Mojave Air and Space Port

Financial Statements

June 30, 2015 and 2014

C O N T E N T S

BARBICH HOOPER KING
DILL HOFFMAN
ACCOUNTANCY CORPORATION

Independent Auditors' Report

Board of Directors
Mojave Air & Space Port
Mojave, California

Report on the Financial Statements

We have audited the accompanying financial statements of Mojave Air and Space Port as of and for the years ended June 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 District'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 District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mojave Air and Space Port as of June 30, 2015 and 2014, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

P.O. BOX 11171 | BAKERSFIELD, CA 93389

5001 E. COMMERCENTER DRIVE | SUITE 350 | BAKERSFIELD, CA 93309

(661) 631-1171 OFFICE | (661) 631-0244 FAX | BHKCPAS.com

Change in Accounting Principle

As described in note 7 to the financial statements, in 2015, the District adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 7, the schedules related to the District's defined benefit plans as listed on the table of contents on pages 30 and 31, and the schedule of funding progress on page 32 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards,* we have also issued our report dated November 24, 2015, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Mojave Air and Space Port's internal control over financial reporting and compliance.

BARBICH HOOPER KING
DILL HOFFMAN
Accountancy Corporation

Barbich Hooper King

Bakersfield, California
November 24, 2015

Management's Discussion and Analysis

The following discussion and analysis of Mojave Air and Space Port financial performance provides an overview of the financial activities for the fiscal year ended June 30, 2015. Please read it in conjunction with the basic audited financial statements and accompanying notes, which follow this section.

Financial Highlights

The District's total net position decreased $1.4 million or 3% over the course of the year's operations.

The District's total revenues experienced a net increase of $3.6 million or 45% during the year ended June 30, 2015.

The District's total expenses decreased $0.8 million, or 10% during the year ended June 30, 2015.

The District's gross capital assets increased $0.4 million, or 1%, during the year ended June 30, 2015.

Overview of the Financial Statements

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

Required Financial Statements

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

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

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

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

Financial Analysis of the District

One of the most important questions asked about the District's finances is "Is the District, as a whole, better off or worse off as a result of this year's activities?" The condensed statement of net position and the condensed statement of revenues, expenses, and changes in net position reports information about the District's activities in a way that will help answer this question. These two condensed statements report the net position of the District and the changes in net position. One can think of the District's net position – the difference between assets and liabilities – as one way to measure financial health or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. However, one will need to consider other non-financial factors such as changes in economic conditions, population growth, and new or changed government legislation.

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

Table A
Condensed Statements of Net Position
June 30, 2015 and 2014
(000's)

	2015	2014	Dollar Change	Percentage Change
Current assets	$ 7,702	$ 3,634	$ 4,068	112%
Capital assets	41,237	42,958	(1,721)	-4%
Total assets	48,939	46,592	2,347	5%
Deferred outflow of resources	245	-	245	0%
	$ 49,184	$ 46,592	$ 2,592	6%
Current liabilities	$ 1,162	$ 1,106	$ 56	5%
Long-term liabilities	4,240	947	3,293	348%
Total liabilities	5,402	2,053	3,349	163%
Deferred inflow of resources	682	-	682	0%
Invested in capital assets, net of related debt	41,237	42,958	(1,721)	-4%
Unrestricted	1,863	1,581	282	18%
Total net position	43,100	44,539	(1,439)	-3%
	$ 49,184	$ 46,592	$ 2,592	6%

As the net position table above indicates, total assets increased by $2.3 million to $48.9 million at June 30, 2015, from $46.6 million at June 30, 2014. The decrease in the total assets of the District was primarily due to an increase in current assets of $4.1 million, due to increases in cash and cash equivalents of $4.2 million, which were partially offset by a decrease in capital assets of $1.7 million, due to depreciation.

Total liabilities increased by $3.3 million, or 163% during the year ended June 30, 2015 primarily due to the recording of pension related liabilities of $3.1 million and $0.7 million, which is now required under GASB 68.

