustment to Net Position

***Other Post-employment Benefits (OPEB) – GASB 75 Implementation***

In fiscal year 2018, the District implemented GASB pronouncements 74 and 75 to recognize its total other post-employment benefits (OPEB) liability. As a result of the implementation, the District recognized the OPEB liability and recorded a prior period adjustment, a (decrease) to net position, of $232,892 at July 1, 2017. The District recorded a prior period adjustment, an increase to net position, to reclassify from liabilities to net position, the prior year's OPEB liability, recognized in accordance with GASB 45, of $65,311 and to reclassify from expense to deferred outflows, the prior year's employer OPEB expense of $6,187 at July 1, 2017.

The adjustment to net position was as follows:

| | | |
|---|---|---|
| Net position at July 1, 2017, as previously stated | $ | 34,501,854 |
| Effect of adjustment to record total OPEB liability | | (232,892) |
| Effect of adjustment to remove OPEB liability reported under GASB 45 | | 65,331 |
| Effect of adjustment to record deferred OPEB outflows | | 6,187 |
| Net position at June 30, 2018, as restated | | 34,340,480 |

## (12) Revenue Guaranty Expense

***Mokulele Airlines***

On September 15, 2016, the District entered into an agreement with Mokulele Airlines (Mokulele) for the purpose of encouraging Mokulele to adjust the flight schedule service from service to Los Angeles International Airport to the Hollywood Burbank Airport. Terms of the agreement stipulate a Revenue Guaranty Cap (Cap), which for the period through February 28, 2017, shall not exceed $525,000. For the period beginning July 1, 2017, through the end of the service period the aggregate amount of the Cap shall be increased by $250,000 to a total of $975,000, further capped at $50,000 per month. If minimum revenues exceed total revenues by more than $975,000 in the service period, the payment by the District of the total sum of $975,000 shall be in full satisfaction of the Minimum Revenue guarantee owed under the service period. During the fiscal year ended June 30, 2017, Mokulele determined and substantiated that it did not receive Minimum Revenues per the terms of the agreement. At June 30, 2018, the District paid Mokulele Airlines a revenue guaranty expense of $184,603.

## (13) Deferred Compensation Savings Plan

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

Federal law requires deferred compensation assets to be held in trust for the exclusive benefit of the participants. Accordingly, the District is in compliance with this legislation. Therefore, these assets are not the legal property of the District, and are not subject to claims of the District's general creditors. Fair value of all plan assets held in trust by Mass Mutual at June 30, 2018, was $1,093,143.

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

## (14) 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, 2018, the District participated in the liability and property programs of the SDRMA as follows:

- General and auto liability, public officials and employees' errors and omissions and employment practices liability: Total risk financing limits of $10.0 million, combined single limit at $10.0 million per occurrence, subject to the following deductibles – $500/$1,000 per occurrence for third party general liability property damage – 50% co-insurance of cost expended by SDRMA, in excess of $10,000 up to $110,000, per occurrence, for employment related claims. However, 100% of the obligation will be waived if certain criteria are met.
- Employee dishonesty coverage up to $1,000,000 per loss includes public employee dishonesty, forgery or alteration and theft, disappearance and destruction coverages.

## (14) Risk Management, continued

- 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 (pool limit), subject to a $1,000 deductible per occurrence.
- Boiler and machinery coverage for the replacement cost up to $100 million per occurrence (pool limit), 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, 2018, 2017 and 2016. Liabilities are recorded when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated net of the respective insurance coverage. Liabilities include an amount for claims that have been incurred but not reported (IBNR). There were no IBNR claims payable as of June 30, 2018, 2017 and 2016.

## (15) Governmental Accounting Standards Board Statements

## Newly Issued Accounting Pronouncements, But Not Yet Effective

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to June 30, 2018, that have effective dates that may impact future financial presentations.

***Governmental Accounting Standards Board Statement No. 83***

In November 2016, the GASB issued Statement No. 83 – *Certain Asset Retirement Obligations.* This Statement (1) addresses accounting and financial reporting for certain asset retirement obligations (AROs), (2) establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs, (3) requires that recognition occur when the liability is both incurred and reasonably estimable, (4) requires the measurement of an ARO to be based on the best estimate of the current value of outlays expected to be incurred, (5) requires the current value of a government's AROs to be adjusted for the effects of general inflation or deflation at least annually, and (6) and requires disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets.

The provisions of this Statement are effective for reporting periods beginning after June 15, 2018. The impact of the implementation of this Statement to the District's financial statements has not been assessed at this time.

***Governmental Accounting Standards Board Statement No. 84***

In January 2017, the GASB issued Statement No. 84 – *Fiduciary Activities.* The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

## (15) Governmental Accounting Standards Board Statements

## Newly Issued Accounting Pronouncements, But Not Yet Effective

### *Governmental Accounting Standards Board Statement No. 84, continued*

This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria.

The provisions of this Statement are effective for reporting periods beginning after December 15, 2018. The impact of the implementation of this Statement to the District's financial statements has not been assessed at this time.

### *Governmental Accounting Standards Board Statement No. 86*

In May 2017, the GASB issued Statement No. 86 – *Certain Debt Extinguishment Issues.* The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

The provisions of this Statement are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged. The impact of the implementation of this Statement to the District's financial statements has not been assessed at this time.

### *Governmental Accounting Standards Board Statement No. 87*

In June 2017, the GASB issued Statement No. 87 – *Leases.* The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The provisions of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The impact of the implementation of this Statement to the District's financial statements has not been assessed at this time.

## (15) Governmental Accounting Standards Board Statements

## Newly Issued Accounting Pronouncements, But Not Yet Effective

***Governmental Accounting Standards Board Statement No. 88***

In April 2018, the GASB issued Statement No. 88 – *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements.* The objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established.

This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged. The impact of the implementation of this Statement to the District's financial statements has not been assessed at this time.

***Governmental Accounting Standards Board Statement No. 89***

In June 2018, the GASB issued Statement No. 89 – *Accounting for Interest Cost Incurred before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements of this Statement should be applied prospectively. The impact of the implementation of this Statement to the District's financial statements has not been assessed at this time.

## (15) Governmental Accounting Standards Board Statements

## Newly Issued Accounting Pronouncements, But Not Yet Effective

### *Governmental Accounting Standards Board Statement No. 90*

In August 2018, the GASB issued Statement No. 90 – *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis. The impact of the implementation of this Statement to the District's financial statements has not been assessed at this time.

## (16) 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, 2018, the District had no 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.

## (17) Subsequent Events

Events occurring after June 30, 2018, have been evaluated for possible adjustment to the financial statements or disclosure as of January 24, 2019, which is the date the financial statements were available to be issued. The District is not aware of any subsequent events that would require recognition or disclosure in the financial statements.

# Required Supplementary Information

## Santa Maria Public Airport District
### Schedule of Changes in the District Total OPEB Liability and Related Ratios
### As of June 30, 2018
### Last Ten Years*

| | | Measurement Date 2017 |
|---|---|---|
| Total OPEB Liability | | |
| Service cost | $ | 12,829 |
| Interest | | 8,261 |
| Employer contributions | | (6,187) |
| Employee contributions | | - |
| Actual investment income | | - |
| Administrative expenses | | - |
| Benefit payments | | - |
| Net change in total OPEB liability | | 14,903 |
| Total OPEB liability – beginning | | 232,892 |
| Total OPEB liability – ending | $ | 247,795 |
| Covered employee payroll | $ | 768,476 |
| Total OPEB liability as a percentage of covered employee payroll | | 32.24% |

**Notes:**

***** Historical information presented above follows the measurement periods for which GASB 74 & 75 were applicable. The fiscal year ended June 30, 2017, (valuation and measurement dates as of June 30, 2017) was the first year of implementation required by GASB 74 & 75; therefore only one year is shown.

# Santa Maria Public Airport District
## District's Proportionate Share of the Net Pension Liability
## As of June 30, 2018
## Last Ten Years*

| Description | | Measurement Date 6/30/2017 | | Measurement Date 6/30/2016 | Measurement Date 6/30/2015 | Measurement Date 6/30/2014 |
|---|---|---|---|---|---|---|
| District's Proportion of the Net Pension Liability | | 0.01761% | | 0.01728% | 0.01618% | 0.01700% |
| District's Proportionate Share of the Net Pension Liability | $ | 1,746,160 | $ | 1,495,222 | 1,110,736 | 1,057,671 |
| District's Covered Payroll | $ | 794,904 | $ | 768,476 | 766,034 | 691,152 |
| District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll | | 219.67% | | 194.57% | 145.00% | 153.03% |
| Plan's Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability | | 74.95% | | 76.90% | 82.41% | 81.15% |

**Notes:**

***Changes in Benefit Terms* –** For the measurement date June 30, 2017, there were no changes in the benefit terms.

***Changes of Assumptions* –** For the measurement date June 30, 2017, the discount rate was reduced from 7.65% percent to 7.15% percent.

