



**MONTEREY PENINSULA  
AIRPORT DISTRICT**

**FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED  
JUNE 30, 2008 AND 2007**

**AND INDEPENDENT AUDITORS' REPORT**

# MONTEREY PENINSULA AIRPORT DISTRICT

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## MONTEREY PENINSULA AIRPORT DISTRICT

### Board of Directors

June 30, 2008

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Robert DeVoe	Chairman	December 2010
Carl Miller	Vice Chairman	December 2010
Leonard McIntosh	Director	December 2008
William Sabo	Director	December 2008
Richard Searle	Director	December 2008

## **INDEPENDENT AUDITORS' REPORT**

**Board of Directors  
Monterey Peninsula Airport District  
Monterey, California**

We have audited the accompanying financial statements of the *Monterey Peninsula Airport District (the District)* as of and for the year ended June 30, 2008 and 2007, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion 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 and the State Controller's *Minimum Audit Requirements for California Special Districts*. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the *Monterey Peninsula Airport District* as of June 30, 2008 and 2007, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our reports dated October 28, 2008 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 the reports 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. The reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



The Management's Discussion and Analysis on page 4 through 17 is not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplemental information listed in the table of contents, the Schedule of Expenditures of Federal Awards and Schedule of Passenger Facility Charges Collected and Expended for the year ended June 30, 2008, which are required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations* and the Federal Aviation Administration, are presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

October 28, 2008

*Hayashi + Wayland*

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis (MD&A) is provided by the Monterey Peninsula Airport District (District) in compliance with requirements established by the Government Accounting Standards Board, Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB 34), is intended to serve as an introduction to the financial statements for the fiscal year ended June 30, 2008 (FY08). The information presented is to be read in conjunction with the financial statements, footnotes and supplementary information found in this report.

### Mission Statement

“The mission of the Monterey Peninsula Airport is to provide Monterey County and the Central Coast access to the air transportation system by developing and managing airport facilities and services that contribute to the economy of the region.”

### Overview of the Monterey Peninsula Airport District

The District was created on March 22, 1941, by the passage of State Senate Bill No. 1300 that authorized an independent public airport district, which would qualify for federal funds. The District's enabling act was revised effective January 1, 2007. These changes eliminated the archaic language of the original enabling act and allow the District to function more efficiently. The District is governed by five directors elected by voters residing in Monterey, Pacific Grove, Del Monte Forest, Pebble Beach, Carmel-by-the-Sea, greater Carmel, the west end of Carmel Valley, Del Rey Oaks, Sand City, and Seaside.

The Monterey Peninsula Airport (Airport) encompasses 498 acres and has two parallel, east-west runways. The primary runway is 7,600 feet long and 150 feet wide. It is equipped for instrument landings with a Category I instrument landing system on runway 10R. The secondary runway is 3,500 feet long and 65 feet wide.

During this fiscal year, six commercial airlines served the airport. American Eagle, Delta Connection, United Express and US Airways Express provided non-stop service to five gateway hubs: Denver, Los Angeles, Phoenix, Salt Lake City and San Francisco. ExpressJet provided non-stop service to LA-Ontario, LA-Long Beach and San Diego. Due to rising fuel costs, Delta cancelled its service to Salt Lake City on January 6, 2008. Allegiant Airlines initiated non-stop service, three days per week, to Las Vegas on May 30, 2008.

There is a strong business and general aviation presence on the airfield. Two full service fixed-based operators and other aviation tenants provide aircraft line services, fuel, aircraft storage, maintenance, flight instruction, and aircraft rentals.

The District is structured as an enterprise fund. District financial statements are prepared using the accrual basis of accounting; therefore, revenues are recognized when earned, and expenses are recognized when incurred. Costs are recovered through airport rents from tenants, landing and fuel fees and other charges. Capital improvements are funded from three sources: (1) Federal grants from the Federal Aviation Administration's (FAA) Airport Improvement Program (AIP) derived from a 10% tax on the airline tickets, (2) Passenger Facility Charges (PFC) collected for each enplaned passenger at the point of origin and one intermediate stop, and (3) District contributed funds. Capital assets are capitalized and depreciated, except land, over their useful lives. The District does not receive tax revenue from residents of the District. Please refer to the notes to the financial statements for a summary of the District's significant accounting policies.

## **Overview of the Financial Statements**

Following the MD&A are the financial statements and supplemental schedules of the District. This information, taken collectively, is designed to provide readers with an understanding of the District's finances.

The *Statement of Net Assets* presents information on the District's assets and liabilities, with the difference between the two reported as *Net Assets*. Over time, increases or decreases in net assets may serve as a useful indicator of the District's financial position.

The *Statement of Revenues, Expenses and Changes in Net Assets* presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for certain items that may result in cash flows in future fiscal periods.

The *Statement of Cash Flows* relates to the flows of cash and cash equivalents. Consequently, only transactions that affect the District's cash accounts are recorded in this statement. The reconciliation at the bottom of this statement indicates the difference between cash flows from operating activities and operating income.

The notes to the financial statements provide additional information that is essential for a full understanding of the data provided in the financial statements.

## **Financial Highlights**

➔ The assets of the District exceed liabilities by \$45,368,813 for FY08. Of this amount, \$4,390,923 is unrestricted and may be used for any lawful purpose of the District.

➔ The District's overall financial position improved as evidenced by the increase in net assets of \$3,295,421 for FY08.