Table B
Condensed Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended June 30, 2015 and 2014
(000's)

	2015	*2014*	*Dollar Change*	*Percentage Change*
Operating revenue	$ 8,121	$ 6,788	$ 1,333	20%
Nonoperating revenue	3,341	1,113	2,228	200%
Total revenues	11,462	7,901	3,561	45%
Operating expenses	7,332	6,805	527	8%
Depreciation expense	2,136	1,822	314	17%
Total expenses	9,468	8,627	841	10%
Change in net position	1,994	(726)	2,720	-375%
Net position, beginning of year	44,539	45,265	(726)	-2%
Cumulative effect of change in accounting principal	(3,433)	-	(3,433)	0%
Net position, end of year	$ 43,100	$ 44,539	$ (1,439)	-3%

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

The District's total revenues increased by $3.5 million to $11.5 million during the year ended June 30, 2015, from $7.9 million during the year ended June 30, 2014. Operating revenues increased by $1.3 million, primarily due to increased fuel sales of $1.1 million. Nonoperating revenues increased by $2.2 million as a result of funds received related to wind energy projects.

Total expenses increased $0.8 million to $9.5 million during the year ended June 30, 2015 from $8.6 million during the year ended June 30, 2014. The primary reason for the increase was due to increased aviation fuel purchases of $0.6 million resulting from higher fuel sales.

Table C
Capital Assets
June 30, 2015 and 2014
(000's)

	2015	2014	Dollar Change	Percentage Change
Land	$ 6,250	$ 6,250	$ -	0%
Buildings and structures	11,896	11,615	281	2%
Furniture and equipment	4,943	4,864	79	2%
Infrastructure	45,049	36,242	8,807	24%
Construction in progress	76	8,827	(8,751)	-99%
Total capital assets	68,214	67,798	416	1%
Less accumulated depreciation	26,977	24,840	2,137	9%
Total net capital assets	$ 41,237	$ 42,958	$ (1,721)	-4%

As of June 30, 2015, the District had invested $68.2 million in capital assets. As can be seen from the table above, net capital assets decreased $1.7 million to $41.2 million at June 30, 2015, from $43.0 million at June 30, 2014 due to depreciation of $2.1 million. $9.1 million of construction projects in progress were completed during the year ended June 30, 2015, primarily, $0.3 million for Pump House improvements, $2.1 million for Phase 2 of the concrete rehabilitation of runway 12/30, $2.8 million for rehabilitation of the general aviation apron, and $4.0 million for rehabilitation of runway 4/22. Equipment acquisitions totaling $0.1 million were comprised of a pyrolance and a pickup truck.

Budgetary Comparison

The following table is a comparison of the Board approved budget for 2015 against actual results.

Table D
Budget vs. Actual Comparison
For the Year Ended June 30, 2015
(000's)

	Actual	*Budget*	*Change*	*Percentage Change*
Operating revenue	$ 8,121	$ 7,067	$ 1,054	15%
Nonoperating revenue	3,341	421	2,920	694%
Total revenues	11,462	7,488	3,974	53%
Operating expenses	7,332	7,205	127	2%
Depreciation expense	2,136	-	2,136	0%
Total expenses	9,468	7,205	2,263	31%
Change in net position	$ 1,994	$ 283	$ 1,711	605%

* The District does not include depreciation expense as part of the budget and as such, has not been included in the budget analysis below.

Actual total revenues were above budgeted revenues for 2014 by $4.0 million mainly due to the receipt of one-time funds related to wind energy projects and increased aviation fuel sales.

Actual total expenses, exclusive of depreciation, came out above budgeted operating expenses by $0.1 million.

The annual budget is presented and approved by the District's Board of Directors each June.