***** Historical information presented above follows the measurement periods for which GASB 68 & 71 were applicable. The fiscal year ended June 30, 2015, was the first year of implementation required by GASB 68 & 71; therefore only four years are shown.

## Santa Maria Public Airport District
### Schedules of Pension Plan Contributions
### As of June 30, 2018
### Last Ten Years*

| **Schedule of Pension Plan Contributions:** | | **Fiscal Year 6/30/2018** | | **Fiscal Year 6/30/2017** | **Fiscal Year 6/30/2016** | **Fiscal Year 6/30/2015** |
|---|---|---|---|---|---|---|
| Actuarially Determined Contribution | $ | 214,490 | $ | 198,458 | 170,612 | 70,150 |
| Contributions in Relation to the Actuarially Determined Contribution | | (137,310) | | (116,989) | (107,687) | (70,150) |
| Contribution Deficiency (Excess) | $ | 77,180 | $ | 81,469 | 62,925 | - |
| Covered Payroll | $ | 794,904 | $ | 768,476 | 766,034 | 691,152 |
| Contribution's as a percentage of Covered Payroll | | 26.98% | | 25.82% | 22.27% | 10.15% |

**Notes:**

***** Historical information presented above follows the measurement periods for which GASB 68 & 71were applicable. The fiscal year ended June 30, 2015, was the first year of implementation required by GASB 68 & 71; therefore only four years are shown.

**< Page Intentionally Left Blank >**

# Supplementary Information

## Santa Maria Public Airport District
### Schedule of Revenues, Expenses and Changes in Net Position – Compared to Budget
### For the Fiscal Year Ended June 30, 2018

| | Adopted Original Budget | Board Approved Changes | Final Budget | Actual Budgetary Basis | Variance Positive (Negative) |
|---|---|---|---|---|---|
| Operating revenues: | | | | | |
| Landing area usage | $ 152,109 | - | 152,109 | 165,798 | 13,689 |
| Hangar area usage | 643,064 | - | 643,064 | 634,733 | (8,331) |
| Main hangar and F.B.O. | 560,894 | - | 560,894 | 582,949 | 22,055 |
| Terminal area usage | 414,577 | - | 414,577 | 423,074 | 8,497 |
| Land usage | 1,407,182 | - | 1,407,182 | 1,452,920 | 45,738 |
| Operating grant revenue | 28,800 | - | 28,800 | 16,540 | (12,260) |
| Other charges and fees | 21,000 | - | 21,000 | 18,604 | (2,396) |
| Total operating revenues | 3,227,626 | - | 3,227,626 | 3,294,618 | 66,992 |
| Operating expenses: | | | | | |
| Landing area usage | 748,989 | - | 748,989 | 712,196 | 36,793 |
| Hangar area usage | 95,776 | - | 95,776 | 68,880 | 26,896 |
| Main hangar and Fixed Base Operations | 73,845 | - | 73,845 | 62,767 | 11,078 |
| Terminal area usage | 350,470 | - | 350,470 | 310,253 | 40,217 |
| Land usage | 366,258 | - | 366,258 | 342,706 | 23,552 |
| Public administration | 2,692,803 | 73,336 | 2,766,139 | 2,660,657 | 105,482 |
| Total operating expenses | 4,328,141 | 73,336 | 4,401,477 | 4,157,459 | 244,018 |
| Operating loss before depreciation | (1,100,515) | (73,336) | (1,173,851) | (862,841) | 311,010 |
| Depreciation expense | (2,612,141) | - | (2,612,141) | (2,263,682) | 348,459 |
| **Operating loss** | (3,712,656) | (73,336) | (3,785,992) | (3,126,523) | 659,469 |
| Non-operating revenue(expense) | | | | | |
| Property taxes | 1,408,373 | - | 1,408,373 | 1,663,981 | 255,608 |
| Interest and investment earnings | 23,535 | - | 23,535 | 56,218 | 32,683 |
| Revenue guarantee expense | - | (184,603) | (184,603) | (184,603) | - |
| Gain on disposal of assets | - | - | - | 1,850 | 1,850 |
| Other non-operating expenses | - | - | - | 4,449 | 4,449 |
| Total non-operating revenues, net | 1,431,908 | (184,603) | 1,247,305 | 1,541,895 | 294,590 |
| **Net loss before capital contributions** | (2,280,748) | (257,939) | (2,538,687) | (1,584,628) | 954,059 |
| Capital contributions: | | | | | |
| Federal capital grants | 9,316,852 | - | 9,316,852 | 1,182,306 | (8,134,546) |
| Passenger facility charges | 80,192 | - | 80,192 | 118,518 | 38,326 |
| **Capital contributions** | 9,397,044 | - | 9,397,044 | 1,300,824 | (8,096,220) |
| **Change in net position** | 7,116,296 | (257,939) | 6,858,357 | (283,804) | (7,142,161) |
| **Net position, beginning of year – as restated** | 36,226,086 | | 35,134,666 | 34,340,480 | |
| **Net position, end of year** | $ 43,342,382 | | 41,993,023 | 34,056,676 | |

# Santa Maria Public Airport District
## Schedule of Operating & Non-Operating Expenses – Compared to Budget
## For the Fiscal Year Ended June 30, 2018

| | Final Budget | Actual | Variance Positive (Negative) |
|---|---|---|---|
| **Operating expenses:** | | | |
| Landing area usage: | | | |
| ARFF Services | $ 665,110 | 665,110 | - |
| Utilities | 19,754 | 17,306 | 2,448 |
| Repairs and maintenance | 64,125 | 29,780 | 34,345 |
| Total | 748,989 | 712,196 | 36,793 |
| Hangar area usage: | | | |
| Utilities | 33,463 | 25,709 | 7,754 |
| Repairs and maintenance | 57,825 | 39,035 | 18,790 |
| Owner build area | 4,488 | 4,136 | 352 |
| Total | 95,776 | 68,880 | 26,896 |
| Main hangar and Fixed Base Operations (FBO) | | | |
| Utilities | 46,967 | 45,436 | 1,531 |
| Repairs and maintenance | 26,878 | 17,331 | 9,547 |
| Total | 73,845 | 62,767 | 11,078 |
| Terminal area usage: | | | |
| Utilities | 133,475 | 126,169 | 7,306 |
| Repairs and maintenance | 216,994 | 184,084 | 32,910 |
| Total | 350,469 | 310,253 | 40,216 |
| Land usage: | | | |
| Utilities | 12,654 | 5,315 | 7,339 |
| Mobile home park | 330,728 | 322,503 | 8,225 |
| Repairs and maintenance | 22,876 | 14,888 | 7,988 |
| Total | 366,258 | 342,706 | 23,552 |
| Public administration | | | |
| Salaries and wages | 825,088 | 817,003 | 8,085 |
| Benefits | 494,837 | 540,418 | (45,581) |
| Utilities | 82,879 | 81,071 | 1,808 |
| Supplies | 65,585 | 67,427 | (1,842) |
| Repairs and maintenance | 76,639 | 56,043 | 20,596 |
| Contractual services | 565,692 | 526,648 | 39,044 |
| Office supplies, postage and stationary | 95,234 | 91,574 | 3,660 |
| Dues and subscriptions | 26,291 | 25,717 | 574 |
| Advertising | 83,669 | 84,156 | (487) |
| Insurance | 112,604 | 110,293 | 2,311 |
| Travel | 54,850 | 49,725 | 5,125 |
| Fire training | 26,500 | 19,431 | 7,069 |
| Consulting services | 166,960 | 120,735 | 46,225 |
| Economic development | 58,000 | 34,133 | 23,867 |
| Other expenses | 19,308 | 36,283 | (16,975) |
| Total | 2,754,136 | 2,660,657 | 93,479 |
| Depreciation of capital assets | 2,612,141 | 2,263,682 | 348,459 |
| **Total operating expenses** | $ 7,001,614 | 6,421,141 | 580,473 |
| **Non-operating expense:** | | | |
| Revenue guarantee expense (note 12) | $ 184,603 | 184,603 | - |
| **Total non-operating expenses** | $ 184,603 | 184,603 | - |

# Statistical Section

**Santa Maria Public Airport District**
**Statistical Section**
**June 30, 2018**

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.