## Financial Highlights (Continued)

- ➔ The District completed and capitalized the \$9.1 million Terminal Modernization Project and the \$0.6 million Security Access Control Project. These projects provide enhanced safety, increased security, and updated customer service facilities.
- ➔ The District completed and capitalized the \$2.0 million Residential Soundproofing Insulation Program (RSIP) Project – Phase 10.
- ➔ The District completed and capitalized several other projects which provide the critical infrastructure for the airfield and terminal facilities or provide general aviation hangars.
- ➔ The District has no long-term debt and no outstanding bonds.
- ➔ In the airport industry, one standard measure of a commercial airport's size is the number of annual enplanements, i.e., passengers flying from the airport on commercial airlines. Enplaned passengers during the six-year period, FY03 through FY08, are presented in Table I. Airports nationwide suffered a severe decline in annual enplanements following the terrorist attacks of September 11, 2001.
- ➔ Annual enplanements stabilized from FY03 through FY05 at approximately 187,000. In FY06 enplanements increased 11.4% to 209,585, a direct result of the introduction of new air service to Denver, Las Vegas and Salt Lake City. Enplanements in FY07 decreased 2.0%; however, with the new service introduced by ExpressJet in May 2007, enplanements increased by 11% to 228,279 in FY08.

**Table I**

TOTAL ENPLANEMENTS: FISCAL YEARS 2003 - 2008											
FY2003		FY2004		FY2005		FY2006		FY2007		FY2008	
7/02	15,920	7/03	16,909	7/04	16,425	7/05	16,750	7/06	17,891	7/07	20,332
8/02	16,960	8/03	16,587	8/04	16,815	8/05	18,176	8/06	18,257	8/07	23,018
9/02	16,258	9/03	16,336	9/04	16,489	9/05	18,798	9/06	17,443	9/07	19,811
10/02	17,030	10/03	16,428	10/04	17,162	10/05	20,308	10/06	18,604	10/07	20,759
11/02	15,515	11/03	15,559	11/04	15,650	11/05	18,033	11/06	17,040	11/07	19,876
12/02	14,210	12/03	14,436	12/04	13,577	12/05	16,402	12/06	15,901	12/07	18,035
1/03	13,098	1/04	11,843	1/05	13,203	1/06	14,248	1/07	14,244	1/08	14,786
2/03	14,567	2/04	14,389	2/05	14,405	2/06	15,972	2/07	15,072	2/08	15,791
3/03	14,957	3/04	15,581	3/05	15,495	3/06	17,696	3/07	16,849	3/08	17,790
4/03	14,386	4/04	15,898	4/05	16,121	4/06	16,863	4/07	16,268	4/08	17,948
5/03	16,467	5/04	17,123	5/05	16,474	5/06	18,206	5/07	18,394	5/08	18,995
6/03	16,828	6/04	16,609	6/05	16,371	6/06	18,133	6/07	19,613	6/08	21,138
186,196		187,698		188,187		209,585		205,576		228,279	



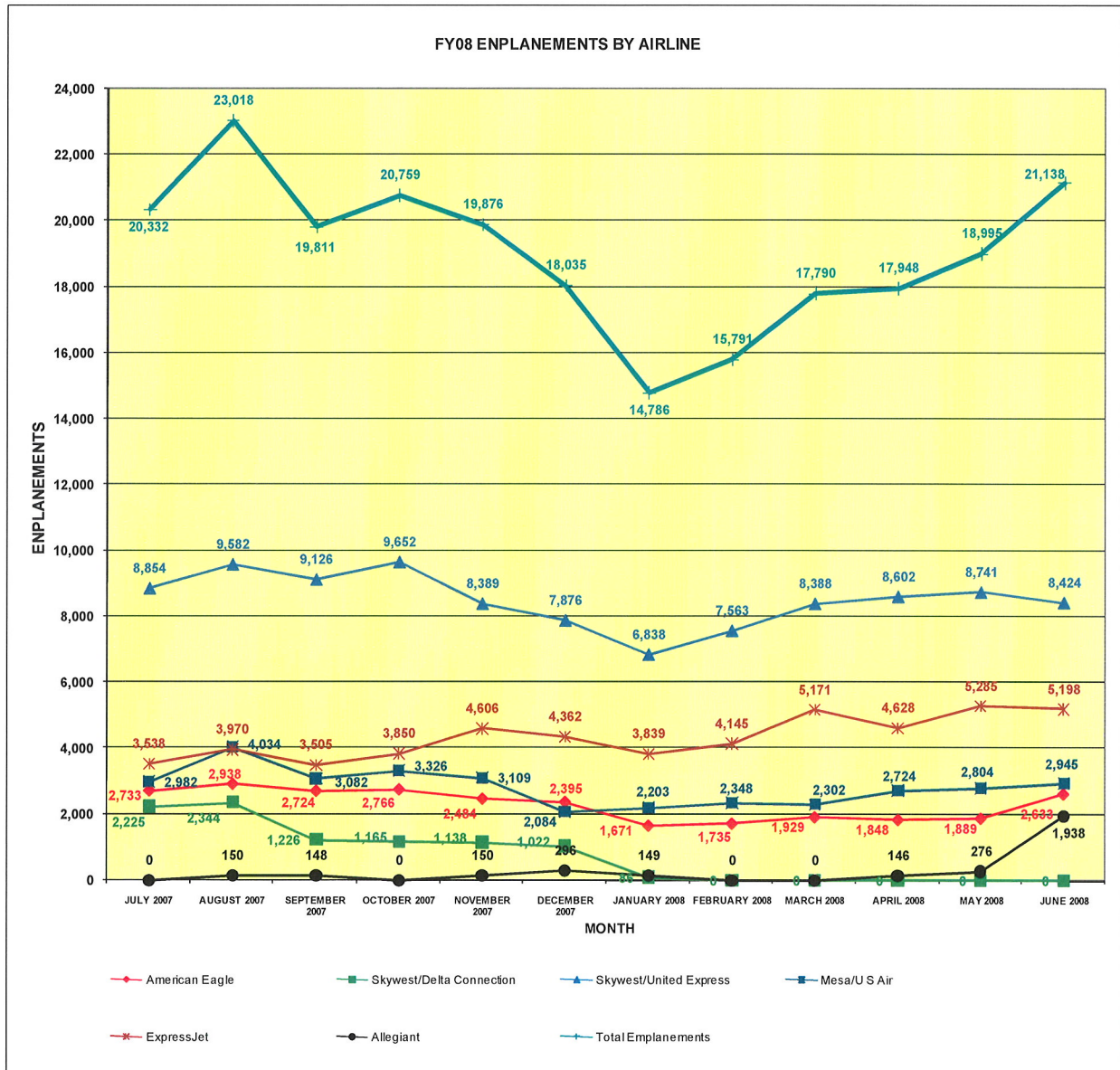
## Financial Highlights (Continued)