Contacting the District Management

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

Mojave Air and Space Port

Statements of Net Position
June 30, 2015 and 2014

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	***2015***	***2014***
Current Assets		
Cash and cash equivalents	$ 7,181,585	$ 2,985,315
Receivables		
Accounts receivable, net of allowance for doubtful accounts of $48,359 and $225,263, respectively	266,953	409,656
Other receivables	3,348	825
Fuel inventory	250,114	238,318
Total current assets	7,702,000	3,634,114
Capital Assets, net of accumulated depreciation	41,236,599	42,958,334
Total Assets	48,938,599	46,592,448
Deferred Outflows of Resources		
Deferred outflows - CalPERS pension plan	245,275	-
	$ 49,183,874	$ 46,592,448

See Notes to Financial Statements.

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	***2015***	***2014***
Current Liabilities		
Accounts payable	$ 400,001	$ 278,520
Accrued liabilities	73,993	129,394
Customer deposits	139,498	97,123
Compensated absences	548,215	601,366
Total current liabilities	1,161,707	1,106,403
Long-Term Liabilities		
Other post-employment benefits liability	1,173,800	946,800
Net pension liability	3,066,778	-
Total long-term liabilities	4,240,578	946,800
Total Liabilities	5,402,285	2,053,203
Deferred Inflows of Resources		
Deferred inflows - CalPERS pension plan	682,245	-
Net Position		
Invested in capital assets, net of related debt	41,236,599	42,958,334
Unrestricted	1,862,745	1,580,911
	43,099,344	44,539,245
	$ 49,183,874	$ 46,592,448

Mojave Air and Space Port

Statements of Revenues and Expenses
For the Years Ended June 30, 2015 and 2014

	2015	2014
Operating revenue:		
Rents and leases	$ 4,629,184	$ 4,363,564
Landing area	2,862,395	1,779,427
Non-aviation activities	613,151	600,571
Other buildings and areas	16,768	44,834
	8,121,498	6,788,396
Operating expenses:		
Direct expenses	2,875,589	2,131,813
General shop and equipment	1,174,162	1,267,109
General and administrative	3,283,069	3,405,637
Depreciation expense	2,136,403	1,822,078
	9,469,223	8,626,637
Operating loss	(1,347,725)	(1,838,241)
Nonoperating income (expense):		
Interest income	9,598	7,905
Tax revenues	594,029	673,441
Grant revenue	539,387	472,355
Other income (expense)	2,197,854	(41,201)
	3,340,868	1,112,500
Change in net position	$ 1,993,143	$ (725,741)

See Notes to Financial Statements.

Mojave Air and Space Port

Statements of Changes in Net Position
For the Years Ended June 30, 2015 and 2014

Balance, June 30, 2013	$ 45,264,986
Change in net position	(725,741)
Balance, June 30, 2014, as previously stated	44,539,245
Cumulative effect of change in accounting principle (see Note 7)	(3,433,044)
Balance, June 30, 2014, as restated	41,106,201
Change in net position	1,993,143
Balance, June 30, 2015	$ 43,099,344

See Notes to Financial Statements.

Mojave Air and Space Port

Statements of Cash Flows
For the Years Ended June 30, 2015 and 2014

	2015	2014
Cash flows from operating activities:		
Receipts from customers	$ 10,462,055	$ 6,833,698
Receipts from taxes	594,029	673,441
Payments to suppliers for goods and services	(4,344,959)	(3,682,806)
Payments to employees for salaries and benefits	(2,646,649)	(2,983,869)
Net cash provided by operating activities	4,064,476	840,464
Cash flows from capital and related financing activities:		
Proceeds from grants	539,387	917,330
Payments for acquisition and construction of capital assets	(414,668)	(2,298,552)
Net cash provided by (used in) capital and related financing activities	124,719	(1,381,222)
Cash flows from investing activities:		
Interest income	7,075	9,987
Net cash provided by investing activities	7,075	9,987
Net increase (decrease) in cash and cash equivalents	4,196,270	(530,771)
Cash and cash equivalents at beginning of the year	2,985,315	3,516,086
Cash and cash equivalents at end of the year	$ 7,181,585	$ 2,985,315

See Notes to Financial Statements.