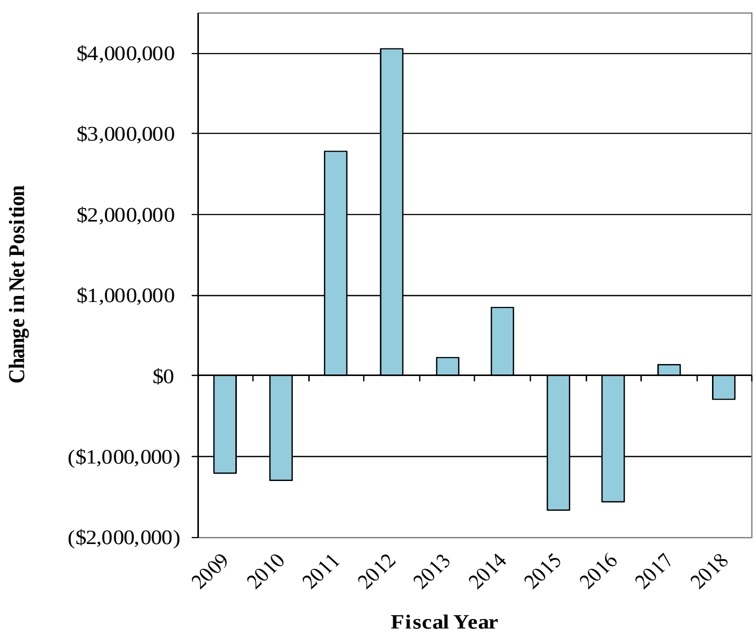
## Table of Contents



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

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

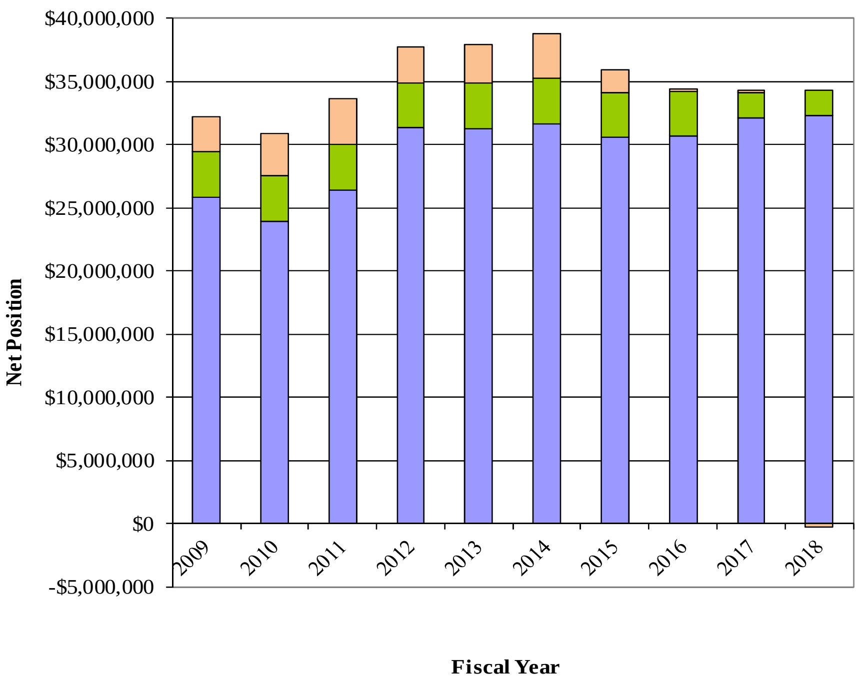
| | | Fiscal Year | | | | |
|---|---|---|---|---|---|---|
| | | **2009** | **2010** | **2011** | **2012** | **2013** |
| Changes in net position: | | | | | | |
| Operating revenues (see Schedule 2) | $ | 2,975,198 | 2,999,089 | 2,919,221 | 2,965,457 | 3,055,567 |
| Operating expenses (see Schedule 3) | | (3,607,627) | (3,468,444) | (3,317,387) | (3,499,414) | (3,562,952) |
| Depreciation expense – capital recovery | | (2,432,614) | (2,279,677) | (2,207,171) | (2,256,291) | (2,222,345) |
| **Operating income(loss)** | | (3,065,043) | (2,749,032) | (2,605,337) | (2,790,248) | (2,729,730) |
| Non-operating revenues(expenses) | | | | | | |
| Property taxes | | 1,284,120 | 1,222,744 | 1,236,952 | 1,252,193 | 1,338,669 |
| Interest and investment earnings | | 139,324 | 49,557 | 31,472 | 19,411 | 15,323 |
| Revenue guaranty expense | | - | - | - | - | - |
| Gain/(Loss) on sale/disposition of assets | | - | - | - | - | - |
| Other revenue/(expense), net | | 114,307 | (16,557) | (28,585) | (336,319) | (44,616) |
| Total non-operating revenues(expenses), net | | 1,537,751 | 1,255,744 | 1,239,839 | 935,285 | 1,309,376 |
| **Net income before capital contributions** | | (1,527,292) | (1,493,288) | (1,365,498) | (1,854,963) | (1,420,354) |
| Capital contributions | | 318,815 | 195,302 | 4,142,421 | 5,912,156 | 1,644,404 |
| **Changes in net position** | $ | (1,208,477) | (1,297,986) | 2,776,923 | 4,057,193 | 224,050 |
| Net position by component: | | | | | | |
| Net investment in capital assets | $ | 25,851,143 | 23,909,084 | 26,432,793 | 31,325,016 | 31,236,490 |
| Restricted | | 3,593,339 | 3,594,590 | 3,593,440 | 3,592,707 | 3,590,796 |
| Unrestricted | | 2,724,198 | 3,367,020 | 3,621,384 | 2,787,087 | 3,101,578 |
| **Total net position** | $ | 32,168,680 | 30,870,694 | 33,647,617 | 37,704,810 | 37,928,864 |




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

**Schedule 1**

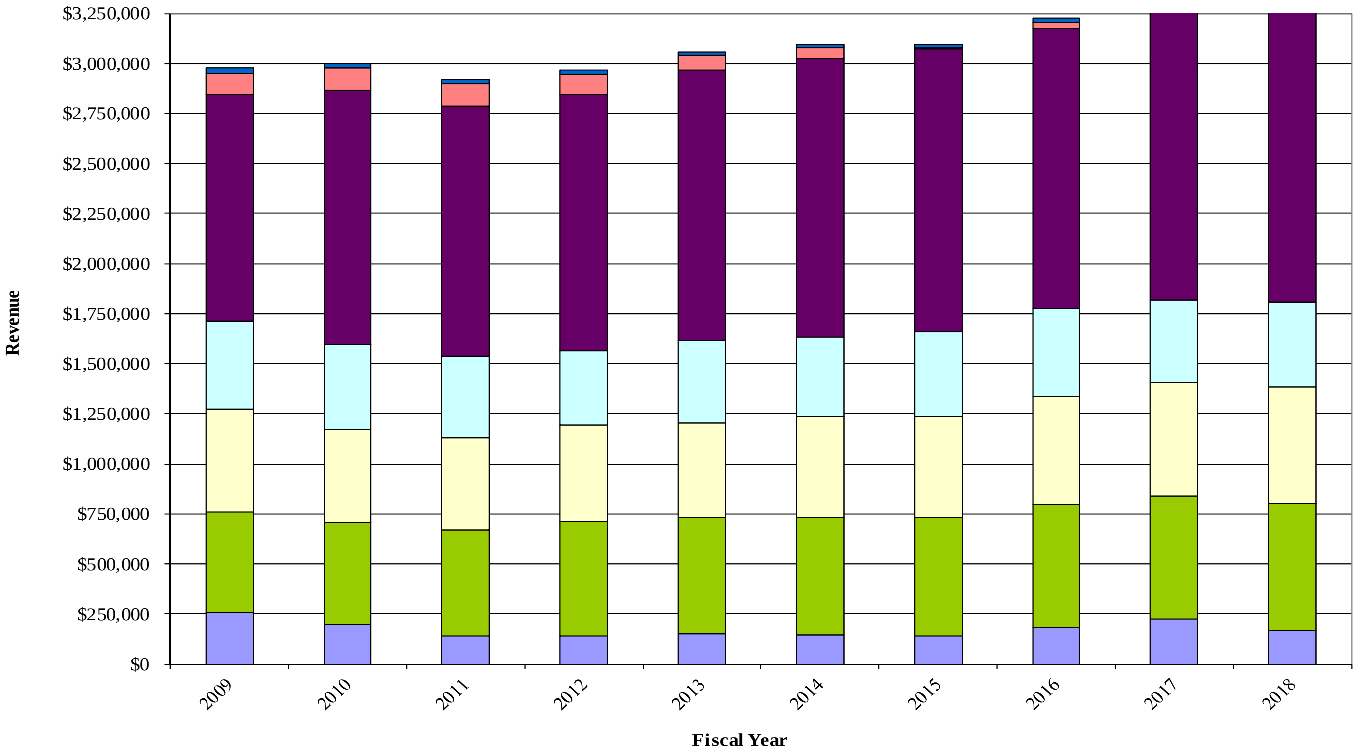
| | | | | |
|---|---|---|---|---|
| Fiscal Year | | | | |
| 2014 | As Restated 2015 | As Restated 2016 | 2017 | 2018 |
| 3,095,288 | 3,096,058 | 3,226,304 | 3,310,143 | 3,294,618 |
| (3,573,252) | (3,720,240) | (3,813,171) | (4,458,946) | (4,157,459) |
| (2,328,936) | (2,490,934) | (2,441,538) | (2,288,269) | (2,263,682) |
| (2,806,900) | (3,115,116) | (3,028,405) | (3,437,072) | (3,126,523) |
| 1,337,709 | 1,393,188 | 1,498,359 | 1,522,529 | 1,663,981 |
| 21,372 | 24,181 | 30,371 | 36,311 | 56,218 |
| - | (372,078) | (387,922) | (722,260) | (184,603) |
| - | 3,600 | - | (14,794) | 1,850 |
| (13,881) | - | - | 226 | 4,449 |
| 1,345,200 | 1,048,891 | 1,140,808 | 822,012 | 1,541,895 |
| (1,461,700) | (2,066,225) | (1,887,597) | (2,615,060) | (1,584,628) |
| 2,309,291 | 405,886 | 327,120 | 2,755,237 | 1,300,824 |
| 847,591 | (1,660,339) | (1,560,477) | 140,177 | (283,804) |
| 31,639,442 | 30,542,007 | 30,657,372 | 32,136,697 | 32,334,335 |
| 3,591,104 | 3,591,381 | 3,590,388 | 1,967,435 | 1,967,435 |
| 3,545,909 | 1,788,766 | 113,917 | 236,348 | (245,094) |
| 38,776,455 | 35,922,154 | 34,361,677 | 34,340,480 | 34,056,676 |