Chart A (page 8) presents the monthly enplanements for FY08, in total and for the five scheduled commercial airlines and the non-scheduled (charter) airline that serve the Airport.

- ✓ American Eagle, a wholly-owned subsidiary of American Airlines, flew 30-seat Saab turbo-prop aircraft to Los Angeles. On June 1, 2008, American Eagle replaced these turbo-prop aircraft with 44-seat Embraer regional jets (ERJ-135).
- ✓ United Express, operated by SkyWest Airlines, offers non-stop flights on 28-seat Brasilia turbo-prop aircraft to Los Angeles and San Francisco. It offers first class and coach service on the 66-seat Canadair regional jet aircraft (CRJ-700) to Denver.
- ✓ Delta Connection, operated by SkyWest Airlines, offered non-stop flights on 50-seat Canadair regional jet aircraft (CRJ-200) to Salt Lake City. On September 2, 2007, daily flights were reduced from 2 to 1. On January 6, 2008, Delta Connection eliminated service to Salt Lake City completely.
- ✓ US Airways Express, flown by Mesa Airlines, provided non-stop service on the 50-seat CRJ-200 and 86-seat CRJ-900 to Las Vegas and Phoenix. US Airways Express gradually reduced the number of flights to Las Vegas and in February 2008, eliminated flights to Las Vegas. US Airways Express, depending on passenger demand, changes its flight schedule and aircraft flown to Phoenix. The airline replaced the 86-seat CRJ-900 with two 50-seat CRJ-200 aircraft, providing 3 daily flights to Phoenix rather than 2. Due to aircraft maintenance requirements, it has substituted the DASH 8 turbo-prop for regional jets.
- ✓ ExpressJet offered non-stop flights on the 50-seat Embraer regional jet (ERJ-145) aircraft to LA-Ontario, LA-Long Beach, and San Diego.
- ✓ Allegiant Air initiated scheduled non-stop service three days per week (on Sunday, Wednesday and Friday) to Las Vegas on May 30, 2008. It flies 150-seat MD-83 and MD-87 aircraft. Allegiant offers extremely low air fares combined with lodging and entertainment packages.
- ✓ Allegiant Air also operates as a non-scheduled (charter) airline, flying “gambler specials” to Nevada gaming resorts on 150-seat MD-83 type aircraft.

## Financial Highlights (Continued)

Chart A



## Operating Revenues

An airport functions as a landlord. District income is primarily derived from fees and lease income. Total operating revenues for the year were \$7,294,344, an increase of 14.2% from FY07 and an increase of 28.6% from FY06.

## Operating Revenues (Continued)

Revenues derived from the activities of commercial airlines and from airline passengers using services offered by the Airport account for 55.8% of FY08 Total Operating Revenue. This is an increase of 19.9% from FY07, and an increase of 43.8% over FY06 (see Table II as “Subtotal – Commercial Aviation”). In this category are revenues paid by commercial airlines for landing, apron and aircraft overnight parking fees and income received from tenants that rent space in the airport terminal.

The line item, “Terminal Concessions & Leases”, includes lease income from many sources: concessions such as *The Golden Tee Restaurant* and the *Gifts and More* gift shop, commercial airlines that rent ticket counters and offices, five rental car companies (Avis, Budget, Enterprise, Hertz, and National), long and short-term parking lots, in-terminal advertising, and other vendors. This category of revenue increased 23.0% from FY07, and 44.7% from FY06.

General Aviation activities generated 21.8% of Total Operating Revenue. Corporate aviation and general aviation tenants remit landing fees, fuel fees and rental income for leased land, hangars, tie-downs, aircraft parking aprons, and offices. This is an increase of 6.9% from FY07, and an increase of 14.2% from FY06. Non-aviation tenants produced 20.5% of Total Operating Revenues. This is an increase of 6.7% from FY07, and an increase of 10.6% from FY06.