		2015		2014
Reconciliation of operating loss to net cash provided by operating activities:				
Operating loss	$	(1,347,725)	$	(1,838,241)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation		2,136,403		1,822,078
Changes in operating assets, liabilities and other income:				
Accounts receivable		142,703		86,503
Fuel inventory		(11,796)		606
Accounts payable		121,481		(133,637)
Accrued liabilities		(108,552)		75,112
Customer deposits		42,375		27,803
Other post-employment benefits liability		227,000		168,000
Net pension liability		70,704		-
Taxes		594,029		673,441
Other income		2,197,854		(41,201)
Net cash provided by operating activities	$	4,064,476	$	840,464

Note 1. Nature of Activities and Summary of Significant Accounting Policies

Nature of District's activities:

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

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

Significant accounting policies are as follows:

Basis of accounting and financial reporting:

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

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

The District utilizes a net position presentation in accordance with GASB Statement 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended by GASB 63, *Financial Reporting of Deferred Outflows or Resources, Deferred Inflows of Resources, and Net Position*. Net position is categorized as invested in capital assets, net of related debt, restricted components of net position and unrestricted components of net position. These categories are defined as follows.

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

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

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

Fund accounting:

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

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

Use of estimates:

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

Revenue recognition:

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

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

Accounts receivable:

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

Fuel inventory:

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

Capital assets:

Capital assets are defined by the District as assets with an individual cost of more than $500 and an estimated life greater than two years. The District's capital assets are recorded at cost. Depreciation is computed using the straight-line method over the following estimated useful lives:

	Years
Buildings and structures	5-40
Furniture and equipment	5-30
Infrastructure	5-40

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

Compensated absences:

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

Pensions:

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

Deferred outflows/inflows of resources:

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

Cash and cash equivalents:

For purposes of reporting cash flows, the District considers cash equivalents to be all highly liquid debt instruments purchased with a maturity of three months or less. Cash and cash equivalents included the following at June 30, 2015 and 2014:

	2015	***2014***
Cash deposits with financial institutions	$ 1,391,033	$ 1,084,863
Deposits with Kern County Treasurer	909,373	313,462
Deposits with Local Agency Investment Fund	4,841,179	1,535,268
Certificate of deposit	40,000	51,722
	$ 7,181,585	$ 2,985,315

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

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

Custodial credit risk:

Custodial credit risk of deposits is the risk that in the event of a bank failure, the District's deposits may not be returned. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits and investments, other than the following provision for deposits: the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. At June 30, 2015 and 2014, the District had no risk associated with custodial assets.

Disclosures relating to interest rate risk and credit risk:

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

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

Cash flows:

GASB Statement 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting,* states for purposes of preparing the statements of cash flows, all transactions that are not classified as capital and related financing activities, noncapital financing activities or investing activities are classified as operating activities. The adjustments to reconcile operating income to net cash provided by operating activities include tax revenues and other income.

Recently adopted accounting pronouncements:

In June 2012, the GASB issued Statement 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*. GASB 68 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflow of resources, and expenses for pensions based on methods and assumptions identified in GASB 68. This statement is effective for periods beginning after June 15, 2014. See Note 7 for the effect on net position as a result of adopting GASB 68 for the year ended June 30, 2015.

Note 2. Capital Assets

The following is a summary of changes in the District's capital assets for the years ended June 30, 2015 and 2014.