# 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 |
|---|---|---|---|---|---|---|---|---|
| 2009 | $ 256,275 | 500,684 | 516,655 | 439,320 | 1,130,210 | 109,493 | 22,561 | 2,975,198 |
| 2010 | 199,323 | 505,006 | 468,894 | 424,805 | 1,267,966 | 108,852 | 24,243 | 2,999,089 |
| 2011 | 138,945 | 530,750 | 460,756 | 406,756 | 1,249,810 | 110,831 | 21,175 | 2,919,023 |
| 2012 | 140,377 | 569,250 | 484,376 | 369,839 | 1,280,780 | 99,958 | 20,877 | 2,965,457 |
| 2013 | 151,414 | 583,228 | 470,861 | 412,098 | 1,349,896 | 73,283 | 14,787 | 3,055,567 |
| 2014 | 144,302 | 588,838 | 500,601 | 397,517 | 1,396,246 | 51,000 | 16,784 | 3,095,288 |
| 2015 | 142,027 | 590,671 | 505,714 | 423,456 | 1,412,179 | 5,310 | 16,701 | 3,096,058 |
| 2016 | 180,445 | 616,514 | 538,999 | 439,979 | 1,399,132 | 31,050 | 20,185 | 3,226,304 |
| 2017 | 225,764 | 614,150 | 563,435 | 417,380 | 1,445,718 | 33,925 | 9,771 | 3,310,143 |
| 2018 | 165,798 | 634,733 | 582,949 | 423,074 | 1,452,920 | 16,540 | 18,604 | 3,294,618 |

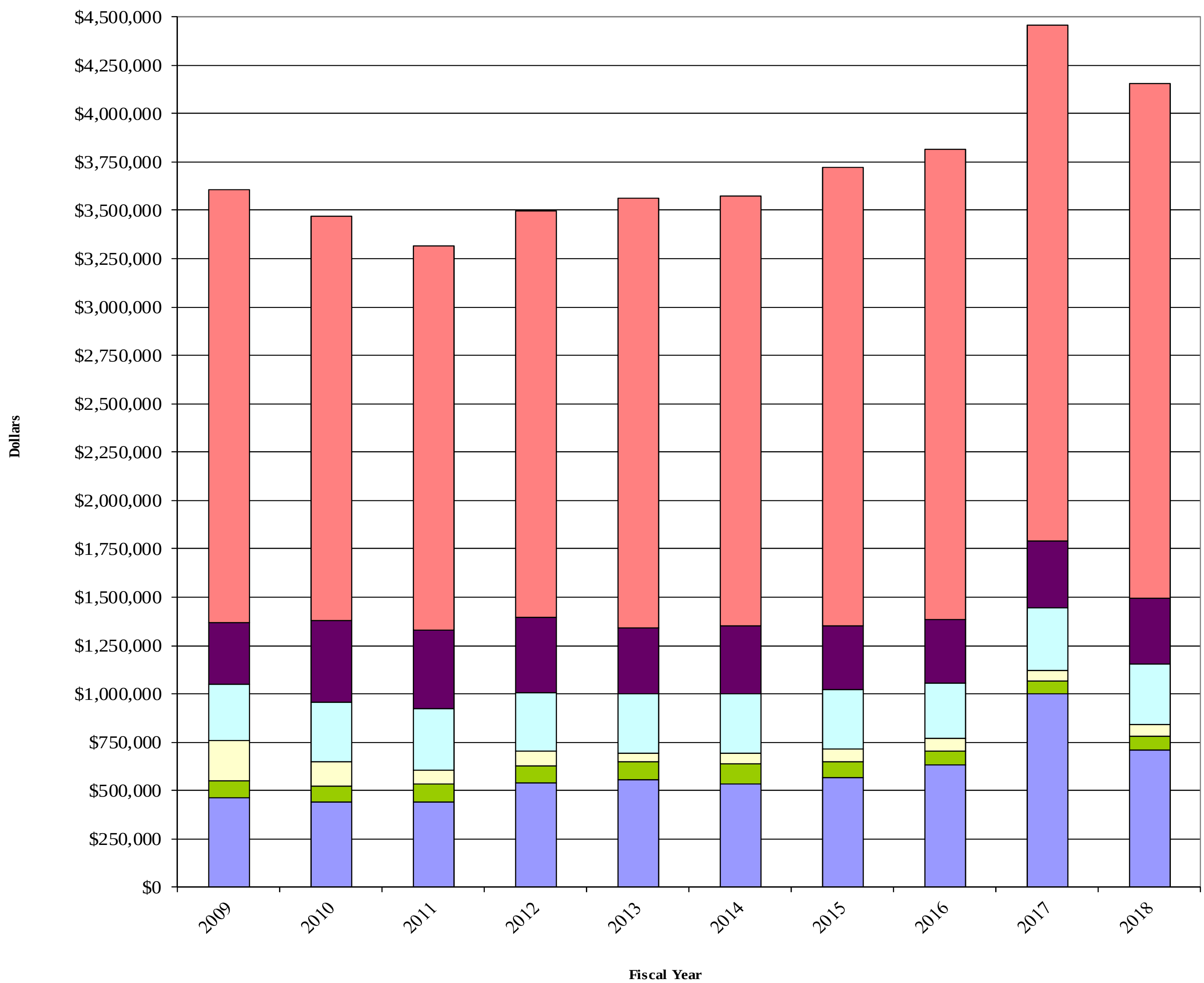



**Source:** Santa Maria Public Airport District - Finance Department

# 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 |
|---|---|---|---|---|---|---|---|---|
| 2009 | $ | 460,886 | 92,218 | 207,887 | 288,377 | 317,147 | 2,241,112 | 3,607,627 |
| 2010 | | 441,413 | 84,700 | 121,435 | 309,416 | 423,595 | 2,087,885 | 3,468,444 |
| 2011 | | 440,256 | 93,748 | 70,071 | 317,511 | 410,196 | 1,985,605 | 3,317,387 |
| 2012 | | 541,606 | 87,289 | 76,699 | 301,654 | 390,619 | 2,101,547 | 3,499,414 |
| 2013 | | 555,445 | 94,296 | 42,705 | 306,946 | 338,899 | 2,224,661 | 3,562,952 |
| 2014 | | 533,468 | 103,564 | 54,576 | 309,662 | 351,754 | 2,220,228 | 3,573,252 |
| 2015 | | 566,998 | 84,492 | 65,143 | 307,847 | 329,530 | 2,366,230 | 3,720,240 |
| 2016 | | 633,750 | 71,705 | 64,438 | 287,554 | 328,038 | 2,427,686 | 3,813,171 |
| 2017 | | 998,105 | 66,423 | 57,013 | 326,014 | 340,656 | 2,670,735 | 4,458,946 |
| 2018 | | 712,196 | 68,880 | 62,767 | 310,253 | 342,706 | 2,660,657 | 4,157,459 |