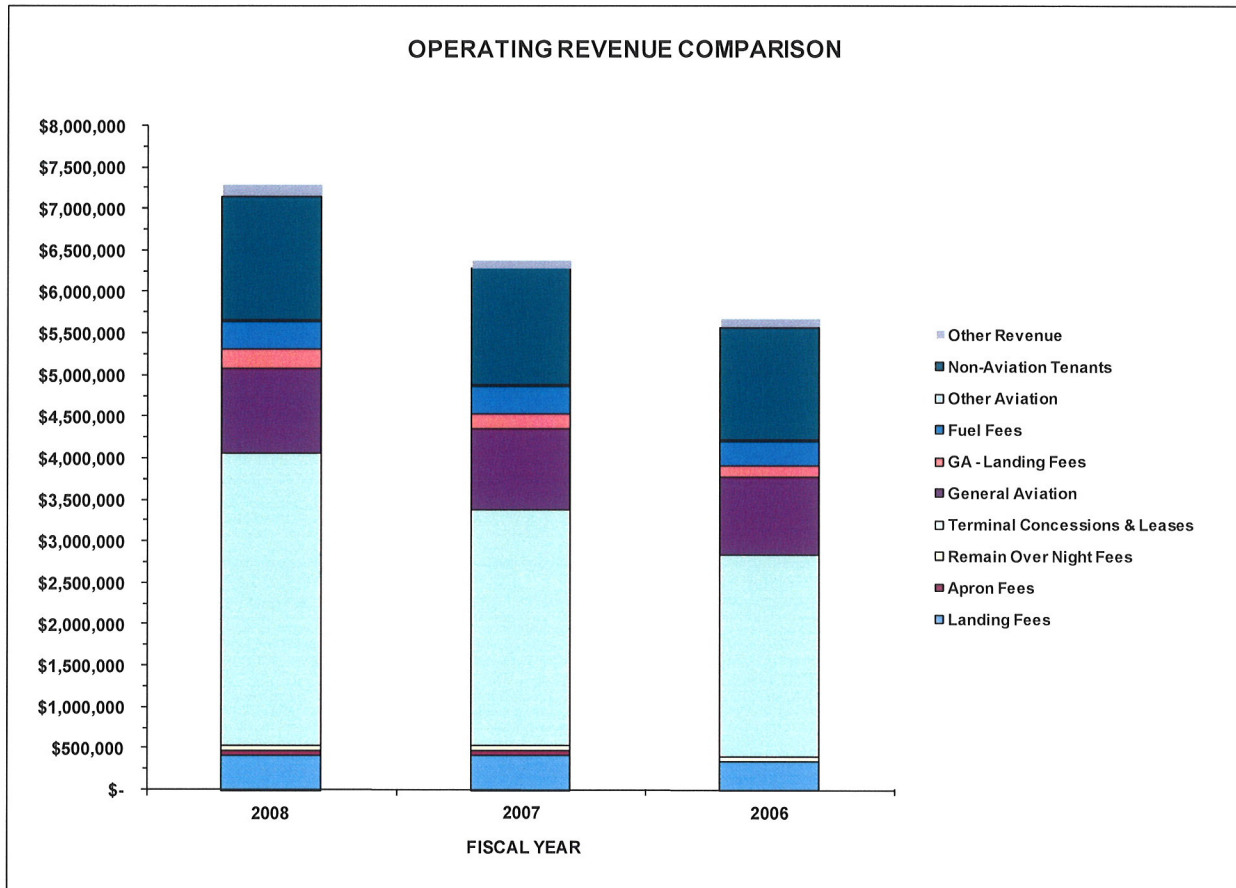
Table II presents a comparison of operating revenues for FY08 with FY07 and with FY06. Chart C (page 10) provides a graphic representation of operating revenues.

**Table II**

FISCAL YEAR 2008, 2007 & 2006 OPERATING REVENUE COMPARISON						
	2008		2007		2006	
Landing Fees	\$ 410,241	5.6%	\$ 425,086	6.7%	\$ 337,023	5.9%
Apron Fees	\$ 76,380	1.0%	\$ 45,462	0.7%		
Remain Over Night Fees	54,637	0.7%	56,629	0.9%	54,609	1.0%
Terminal Concessions & Leases	3,527,807	48.4%	2,866,984	44.9%	2,438,850	43.0%
<b>Subtotal - Commercial Aviation</b>	<b>\$ 4,069,065</b>	<b>55.8%</b>	<b>\$ 3,394,161</b>	<b>53.1%</b>	<b>\$ 2,830,482</b>	<b>49.9%</b>
General Aviation	\$ 1,010,287	13.9%	\$ 974,698	15.3%	\$ 939,749	16.6%
Landing Fees	\$ 243,168	3.3%	\$ 172,264	2.7%	\$ 149,017	2.6%
Fuel Fees	332,937	4.6%	337,504	5.3%	299,523	5.3%
Other Aviation	3,150	0.0%	3,150	0.0%	3,150	0.1%
<b>Subtotal - General Aviation</b>	<b>\$ 1,589,542</b>	<b>21.8%</b>	<b>\$ 1,487,616</b>	<b>23.3%</b>	<b>\$ 1,391,439</b>	<b>24.5%</b>
Non-Aviation Tenants	\$ 1,495,853	20.5%	\$ 1,402,319	22.0%	\$ 1,352,996	23.9%
Other Revenue	139,884	1.9%	102,661	1.6%	95,891	1.7%
<b>Total</b>	<b>\$ 7,294,344</b>	<b>100%</b>	<b>\$ 6,386,758</b>	<b>100%</b>	<b>\$ 5,670,808</b>	<b>100%</b>

## Operating Revenues (Continued)

Chart C



## Operating Expenses

Operating Expenses increased 7.2% over Fiscal Year 2007 and 10.6% over Fiscal Year 2006. Salaries and payroll costs for all airport employees increased \$403,766 or 11.1% to just under \$5.2 million; this is 74.0% of total FY08 operating expense.

Salaries and payroll costs increased \$752,721 or 31.4% when compared to FY06. As a percentage of total operating expense, salaries and payroll costs were 73.1% in FY07 and 69.9% in FY06. The airport provides a wide variety of services, and staffs its own police and fire departments. Table III (page 11) provides salary and payroll expense by airport department.