	Capital Assets-At Cost				
	Balance 6/30/14	***Acquisitions***	***Retirements***	***Transfers***	***Balance 6/30/15***
Capital Assets not being depreciated:					
Land	$ 6,250,000	$ -	$ -	$ -	$ 6,250,000
Construction in progress	8,827,264	382,586	-	(9,134,842)	75,008
Capital Assets being depreciated:					
Buildings and structures	11,615,079	-	-	280,589	11,895,668
Furniture and equipment	4,863,770	32,082	-	47,500	4,943,352
Infrastructure	36,242,425	-	-	8,806,753	45,049,178
	$ 67,798,538	$ 414,668	$ -	$ -	$ 68,213,206

	Accumulated Depreciation				
	Balance 6/30/14	***Depreciation Expense***	***Retirements***	***Transfers***	***Balance 6/30/15***
Buildings and structures	$ 7,028,793	$ 357,695	$ -	$ -	$ 7,386,488
Furniture and equipment	3,325,688	275,974	-	-	3,601,662
Infrastructure	14,485,723	1,502,734	-	-	15,988,457
	$ 24,840,204	$ 2,136,403	$ -	$ -	$ 26,976,607

	Capital Assets-At Cost				
	Balance 6/30/13	**Acquisitions**	**Retirements**	**Transfers**	**Balance 6/30/14**
Capital Assets not being depreciated:					
Land	$ 6,250,000	$ -	$ -	$ -	$ 6,250,000
Construction in progress	10,211,118	2,020,502	-	(3,404,356)	8,827,264
Capital Assets being depreciated:					
Buildings and structures	9,767,611	-	-	1,847,468	11,615,079
Furniture and equipment	4,585,720	278,050	-	-	4,863,770
Infrastructure	34,685,537	-	-	1,556,888	36,242,425
	$ 65,499,986	$ 2,298,552	$ -	$ -	$ 67,798,538

	Accumulated Depreciation				
	Balance 6/30/13	**Depreciation Expense**	**Retirements**	**Transfers**	**Balance 6/30/14**
Buildings and structures	$ 6,706,572	$ 322,221	$ -	$ -	$ 7,028,793
Furniture and equipment	3,065,014	260,674	-	-	3,325,688
Infrastructure	13,246,540	1,239,183	-	-	14,485,723
	$ 23,018,126	$ 1,822,078	$ -	$ -	$ 24,840,204

Note 3. Rents and Leases

The District receives income from the rental of land, buildings, and hangars. Leases for these arrangements can be month-to-month or be fixed terms from 1 to 40 years. Lease income for the years ended June 30, 2015 and 2014 were $4,629,184 and $4,363,564, respectively. Future minimum rental receipts due under non-cancellable leases are as follows:

Years ending June 30,	
2016	$ 3,033,269
2017	2,890,945
2018	2,309,432
2019	1,929,430
2020	1,823,067
	$ 11,986,143

Note 4. Retirement Plans

CalPERS

Plan description:

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

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.

The Plan's provisions and benefits in effect at June 30, 2015, are summarized as follows:

	Miscellaneous		***Safety***		***PEPRA***
Benefit formula	2.7% @55		3% @ 50		2% @ 62
Benefit vesting schedule	5 yrs service		5 yrs service		5 yrs service
Benefit payments	monthly for life		monthly for life		monthly for life
Retirement age	50 - 55		50		52 - 67
Monthly benefits, as a % of eligible compensation	2.0% to 2.7%		3.0%		1.0% to 2.5%
Required employee contribution rates	8%	*	9%	*	6.75%
Required employer contribution rates	28.49%	**	35.88%	**	6.95%

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

** Included in the required employer contribution rates are required side fund payments of 9.03% and 7.39% respectively. See below for more information on the side funds.