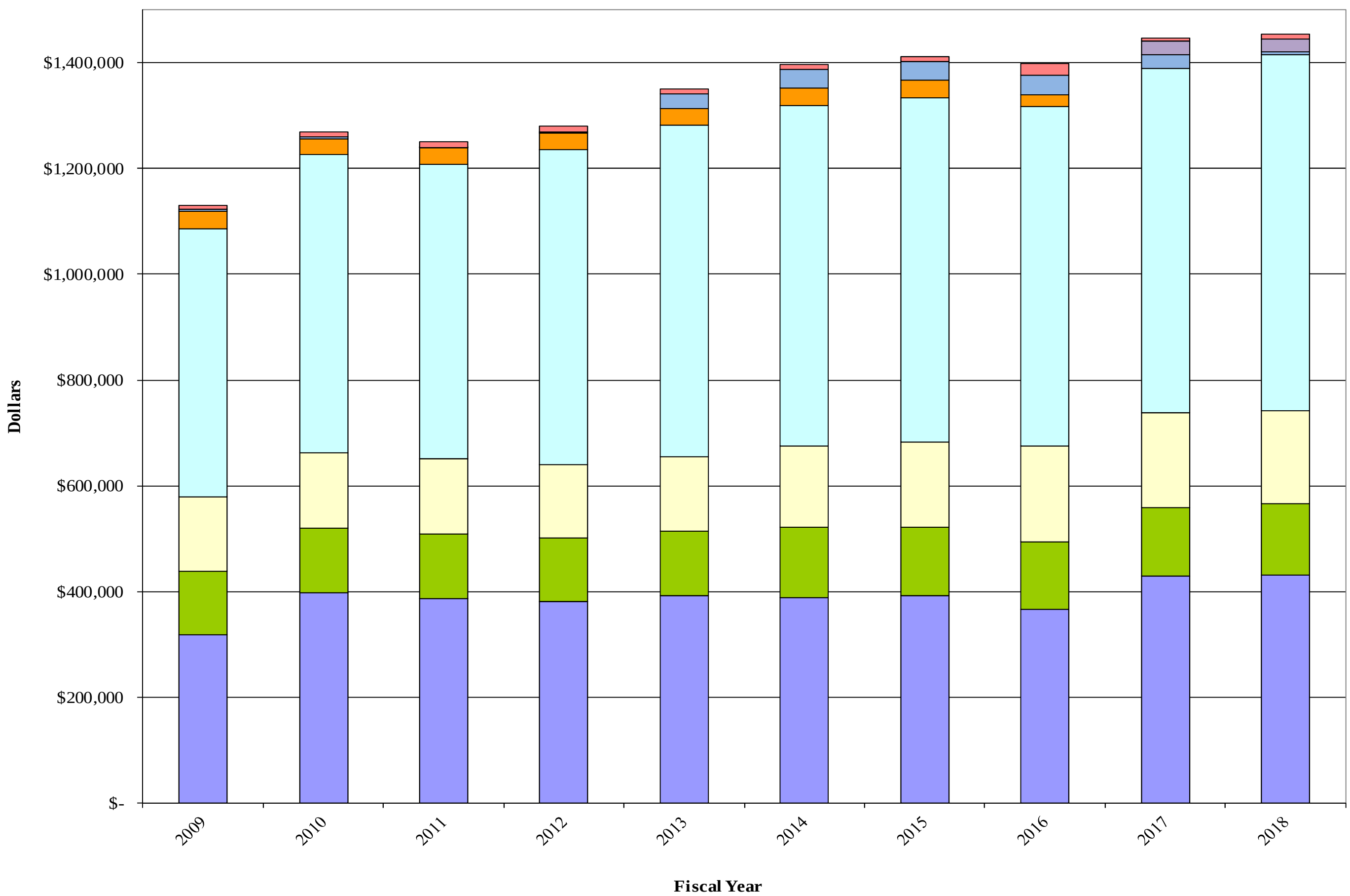



**Source:** Santa Maria Public Airport District - Finance Department

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

**Schedule 4**

| Fiscal Year | | Mobile Home Park | Business Park | Hotel | Agricultural | Recreation Golf Course | Recreation Karting | Verizon Land Lease | Other Revenue Generating Land | Total Land Usage Revenue |
|---|---|---|---|---|---|---|---|---|---|---|
| 2009 | $ | 317,438 | 121,524 | 139,693 | 507,265 | 33,442 | 4,200 | - | 6,648 | 1,130,210 |
| 2010 | | 398,462 | 121,524 | 141,534 | 564,007 | 30,000 | 4,200 | - | 8,239 | 1,267,966 |
| 2011 | | 387,308 | 121,524 | 141,754 | 557,284 | 31,218 | 714 | - | 10,008 | 1,249,810 |
| 2012 | | 380,616 | 121,524 | 137,536 | 595,313 | 31,218 | 3,049 | - | 11,524 | 1,280,780 |
| 2013 | | 391,975 | 121,524 | 142,194 | 626,701 | 31,218 | 27,411 | - | 8,873 | 1,349,896 |
| 2014 | | 389,424 | 132,288 | 154,217 | 642,627 | 32,725 | 36,588 | - | 8,377 | 1,396,246 |
| 2015 | | 392,966 | 128,700 | 160,581 | 651,609 | 32,424 | 36,588 | - | 9,311 | 1,412,179 |
| 2016 | | 365,964 | 128,700 | 181,132 | 641,700 | 21,616 | 36,588 | - | 23,432 | 1,399,132 |
| 2017 | | 429,222 | 128,700 | 180,196 | 650,457 | - | 26,592 | 26,000 | 4,551 | 1,445,718 |
| 2018 | | 431,449 | 134,260 | 176,826 | 671,601 | - | 6,800 | 24,000 | 7,984 | 1,452,920 |