## Operating Expenses (Continued)

**Table III**

FISCAL YEAR 2008, 2007 & 2006 SALARY & PAYROLL EXPENSE							
	2008		2007		2006		
Finance & Administration	\$	906,225	17.5%	\$	857,332	18.0%	\$ 871,526 19.7%
Planning & Development		305,806	5.9%		420,787	8.8%	410,160 9.3%
Maintenance & Custodial Services		777,940	15.0%		672,587	14.1%	695,394 15.7%
Airport Operations		380,922	7.4%		250,826	5.3%	226,635 5.1%
Police Department		905,540	17.5%		860,554	18.0%	773,948 17.5%
Fire Department		1,897,491	36.7%		1,708,108	35.8%	1,443,576 32.7%
Total	\$	5,173,924	100%	\$	4,770,194	100%	\$ 4,421,239 100%

Finance & Administration, 33.4% of total FY08 expenses, increased 10.9% from FY07 and increased 5.9% from FY06. The increase was due primarily to unanticipated legal expenses. Any expense related to the District's Board of Directors is recognized in this department.

Planning & Development, 5.0% of total FY08 expenses, decreased 23.7% from FY07 and 24.3% from FY06. These decreases were due to: 1) extended recruiting periods when filling vacant positions, and 2) reimbursement by the FAA AIP Program.

Maintenance & Custodial Services, which accounted for 15.2% of total FY08 operating expenses, increased 14.8% from FY07. When compared to FY06, the department's expenses increased 9.8%. These increases were attributable to: 1) an increased emphasis on preventive maintenance and 2) the ever increasing repair costs due to the advanced age of many of the District's assets.

Airport Operations, 5.5% of total FY08 operating expenses, increased 40.0% from FY07 and 57.3% from FY06. In October 2007, the department filled the vacant position of Airport Operations Officer, thereby completing the restructure of this department to provide: 1) an increased level of vigilance in the Air Operations Area (AOA) and 2) the level of customer service desired by the District.

Police Department expenses represent 13.0% of FY08 total operating expenses, a decrease of 6.7% from FY07, and an increase of 1.0% from FY06. The department has experienced escalating costs primarily due to mandated requirements of "security level orange" that continue in effect. The decrease in operating expense is due to a "Law Enforcement Officer (LEO) Reimbursement Grant from the U. S. Department of Homeland Security. The grant is specifically designed to assist airports affected by increased security requirements mandated by TSA and DHS.

The Fire Department, 27.9% of total FY08 operating expenses, increased \$164,586 (9.2%) compared to the prior fiscal year. When compared to FY06, expenses increased \$406,263 (26.3%). These increases are due to: 1) overtime (OT) caused by shift coverage and aid agreements, and 2) increased staffing levels.

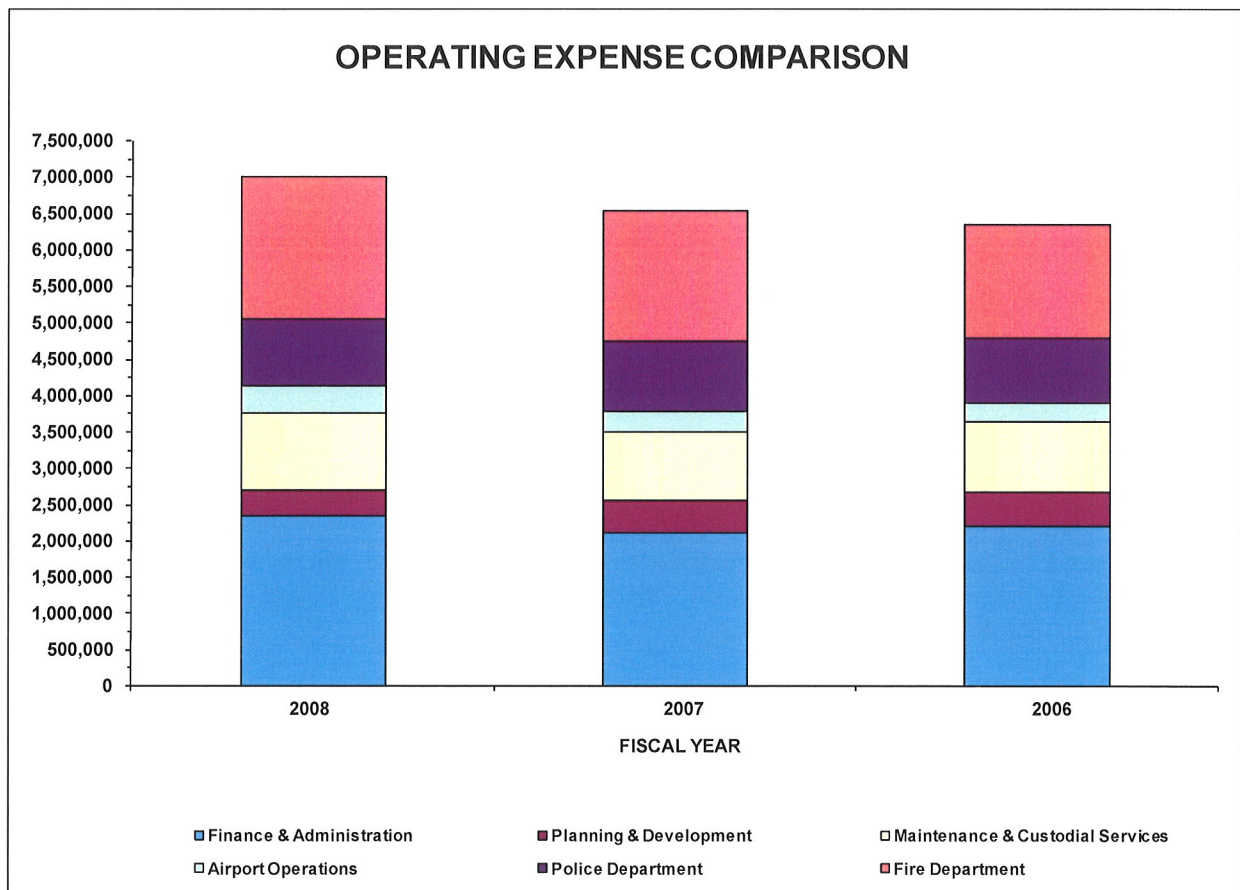
## Operating Expenses (Continued)

Table IV compares operating expenses for FY08 with FY07 and with FY06. Chart D provides a graphic representation of operating expenses.