Contributions:

Section 20814(c) of the California Public Employees' Retirement Law required that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for all Plans are determined annually on an actuarial basis as of June 30 by

CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2015, the contributions recognized as part of pension expense for each Plan were as follows:

	Miscellaneous	*Safety*	*PEPRA*
Contributions - employer	$ 212,053	$ 34,910	$ 78
Contributions - employee	83,459	10,951	3,068
Contributions - side fund	94,193	8,989	-
	$ 389,705	$ 54,850	$ 3,146

Pension liabilities, pension expense and pension deferred outflows/inflows of resources:

As of June 30, 2015, the District reported net pension liabilities for its proportionate share of the net pension liability of each Plan is as follows:

	Net Pension Liability
Miscellaneous	$ 2,681,114
Safety	385,077
PEPRA	587
	$ 3,066,778

The District's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2014, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability for each Plan as of June 30, 2013 and 2014 was as follows:

	Miscellaneous	*Safety*	*PEPRA*
Proportion - June 30, 2013	0.098%	0.010%	0.000%
Proportion - June 30, 2014	0.108%	0.010%	0.000%
Change - Increase (Decrease)	0.011%	0.000%	0.000%

For the year ended June 30, 2015, the District recognized pension expense of $315,979. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	*Deferred Inflows of Resources*
Pension contributions subsequent to measurement date	$ 245,275	$ -
Change in employer's proportion	-	(58,443)
Net difference between projected and actual earnings on plan investments	-	(623,802)
	$ 245,275	$ (682,245)

The $245,275 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Years ended June 30,	
2016	$ (176,822)
2017	(176,822)
2018	(172,649)
2019	(155,952)
	$ (682,245)

Actuarial Assumptions:

The total pension liabilities in the June 30, 2013 actuarial valuations were determined using the following actuarial assumptions:

	Miscellaneous	*Safety*	*PEPRA*
Valuation date	June 30, 2013	June 30, 2013	June 30, 2013
Measurement date	June 30, 2014	June 30, 2014	June 30, 2014
Actuarial cost method	Entry-Age Normal Cost Method		
Actuarial Assumptions:			
Discount Rate	7.50%	7.50%	7.50%
Inflation	2.75%	2.75%	2.75%
Payroll Growth	*	*	*
Projected Salary Increase	Varies by entry age and service		
Investment Rate of Return	7.50%	7.50%	7.50%
Mortality	**	**	**

* Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

** Derived using CalPERS membership data for all funds

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2013 valuation were based on the results of a January 2014 actuarial experience study for the period 1997-2011. Further details on the Experience Study can be found on the CalPERS website.

The discount rate used to measure the total pension liability was 7.50% for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.50% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate of 7.50% will be applied to all plans in the Public Employees' Retirement Fund. The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

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

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management review cycle that is scheduled to be completed in February 2018. Any changes to this discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time the methodology is changed.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major class.

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 ¼%.

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

Asset class	*New Strategic Allocation*	*Real Return Years 1 - 10*	*Real Return Years 11+*
Global Equity	47%	5.25%	5.71%
Global Fixed Income	19%	0.99%	2.43%
Inflation Sensitive	6%	0.45%	3.36%
Private Equity	12%	6.83%	6.95%
Real Estate	11%	4.50%	5.13%
Infrastructure and Forestland	3%	4.50%	5.09%
Liquidity	2%	-0.55%	-1.05%

Sensitivity of the District's proportionate share of the net pension liability:

The following presents the District's proportionate share of the net pension liability using the discount rate of 7.5%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5%) or 1-percentage-point higher (8.5%) than the current rate:

	Miscellaneous	*Safety*	*PEPRA*
1% Decrease	6.50%	6.50%	6.50%
Net Pension Liability	$ 4,077,104	$ 601,824	$ 1,047
Current Discount Rate	7.50%	7.50%	7.50%
Net Pension Liability	$ 2,681,114	$ 385,077	$ 587
1% Increase	8.50%	8.50%	8.50%
Net Pension Liability	$ 1,522,576	$ 206,487	$ 206

Side Funds:

When the District joined the Miscellaneous and Safety plans, CalPERS created an employer side fund to cover the cost of purchasing qualifying employees' prior years' experience to account for the difference between the funded status of the plan and the funded status of the retirement pool. A positive side fund will cause employer contributions to be reduced by the amortization of the side fund while a negative side fund will cause employer contributions to increase by the amortization of the side fund. As of June 30, 2015, the District's actuarial value of assets was less than the present value of the benefits which resulted in a negative side fund of $980,008 for the Miscellaneous Plan and $95,354 for the Safety Plan.