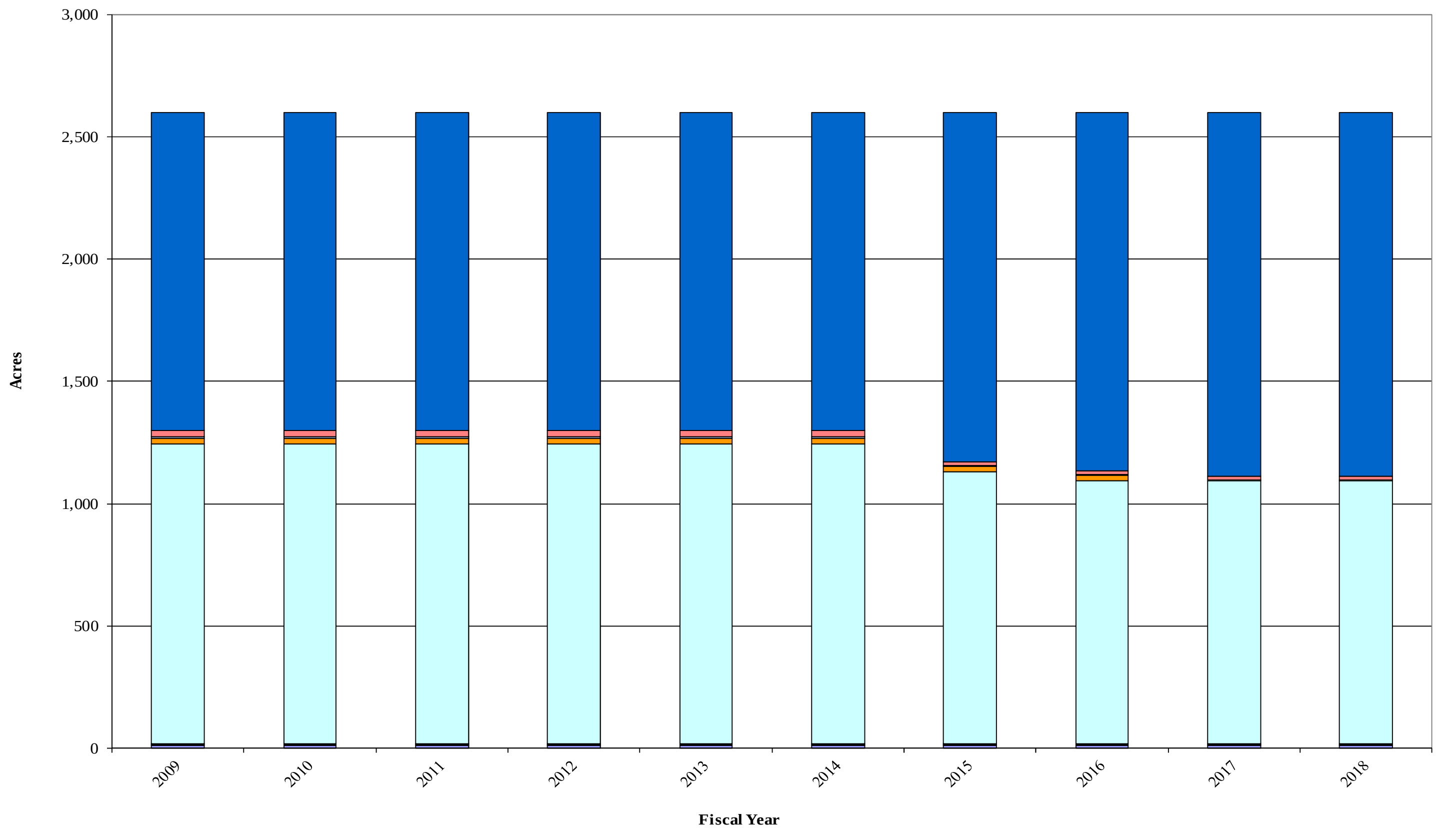



**Source:** Santa Maria Public Airport District - Finance Department

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

**Schedule 5**

| | Total Land Acres | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Fiscal Year | Mobile Home Park | Business Park | Hotel | Agricultural | Recreation Golf Course | Recreation Karting | Verizon Land Lease | Other Revenue Generating Land | Other Land Use | Total Land Area |
| 2009 | 10 | 3 | 5 | 1,226 | 24 | 4 | - | 29 | 1,297 | 2,598 |
| 2010 | 10 | 3 | 5 | 1,226 | 24 | 4 | - | 29 | 1,297 | 2,598 |
| 2011 | 10 | 3 | 5 | 1,226 | 24 | 4 | - | 29 | 1,297 | 2,598 |
| 2012 | 10 | 3 | 5 | 1,226 | 24 | 4 | - | 29 | 1,297 | 2,598 |
| 2013 | 10 | 3 | 5 | 1,226 | 24 | 4 | - | 29 | 1,297 | 2,598 |
| 2014 | 10 | 3 | 5 | 1,226 | 24 | 4 | - | 29 | 1,297 | 2,598 |
| 2015 | 10 | 3 | 5 | 1,112 | 24 | 4 | - | 14 | 1,426 | 2,598 |
| 2016 | 10 | 3 | 5 | 1,074 | 24 | 4 | - | 14 | 1,464 | 2,598 |
| 2017 | 10 | 3 | 5 | 1,074 | - | 4 | 1 | 14 | 1,487 | 2,598 |
| 2018 | 10 | 3 | 5 | 1,074 | - | 4 | 1 | 14 | 1,487 | 2,598 |




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

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

# Santa Maria Public Airport District
# Land Usage Revenue Rates[1]
# Last Ten Fiscal Years

**Schedule 6**

| Land Use | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|---|---|---|---|---|
| Mobile Home Park | 31,744 | 39,846 | 38,731 | 38,062 | 39,198 | 38,942 | 39,297 | 36,596 | 42,922 | 43,145 |
| Business Park | 40,508 | 40,508 | 40,508 | 40,508 | 40,508 | 44,096 | 42,900 | 42,900 | 42,900 | 44,753 |
| Hotel | 27,939 | 28,307 | 28,351 | 27,507 | 28,439 | 30,843 | 32,116 | 36,226 | 36,039 | 35,365 |
| Agricultural | 414 | 460 | 455 | 486 | 511 | 524 | 586 | 597 | 606 | 625 |
| Recreation – Golf Course | 1,393 | 1,250 | 1,301 | 1,301 | 1,301 | 1,364 | 1,351 | 901 | - | - |
| Recreation – Karting | 1,050 | 1,050 | 179 | 762 | 6,853 | 9,147 | 9,147 | 9,147 | 6,648 | 1,700 |
| Verizon Land Lease | - | - | - | - | - | - | - | - | 24,000 | 24,000 |
| Other Land | 229 | 284 | 345 | 397 | 306 | 6 | 665 | 1,674 | 3 | 570 |

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

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

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

**Schedule 7**

| Name | Type of Land Usage | 2018 Land Leased (Acres) | 2018 Percentage of Total Land | 2009 Land Leased (Acres) | 2009 Percentage of Total Land |
|---|---|---|---|---|---|
| Gresser | Agricultural | 449.26 | 39.58% | 411.17 | 31.60% |
| Corporate Hangar FBO 3940 Mitchell | Other Land | - | 0.00% | 349.00 | 26.83% |
| C J J Farming dba Better Produce (previously Castellanos) | Agricultural | 114.30 | 10.07% | 117.97 | 9.07% |
| Village Mobile Home Park | Mobile Home Park | 10.00 | 0.88% | 10.00 | 0.77% |
| Commercial Land – Hotel | Hotel | 5.19 | 0.46% | 5.19 | 0.40% |
| U.S Forest Service Land Use | Other Land | - | 0.00% | 3.06 | 0.24% |
| Airport Business Park | Business Park | 2.98 | 0.26% | 2.98 | 0.23% |
| Corporate Hangar FBO 3409 Corsair | Other Land | 0.48 | 0.04% | 0.01 | 0.00% |
| Corporate Hangars 3105 Airpark | Other Land | 0.11 | 0.01% | - | 0.00% |
| Terminal – Restaurant | Other Land | - | 0.00% | 0.14 | 0.01% |
| Terminal Consessions – Avis | Other Land | 0.08 (1) | 0.01% | 0.08 (1) | 0.01% |
| Terminal Consessions – Hertz | Other Land | 0.08 (1) | 0.01% | 0.08 (1) | 0.01% |
| Terminal Consessions – Enterprise | Other Land | 0.08 (1) | 0.01% | - (1) | 0.00% |
| Terminal – TSA | Other Land | - | 0.00% | 0.03 | 0.00% |
| Total attributable to ten largest lease holders | | 582.56 | 51.33% | 899.71 | 69.16% |
| Total land leased | | 1,135 | 100.00% | 1,301 | 100.00% |

**Note:**

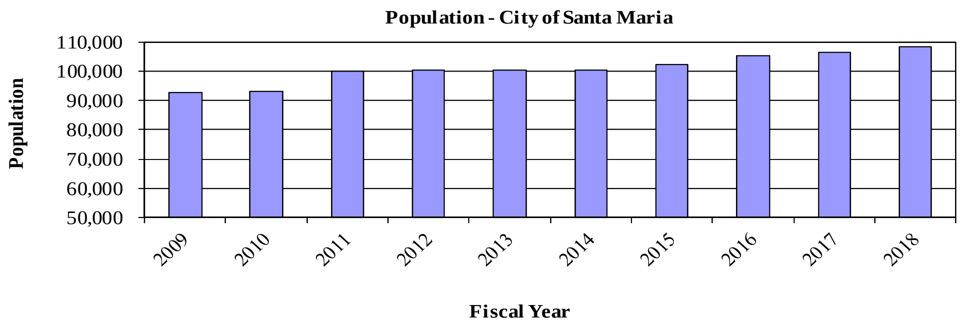
(1) Reported as acreage is equal.

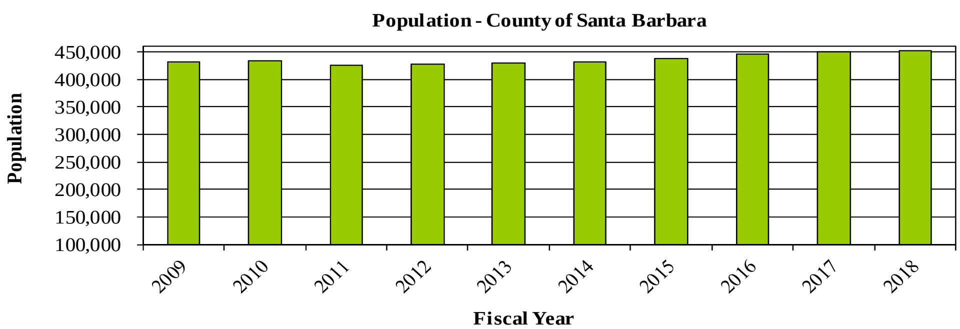
**Source:** Santa Maria Public Airport District – Finance Department