**Table IV**

FISCAL YEAR 2008, 2007 & 2006 OPERATING EXPENSE COMPARISON						
	2008		2007		2006	
Finance & Administration	\$ 2,333,682	33.4%	\$ 2,105,201	32.3%	\$ 2,204,389	34.9%
Planning & Development	348,463	5.0%	456,847	7.0%	460,591	7.3%
Maintenance & Custodial Services	1,065,921	15.2%	928,182	14.2%	970,462	15.3%
Airport Operations	385,361	5.5%	275,325	4.2%	244,971	3.9%
Police Department	909,059	13.0%	974,287	14.9%	900,311	14.2%
Fire Department	1,950,293	27.9%	1,785,706	27.4%	1,544,029	24.4%
Total	\$ 6,992,779	100%	\$ 6,525,548	100%	\$ 6,324,753	100%

**Chart D**



# Actual versus Budget – FY08 Revenues, Expenses and Change in Net Assets

Table V compares actual revenues, expenses and change in net assets with the budget for Fiscal Year 2008.

**Table V**

<b>Operating Revenues</b>	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
<b>Commercial Aviation - Fees</b>	\$ 640,436	\$ 541,258	\$ (99,178)
<b>General Aviation - Fees</b>	193,641	243,168	49,527
<b>Terminal Concessions and Leases</b>	3,529,387	3,530,957	1,570
<b>Heavy General Aviation</b>	977,798	936,813	(40,985)
<b>Light General &amp; Other Aviation Tenants</b>	401,604	406,411	4,807
<b>Non-Aviation Tenants</b>	1,561,234	1,495,853	(65,381)
<b>Other Operating Revenue</b>	97,901	139,884	41,983
<b>Total Operating Revenue</b>	\$ 7,402,001	\$ 7,294,344	\$ (107,657)
<b>Operating Expenses</b>	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
<b>Finance &amp; Administration</b>	\$ 2,275,689	\$ 2,333,682	\$ (57,993)
<b>Planning &amp; Development</b>	606,426	348,463	257,963
<b>Maintenance &amp; Custodial Services</b>	1,081,659	1,065,921	15,738
<b>Airport Operations</b>	438,352	385,361	52,991
<b>Police Department</b>	1,068,834	909,059	159,775
<b>Fire Department</b>	1,757,506	1,950,293	(192,787)
<b>Total Operating Expenses</b>	\$ 7,228,466	\$ 6,992,779	\$ 235,687
<b>Net Operating Profit (Loss)</b>	173,535	301,565	128,030
<b>Other Revenues (Expenses)</b>	\$ 6,354,043	\$ 2,993,856	\$ (3,360,187)
<b>Change in Net Assets</b>	\$ 6,527,578	\$ 3,295,421	\$ (3,232,157)

# Actual versus Budget – FY07 Revenues, Expenses and Change in Net Assets

Table VI compares actual revenues, expenses and change in net assets with the budget for Fiscal Year 2007.

**Table VI**

<b>Operating Revenues</b>	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
<b>Commercial Aviation - Fees</b>	\$ 510,937	\$ 527,177	\$ 16,240
<b>General Aviation - Fees</b>	192,812	172,264	(20,548)
<b>Terminal Concessions and Leases</b>	3,016,424	2,870,134	(146,290)
<b>Heavy General Aviation</b>	960,110	923,356	(36,754)
<b>Light General &amp; Other Aviation Tenants</b>	391,392	388,846	(2,546)
<b>Non-Aviation Tenants</b>	1,401,960	1,402,319	359
<b>Other Operating Revenue</b>	91,000	102,662	11,662
<b>Total Operating Revenue</b>	\$ 6,564,635	\$ 6,386,758	\$ (177,877)
<b>Operating Expenses</b>	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
<b>Finance &amp; Administration</b>	\$ 2,131,724	\$ 2,105,201	\$ 26,523
<b>Planning &amp; Development</b>	506,408	456,847	49,561
<b>Maintenance &amp; Custodial Services</b>	1,013,826	928,182	85,644
<b>Airport Operations</b>	258,791	275,325	(16,534)
<b>Police Department</b>	876,905	974,287	(97,382)
<b>Fire Department</b>	1,775,864	1,785,706	(9,842)
<b>Total Operating Expenses</b>	\$ 6,563,518	\$ 6,525,548	\$ 37,970
<b>Net Operating Profit (Loss)</b>	1,117	(138,790)	(139,907)
<b>Other Revenues (Expenses)</b>	\$ 138,910	\$ 4,535,129	\$ 4,396,219
<b>Change in Net Assets</b>	\$ 140,027	\$ 4,396,339	\$ 4,256,312



## Actual versus Budget – FY06 Revenues, Expenses and Change in Net Assets

Table VII compares actual revenues, expenses and change in net assets with the budget for Fiscal Year 2006.