Other Post-Employment Benefits

Plan description:

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

Funding policy:

The contribution requirements of plan members and the District are established and may be amended by the District's Board of Directors. Currently, contributions are not required from plan members.

The required contribution is based on a pay-as-you-go financing requirement with additional amounts to prefund benefits as determined by the District under an actuarial valuation. For the years ended June 30, 2015 and 2014 the annual required contribution (ARC) was $376,900, amounts actuarially determined in accordance with the parameters of GASB Statement No. 45.

The District pays for post-employment health insurance on a pay-as-you go basis. For the fiscal years ended June 30, 2015 and 2014, the District had expenditures of $128,600 and $192,300, respectively, for other post-employment benefits.

Annual OPEB cost and Net OPEB obligation:

The District's annual other post-employment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years.

The following table shows the components of the Districts annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation at and for the years ended June 30, 2015 and 2014:

	2015	***2014***
Annual required contribution (ARC)	$ 376,900	$ 376,900
Interest on net pension obligation	28,400	23,400
Amortization of beginning-of-year net OPEB obligation	(49,700)	(40,000)
Annual OPEB cost	355,600	360,300
Contribution made	128,600	192,300
Increase in net OPEB obligation	227,000	168,000
Net OPEB obligation - beginning of year	946,800	778,800
Net OPEB obligation - end of year	$ 1,173,800	$ 946,800

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the 2015 fiscal year and the two preceding years were as follows:

Fiscal Year End	Annual OPEB Cost	Annual Contribution (Net of Adjustments)	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2013	$364,500	$198,800	55%	$778,800
6/30/2014	$360,300	$192,300	53%	$946,800
6/30/2015	$355,600	$128,600	36%	$1,173,800

Funded status and funding progress:

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress below presents information about the actuarial value of plan assets relative to the actuarial accrued liabilities for benefits.

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percent of Covered Payroll
6/30/2015	$ -	$ 5,828,800	$ (5,828,800)	0.00%	$ 1,341,200	434.60%

Actuarial methods and assumptions:

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

The actuarial valuation, dated June 30, 2015, used the Entry Age Normal actuarial cost method, at a discount rate of 3%, the expected long-term rate of return on the District assets, and an annual compensation increase rate of 0%. The unfunded accrued actuarial liability (UAAL) is being amortized over a rolling 30 years using the level percentage of projected payroll method. As of the actuarial valuation date, the District had 18 active participants and 16 recipients.

Note 5. Commitments

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

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

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

During the period January 1, 2004 through December 31, 2024, the District shall pay The Gibson, Karpe and Hitchcock Trust one-half the net rental income derived from leasing the facilities to third parties. Total payments for the years ended June 30, 2015 and 2014 were $188,330 and $139,156, respectively.

Note 6. Risk Management

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

Type of Coverage	*Carrier*	*Deductible*	*Limit per Occurrence*
Directors and Officers	National Union Fire	$ 5,000	$ 1,000,000
Commercial Property:	New Hampshire Ins. Co.		
Business Property		$ 1,000	$ 556,500
Business Income		$ 5,000	$ 2,819,140
Building		$ 5,000	$ 26,068,240
Personal Property		$ 1,000	$ 857,838
Boiler and Machinery	Hartford Steam Boiler	$ 1,000	$ 26,717,900
Railroad Liability	Arch Specialty Insurance Agency	$ 25,000	$ 6,000,000
General Liability	National Union Fire Insurance of LA	$ -	$ 50,000,000
Business Auto	Hartford Fire Insurance Co	$ 250	$ 1,000,000

Premiums for the above policies are paid annually and are not subject to retroactive adjustments. At June 30, 2015, the District had no outstanding claims which exceed insurance coverage.