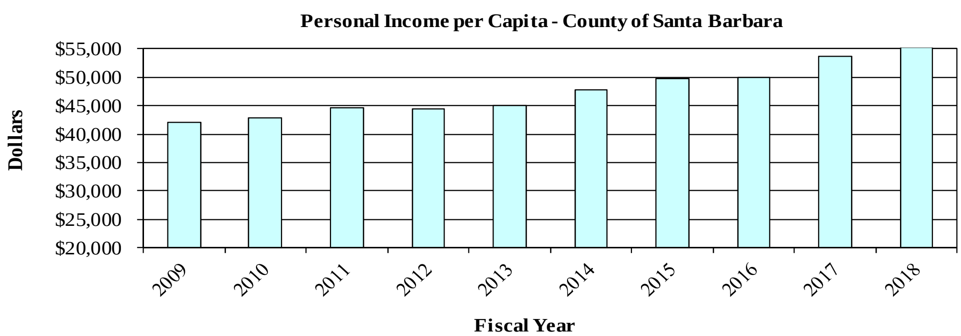
# Santa Maria Public Airport District
# Demographics and Economics Statistics
# Last Ten Fiscal Years

**Schedule 8**

| Year | City of Santa Maria Population[1] | County of San Barbara[2] Unemployment Rate | Population | Personal Income (thousands of dollars) | Personal Income per Capita |
|---|---|---|---|---|---|
| 2009 | 92,542 | 8.2% | 431,000 | $ 18,100,000 | $ 41,995 |
| 2010 | 93,225 | 8.8% | 434,481 | 18,600,000 | 42,810 |
| 2011 | 100,062 | 8.9% | 426,189 | 19,000,000 | 44,581 |
| 2012 | 100,199 | 7.9% | 427,267 | 19,000,000 | 44,469 |
| 2013 | 100,306 | 6.3% | 429,200 | 19,300,000 | 44,967 |
| 2014 | 100,222 | 5.4% | 431,000 | 20,600,000 | 47,796 |
| 2015 | 102,087 | 4.7% | 437,000 | 21,700,000 | 49,657 |
| 2016 | 105,093 | 4.9% | 447,000 | 22,300,000 | 49,888 |
| 2017 | 106,280 | 4.3% | 451,000 | 24,200,000 | 53,659 |
| 2018 | 108,470 | 3.9% | 453,000 | 25,000,000 | 55,188 |




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

**Notes:**

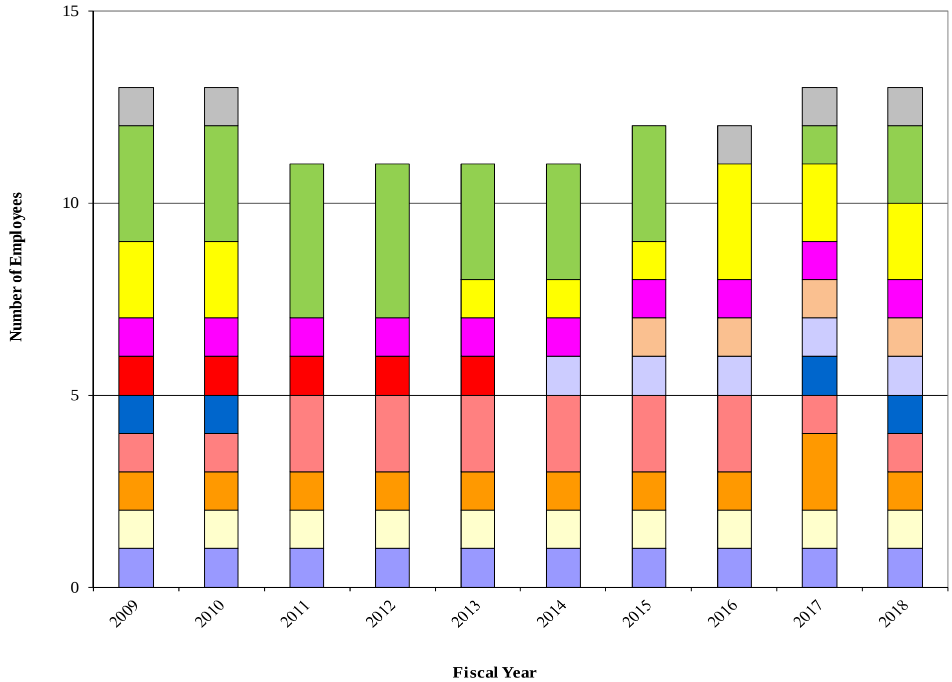
(1) Separate data is not prepared for the District, therefore, the District has used data for the City of Santa Maria. A substantial portion of the District lies within the City, and therefore, is a reasonable basis for determining the demographic and economic statistics of the District.

(2) Only County data is updated annually. Therefore, the District has chose to use its data since the District believes that the County data is representative of the conditions and experience of the District.

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

**Schedule 9**

| Position | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|---|---|---|---|---|
| | Fiscal Year | | | | | | | | | |
| General Manager | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Assistant General Mgr. | - | - | - | - | - | - | - | - | - | - |
| Mgr. of Finance & Admin | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Controller | - | - | - | - | - | - | - | - | - | - |
| Accounting Clerk | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 2 | 1 |
| Administrative Secretary | 1 | 1 | 2 | 2 | 2 | 2 | 2 | 2 | 1 | 1 |
| Secretary Receptionist | 1 | 1 | - | - | - | - | - | - | 1 | 1 |
| Mgr. of Maint. & Ops. | - | - | - | - | - | 1 | 1 | 1 | 1 | 1 |
| Operations Supervisor | 1 | 1 | 1 | 1 | 1 | - | - | - | - | - |
| Operations Officer | - | - | - | - | - | - | 1 | 1 | 1 | 1 |
| Maintenance Supervisor | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Maintenance Worker I | 2 | 2 | - | - | 1 | 1 | 1 | 3 | 2 | 2 |
| Maintenance Worker II | 3 | 3 | 4 | 4 | 3 | 3 | 3 | - | 1 | 2 |
| Maintenance Worker III | 1 | 1 | - | - | - | - | - | 1 | 1 | 1 |
| | 13 | 13 | 11 | 11 | 11 | 11 | 12 | 12 | 13 | 13 |




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

# Santa Maria Public Airport District
# Operational Information

## Schedule 10

| | | |
|---|---|---|
| ***Location:*** | 3 miles south of downtown Santa Maria, California | |
| ***Land Area:*** | 2,598 acres | |
| ***Elevation:*** | 261 feet | |
| ***Airport Code:*** | SMX | |
| ***Runways:*** | 12/30 | 8,004 x 150 ft., paved, lighted |
| | 2/20 | 5,130 x 75 ft., paved |
| ***Tower:*** | 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** |
| **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 |
| **2012** | 3,862 | 4,348 | 4,157 | 3,659 | 3,828 | 3,884 | 4,938 | 3,100 | 3,330 | 3,415 | 3,724 | 3,357 | 45,602 |
| **2013** | 3,723 | 4,002 | 3,706 | 3,478 | 3,244 | 4,241 | 5,432 | 3,665 | 3,341 | 3,816 | 3,786 | 3,513 | 45,947 |
| **2014** | 3,712 | 3,636 | 3,771 | 3,891 | 3,255 | 3,636 | 3,673 | 2,949 | 3,398 | 3,399 | 3,791 | 3,944 | 43,055 |
| **2015** | 3,789 | 3,781 | 3,542 | 3,379 | 3,040 | 2,928 | 3,312 | 2,723 | 3,619 | 3,333 | 3,116 | 3,280 | 39,842 |
| **2016** | 3,188 | 3,474 | 3,517 | 3,062 | 2,930 | 2,709 | 2,414 | 3,450 | 2,866 | 2,651 | 3,234 | 3,918 | 37,413 |
| **2017** | 3,635 | 3,728 | 3,388 | 2,892 | 3,453 | 2,887 | 1,885 | 2,274 | 3,438 | 3,431 | 3,122 | 2,934 | 37,067 |
| **2018** | 3,702 | 3,997 | 3,321 | 3,202 | 3,465 | 3,018 | 2,738 | 2,705 | 2,857 | 2,493 | 2,872 | 3,078 | 37,448 |
| **Average** | 4,063 | 4,425 | 4,099 | 3,831 | 3,705 | 3,506 | 3,797 | 3,154 | 3,687 | 3,422 | 3,628 | 3,650 | 44,966 |

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

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

**Schedule 12**

| Flight Tower - Tracking of Flight Landings During Each Period | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **July** | **August** | **September** | **October** | **November** | **December** | **January** | **February** | **March** | **April** | **May** | **June** | **Totals** |
| **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 |
| **2012** | 288 | 307 | 307 | 282 | 273 | 306 | 274 | 273 | 291 | 283 | 304 | 281 | 3,469 |
| **2013** | 284 | 319 | 269 | 325 | 283 | 293 | 286 | 265 | 280 | 280 | 363 | 338 | 3,585 |
| **2014** | 318 | 317 | 295 | 303 | 267 | 284 | 289 | 257 | 291 | 295 | 339 | 311 | 3,566 |
| **2015** | 354 | 301 | 282 | 322 | 323 | 216 | 248 | 222 | 243 | 240 | 169 | 152 | 3,072 |
| **2016** | 175 | 229 | 174 | 208 | 156 | 188 | 155 | 151 | 173 | 164 | 180 | 483 | 2,436 |
| **2017** | 373 | 505 | 431 | 199 | 213 | 231 | 273 | 197 | 199 | 164 | 173 | 206 | 3,164 |
| **2018** | 548 | 200 | 222 | 195 | 172 | 325 | 115 | 109 | 123 | 109 | 132 | 118 | 2,368 |
| **Average** | 344 | 400 | 285 | 270 | 251 | 275 | 245 | 223 | 243 | 235 | 266 | 276 | 3,313 |