**Table VII**

<b>Operating Revenues</b>	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
Commercial Aviation - Fees	\$ 429,500	\$ 391,632	\$ (37,868)
General Aviation - Fees	156,200	149,017	(7,183)
Terminal Concessions and Leases	2,687,401	2,438,850	(248,551)
Heavy General Aviation	894,012	869,535	(24,477)
Light General & Other Aviation Tenants	379,806	372,887	(6,919)
Non-aviation Tennants	1,338,320	1,352,996	14,676
Other Revenue	115,600	95,891	(19,709)
<b>Total Operating Revenue</b>	<b>\$ 6,000,839</b>	<b>\$ 5,670,808</b>	<b>\$ (330,031)</b>
<b>Operating Expenses</b>	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
Finance & Administration	\$ 2,236,782	\$ 2,204,389	\$ 32,393
Planning & Development	467,031	460,591	6,440
Maintenance & Custodial Services	1,011,680	970,462	41,218
Airport Operations	257,763	244,971	12,792
Police Department	901,401	900,311	1,090
Fire Department	1,476,680	1,544,029	(67,349)
<b>Total Operating Expenses</b>	<b>\$ 6,351,337</b>	<b>\$ 6,324,753</b>	<b>\$ 26,584</b>
<b>Net Operating Profit (Loss)</b>	<b>\$ (350,498)</b>	<b>\$ (653,945)</b>	<b>\$ (303,447)</b>
<b>Other Revenues (Expenses)</b>	<b>\$ 150,000</b>	<b>\$ 3,457,048</b>	<b>\$ 3,307,048</b>
<b>Change in Net Assets</b>	<b>\$ (200,498)</b>	<b>\$ 2,803,103</b>	<b>\$ 3,003,601</b>

### Changes in Net Assets

Net assets increased \$3,295,421 from FY07 to FY08. Refer to the *Statement of Revenues, Expenses and Changes in Net Assets* presented in this report. Conforming to requirements of GASB 33, *Accounting and Financial Reporting for Nonexchange Transactions*, funds received from grants and PFCs are included within the structure of the financial statements and referred to as “Other Revenue”.

### Changes in Net Assets (Continued)

The District received \$4.4 million from FAA AIP grants and \$859,702 from PFCs to fund architectural design, engineering design, and construction costs.

Net assets increased \$4,396,339 from FY06 to FY07. The District received \$6.1 million from FAA AIP grants and \$750,266 from PFCs to fund airport improvement projects.

### Capital and Debt Activity

Total District assets are \$49,016,211; total liabilities are \$3,647,398. The difference is approximately \$45.3 million. The debt-to-equity ratio is extremely favorable because the Airport has no long term debt, an unusual situation for governmental organizations today. The District has efficiently managed its airport capital improvements by collecting FAA grants and fees and applying these to fund capital projects. For this fiscal year, net capital assets increased approximately \$3.6 million. Capital assets, net of depreciation, and intangibles, net of amortization, as follows:

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Tangible assets			
Land	\$ 1,683,547	\$ 1,683,547	\$ 1,683,547
Buildings	15,471,034	6,101,624	6,593,799
Land improvements	8,198,475	8,805,975	9,480,699
Furniture, equipment and vehicles	970,126	1,126,138	1,302,778
Construction in progress	<u>4,921,318</u>	<u>11,126,648</u>	<u>3,277,924</u>
Total	<u>31,244,501</u>	<u>28,843,932</u>	<u>22,338,747</u>
Intangible assets	<u>9,574,855</u>	<u>8,407,337</u>	<u>9,757,666</u>
Total capital assets-net	<u>\$ 40,819,356</u>	<u>\$ 37,251,269</u>	<u>\$ 32,096,413</u>

### Future Impacts

Airport revenues are driven primarily by enplanements and therefore dependent upon use or non-use by the local traveling public. After several years of remaining constant, enplanements grew 11.4% in FY06 as a result of new air service that doubled from three to six the number of destination cities served by airlines flying from the Airport. Enplanements in FY07 decreased 2.0%. However, with the new service introduced by ExpressJet in May 2007, enplanements increased by 11% to 228,279 in FY08.

As successful (in terms of customer service and revenue) as FY08 was, the horizon is not as bright. Economic conditions, particularly the price of oil, have driven commercial airlines to restructure their services and reduce capacity. Monterey Peninsula Airport has weathered the reduction of service to major hubs by two airlines and elimination of service to Salt Lake City by Delta Connection and to Las Vegas by US Airways.

### **Future Impacts (Continued)**

On July 9, ExpressJet announced that it would discontinue branded service on September 2, 2008, which eliminates non-stop commercial air service from Monterey to LA-Ontario, LA-Long Beach, and San Diego. This loss of service will have a significant impact on all aspects of airline customer generated revenue at the airport.

Allegiant Air, which introduced non-stop service to Las Vegas on May 30, 2008, has shown very positive results with average load factors on its three weekly flights exceeding 80%.

Looking forward to FY09 and beyond, the airport's success is dependent on the local community's demand for air service and the airlines' ability, capacity, and willingness to meet those needs.

The District received a 3-year Small Community Air Service Development Program grant for \$500,000, which began October 1, 2005, from the U. S. Department of Transportation to market its air service. Working closely with industry groups and businesses in Monterey County, the District created a cooperative marketing program to increase awareness of the new air service and lower airfares. The *Fly Monterey* program promotes air travel by residents of Monterey County and attracts out-of-region visitors to the Central Coast. Greater passenger usage of the Airport will produce increased operating revenues. The grant will expire on September 30, 2008.

On July 1, 2006 (FY07), the District introduced conventional airport industry airfield residual and terminal compensatory rate-setting methods. The District moved aggressively to cut operating expenses, increase rental rates for all airport tenants, and increase landing fees and terminal rental rates. By design, the total airline payments are in line with, yet less than, costs charged by comparable airports. This methodology, combined with management controls, will ensure that operating revenues exceed operating expenses and provide funding for airport facilities and infrastructure replacement.

### **Requests for Information**

This financial report has been designed to provide a general overview of the District's accounting for anyone interested in its finances. Questions concerning any of the information should be addressed to the attention of the Senior Deputy General Manager, Monterey Peninsula Airport District, 200 Fred Kane Drive, Suite 200, Monterey, CA 93940.