Note 7. Change in Accounting Principle

For fiscal year 2015, the District implemented Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27* , which establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflow of resources, and expenses for pensions based on methods and assumptions identified in GASB 68. As a result of applying GASB 68, the District was required to record the net pension liability related to the District's CalPERS defined benefit plans. The impact of which was a decrease in net position of $3,433,044 at June 30, 2014.

Mojave Air and Space Port

Schedule of the District's Proportionate Share of the Net Pension Liability (CalPERS)
June 30, 2015
See Independent Auditors' Report

	Miscellaneous	***Safety***	***PEPRA***
District's proportion of the net pension liability	0.04309%	0.00619%	0.00001%
District's proportionate share of the net pension liability	$ 2,681,114	$ 385,077	$ 587
District's covered-employee payroll	$ 1,269,842	$ 121,970	$ 93,400
District's proportion of the net pension liability as a percentage of its covered-employee payroll	211.14%	315.71%	0.63%
Plan fiduciary net position as a percentage of the total pension liability	74.52%	76.20%	83.04%

Note 1. GASB Statement No. 68 requires governments to include information from the most recent actuarial valuation and nine separate preceding valuations. As of June 30, 2015, the District had only performed one valuation.

Note 2. The above information was based off of the June 30, 2013 actuarial report for the measurement date June 30, 2014.

Mojave Air and Space Port

Schedule of Contributions (CalPERS)

June 30, 2015
See Independent Auditors' Report

	Miscellaneous	Safety	PEPRA
Contractually required contribution	$ 308,190	$ 42,668	$ 7,057
Contributions in relation to the contractually required contribution	(308,190)	(42,668)	(7,057)
Contribution deficiency (excess)	$ -	$ -	$ -
District's covered-employee payroll	$ 1,269,842	$ 121,970	$ 93,400
Contributions as a percentage of covered-employee payroll	24.27%	34.98%	7.56%

Note 1. GASB Statement No. 68 requires governments to include information from the most recent actuarial valuation and nine separate preceding valuations. As of June 30, 2015, the District had only performed one valuation.

Note 2. The above information was based off of the June 30, 2013 actuarial report for the measurement date June 30, 2014.

Mojave Air and Space Port

Schedule of Funding Progress - OPEB
June 30, 2015
See Independent Auditors' Report

Actuarial Valuation Report Date	*Actuarial Value of Assets*	*Actuarial Accrued Liability (AAL)*	*Unfunded AAL (UAAL)*	*Actuarial Assets as a % of the AAL*	*Covered Payroll*	*UAAL as a % of Covered Payroll*	*Total Participants*
6/30/2009	$ -	$ 3,712,600	$ (3,712,600)	0.00%	$ 1,411,600	263%	N/A
6/30/2012	$ -	$ 5,426,900	$ (5,426,900)	0.00%	$ 1,220,700	445%	32
6/30/2015	$ -	$ 5,828,800	$ (5,828,800)	0.00%	$ 1,341,200	435%	34

BARBICH HOOPER KING
DILL HOFFMAN
ACCOUNTANCY CORPORATION

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

Board of Directors
Mojave Air and Space Port
Mojave, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Mojave Air and Space Port, as of and for the years ended June 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 24, 2015.

Internal Control over Financial Reporting

In planning and performing our audits of the financial statements, we considered Mojave Air and Space Port'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 Mojave Air and Space Port's internal control. Accordingly, we do not express an opinion on the effectiveness of Mojave Air and Space Port's internal control.

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

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

P.O. BOX 11171 | BAKERSFIELD, CA 93389
5001 E. COMMERCENTER DRIVE | SUITE 350 | BAKERSFIELD, CA 93309
(661) 631-1171 OFFICE | (661) 631-0244 FAX | BHKCPAS.com

Compliance and Other Matters

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

Purpose of this Report

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

BARBICH HOOPER KING
DILL HOFFMAN
Accountancy Corporation

Barbich Hooper King

Bakersfield, California
November 24, 2015