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

# 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** |
| **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 |
| **2012** | 8,218 | 8,932 | 7,787 | 7,908 | 7,925 | 7,769 | 6,957 | 6,460 | 7,689 | 7,870 | 7,404 | 8,888 | 93,807 |
| **2013** | 9,570 | 8,906 | 8,044 | 8,502 | 8,459 | 10,667 | 8,739 | 6,305 | 8,756 | 8,746 | 10,282 | 13,105 | 110,081 |
| **2014** | 14,632 | 9,973 | 7,814 | 8,207 | 7,795 | 8,532 | 7,285 | 6,451 | 7,806 | 8,191 | 9,042 | 11,083 | 106,811 |
| **2015** | 11,620 | 9,787 | 8,294 | 8,844 | 7,737 | 8,201 | 7,041 | 6,202 | 7,260 | 7,745 | 8,677 | 9,574 | 100,982 |
| **2016** | 9,856 | 8,267 | 7,609 | 7,723 | 7,420 | 7,282 | 6,076 | 5,370 | 6,543 | 6,756 | 6,907 | 10,822 | 90,631 |
| **2017** | 9,579 | 8,072 | 7,635 | 4,844 | 4,673 | 4,478 | 3,918 | 3,302 | 4,079 | 4,022 | 3,872 | 4,372 | 62,846 |
| **2018** | 4,252 | 5,016 | 3,833 | 4,339 | 3,958 | 3,519 | 3,659 | 3,091 | 3,758 | 3,762 | 3,443 | 4,101 | 46,731 |
| **Average** | 9,440 | 8,660 | 7,605 | 7,599 | 7,185 | 7,488 | 6,667 | 5,741 | 6,985 | 7,117 | 7,539 | 8,816 | 90,842 |

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

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

**Schedule 14**

| | Gross Revenue Car Rental Agencies During Each Period | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **July** | **August** | **September** | **October** | **November** | **December** | **January** | **February** | **March** | **April** | **May** | **June** | **Totals** |
| **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 | 5,841 | 184,565 | 187,431 | 189,292 | 189,694 | 210,249 | 197,659 | 188,509 | 197,566 | 2,228,375 |
| **2012** | 216,985 | 227,690 | 198,913 | 203,134 | 174,997 | 166,152 | 157,771 | 149,016 | 181,971 | 182,622 | 185,853 | 219,361 | 2,264,465 |
| **2013** | 240,318 | 288,233 | 186,761 | 200,143 | 169,198 | 186,555 | 161,668 | 144,072 | 185,167 | 188,912 | 182,870 | 221,445 | 2,355,342 |
| **2014** | 234,267 | 209,547 | 183,080 | 172,014 | 152,310 | 187,339 | 146,953 | 153,666 | 183,893 | 197,298 | 206,878 | 222,960 | 2,250,205 |
| **2015** | 249,189 | 244,035 | 194,969 | 213,272 | 221,904 | 225,722 | 164,354 | 178,801 | 206,087 | 214,640 | 214,125 | 234,966 | 2,562,064 |
| **2016** | 248,697 | 265,869 | 208,684 | 229,740 | 209,245 | 201,469 | 196,263 | 198,157 | 194,431 | 197,770 | 219,632 | 215,492 | 2,585,449 |
| **2017** | 277,114 | 254,350 | 251,188 | 211,844 | 192,381 | 188,167 | 172,129 | 156,134 | 204,102 | 180,445 | 203,634 | 207,456 | 2,498,944 |
| **2018** | 250,638 | 245,115 | 207,675 | 212,266 | 207,223 | 204,039 | 194,258 | 171,913 | 211,885 | 203,600 | 215,434 | 217,749 | 2,541,797 |
| **Average** | 242,848 | 246,099 | 210,370 | 192,446 | 189,327 | 191,114 | 170,780 | 168,765 | 200,362 | 193,354 | 203,121 | 216,155 | 2,424,739 |

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

# 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** |
| **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 |
| **2012** | 59,265 | 55,566 | 58,527 | 55,774 | 47,941 | 47,940 | 39,733 | 39,755 | 55,890 | 47,881 | 63,710 | 79,449 | 651,431 |
| **2013** | 56,612 | 64,360 | 51,940 | 68,725 | 71,803 | 107,770 | 72,580 | 52,455 | 68,130 | 88,041 | 105,476 | 127,752 | 935,644 |
| **2014** | 138,796 | 75,951 | 74,852 | 61,604 | 55,806 | 56,623 | 56,404 | 47,922 | 67,934 | 52,349 | 87,135 | 100,642 | 876,018 |
| **2015** | 95,235 | 72,788 | 71,951 | 88,149 | 63,283 | 52,483 | 44,008 | 56,284 | 64,267 | 51,751 | 88,174 | 89,025 | 837,398 |
| **2016** | 113,096 | 111,244 | 160,277 | 118,877 | 79,719 | 79,909 | 76,532 | 72,136 | 63,825 | 64,161 | 88,717 | 324,451 | 1,352,944 |
| **2017** | 336,183 | 342,974 | 462,506 | 63,947 | 48,315 | 64,001 | 40,039 | 50,119 | 44,087 | 67,333 | 55,789 | 81,670 | 1,656,963 |
| **2018** | 331,939 | 67,169 | 74,307 | 72,241 | 51,775 | 240,012 | 82,376 | 41,907 | 51,355 | 40,632 | 63,096 | 59,216 | 1,176,025 |
| **Average** | 142,741 | 119,894 | 117,144 | 76,963 | 63,779 | 81,623 | 57,240 | 51,644 | 60,458 | 58,731 | 76,359 | 101,834 | 1,008,411 |

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

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

**Schedule 16**

| City of Santa Maria<br>Northern Santa Barbara County/Santa Maria<br>Employer | Fiscal Year 2017*<br>Employees | Rank | Percentage of Total City Employment | Fiscal Year 2008*<br>Employees | Rank | Percentage of Total City Employment |
|---|---|---|---|---|---|---|
| Vandenberg Airforce Base | 6,878 | 1 | 15.42% | 4,573 | 1 | 9.34% |
| Santa-Maria-Bonita School District | 1,650 | 2 | 3.70% | 1,600 | 2 | 3.27% |
| Marian Medical Center | 1,545 | 3 | 3.46% | 1,410 | 3 | 2.88% |
| C&D Zodiac Aerospace, Incorporated | 1,476 | 4 | 3.31% | 490 | 7 | 1.00% |
| Allan Hancock College | 1,150 | 5 | 2.58% | 1,343 | 4 | 2.74% |
| Santa Maria Joint Union High School District | 693 | 6 | 1.55% | 734 | 5 | 1.50% |
| Windset Farms | 667 | 7 | 1.50% | - | - | 0.00% |
| City of Santa Maria | 648 | 8 | 1.45% | 480 | 8 | 0.98% |
| Betteravia Farms | 450 | 9 | 1.01% | - | - | 0.00% |
| Wal-Mart (3 locations) | 420 | 10 | 0.94% | - | - | 0.00% |
| United Parcel Service | - | - | 0.00% | 285 | 10 | 0.58% |
| Den-Mat Corporation | - | - | 0.00% | 586 | 6 | 1.20% |
| Vocational Training | - | - | 0.00% | 325 | 9 | 0.66% |
| **Total** | **15,577** | | **34.92%** | **11,826** | | **24.15%** |

**Note:**
* Only 2017 data was avaliable at time of District CAFR publishing

**Source** - City of Santa Maria - CAFR 2017

# Report on Compliance and Internal Controls

Fedak & Brown LLP
Certified Public Accountants

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

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

Riverside Office:
1945 Chicago Avenue, Suite C-1
Riverside, California 92507
(951) 783-9149

# Independent Auditor's Report on Internal Control Over Financial Reporting And on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Santa Maria Public Airport District (District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprises the District's basic financial statements, and have issued our report thereon dated January 24, 2019.

## Internal Control Over Financial Reporting

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

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

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

## Compliance and Other Matters

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

**Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards,* continued**

**Purpose of this Report**

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

Fedak & Brown LLP

**Fedak & Brown LLP**
Cypress, California
January 24, 2019