**FINANCIAL STATEMENTS**



**MONTEREY PENINSULA AIRPORT DISTRICT**  
**STATEMENTS OF NET ASSETS**  
**JUNE 30, 2008 AND 2007**

	2008	2007
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 433,888	\$ 368,288
Investments	4,538,051	3,970,173
Accounts receivable – net	471,722	604,323
Note receivable – current portion	6,801	6,345
Interest receivable	41,448	63,493
Prepays and other current assets	74,312	71,398
Total current assets	5,566,222	5,084,020
CAPITAL ASSETS – net	31,244,501	28,843,932
NONCURRENT ASSETS:		
Cash and cash equivalents – restricted	997,082	663,479
Investments – restricted	1,589,082	2,008,940
Note receivable	44,469	51,237
Intangible assets – net	9,574,855	8,407,337
Total other assets	12,205,488	11,130,993
TOTAL ASSETS	<u>\$ 49,016,211</u>	<u>\$ 45,058,945</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Accounts payable	\$ -	\$ 196,224
Accrued liabilities	323,418	87,625
Accrued compensated absences	403,491	398,566
Deferred revenue	9,000	12,000
Funds held in trust	2,325,800	1,734,260
Total current liabilities	3,061,709	2,428,675
NONCURRENT LIABILITIES:		
Security deposits	340,689	305,878
Deferred revenue	245,000	251,000
Total long-term liabilities	585,689	556,878
TOTAL LIABILITIES	3,647,398	2,985,553
NET ASSETS:		
Invested in capital assets	40,819,356	37,251,269
Restricted	158,534	811,698
Unrestricted	4,390,923	4,010,425
TOTAL NET ASSETS	45,368,813	42,073,392
TOTAL	<u>\$ 49,016,211</u>	<u>\$ 45,058,945</u>

See Notes to Financial Statements.

**MONTEREY PENINSULA AIRPORT DISTRICT**  
**STATEMENTS OF REVENUES, EXPENSES AND**  
**CHANGES IN NET ASSETS**  
**FOR THE YEARS ENDED JUNE 30, 2008 AND 2007**

	2008	2007
OPERATING REVENUES:		
Commercial aviation	\$ 541,258	\$ 527,177
General aviation	243,168	172,264
Terminal leases and concessions	3,530,957	2,870,134
Heavy general aviation tenants	936,813	923,356
Light general aviation and other aviation tenants	406,411	388,846
Non-aviation tenants	1,495,853	1,402,319
Other operating revenue	139,884	102,662
Total operating revenues	7,294,344	6,386,758
OPERATING EXPENSES:		
Finance and administration	2,333,682	2,105,201
Planning and development	348,463	456,847
Maintenance and custodial services	1,065,921	928,182
Airport operations	385,361	275,325
Police department	909,059	974,287
Fire department	1,950,293	1,785,706
Total operating expenses	6,992,779	6,525,548
OPERATING INCOME (LOSS) BEFORE DEPRECIATION AND AMORTIZATION	301,565	(138,790)
DEPRECIATION AND AMORTIZATION	2,621,650	2,740,756
OPERATING LOSS	(2,320,085)	(2,879,546)
NONOPERATING REVENUES:		
Grants - FAA	4,437,091	6,128,037
Passenger Facility Charges	859,702	750,266
Interest income	192,762	271,230
Unrealized gain on investments	124,951	124,695
Grants - EMS	1,000	1,657
Total nonoperating revenues	5,615,506	7,275,885
CHANGE IN NET ASSETS	3,295,421	4,396,339
NET ASSETS, BEGINNING OF YEAR	42,073,392	37,677,053
NET ASSETS, END OF YEAR	\$ 45,368,813	\$ 42,073,392

See Notes to Financial Statements.

**MONTEREY PENINSULA AIRPORT DISTRICT**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2008 AND 2007**

	<u>2008</u>	<u>2007</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	\$ 7,913,412	\$ 6,730,063
Other receipts	146,196	108,514
Payments to vendors and employees	<u>(6,960,201)</u>	<u>(6,910,015)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>1,099,407</u>	<u>(71,438)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds from grants and PFC charges	5,297,793	6,879,960
Payments for purchases of fixed assets and construction of property – net of disposals	<u>(6,189,735)</u>	<u>(7,895,614)</u>
NET CASH (USED) BY FINANCING ACTIVITIES	<u>(891,942)</u>	<u>(1,015,654)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment income received	339,758	379,742
Investments purchased	<u>(148,020)</u>	<u>(14,565)</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>191,738</u>	<u>365,177</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	399,203	(721,915)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,031,767</u>	<u>1,753,682</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 1,430,970</u></u>	<u><u>\$ 1,031,767</u></u>

See Notes to Financial Statements.

**MONTEREY PENINSULA AIRPORT DISTRICT**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2008 AND 2007**  
(Continued)

	<u>2008</u>	<u>2007</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating loss	\$ (2,320,085)	\$ (2,879,546)
Adjustments to reconcile net loss to net cash provided (used) by operating activities:		
Depreciation and amortization	2,621,650	2,740,756
(Increase) decrease in:		
Accounts receivable	132,601	(151,563)
Note receivable	6,312	5,852
Prepays and other current assets	(2,914)	30,712
Increase (decrease) in:		
Accounts payable	(196,224)	(414,528)
Accrued liabilities	240,717	(651)
Deferred revenue	(9,000)	-
Funds held in trust	591,540	585,071
Security deposits	34,810	12,459
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 1,099,406</u>	<u>\$ (71,438)</u>
CASH AND CASH EQUIVALENTS – Unrestricted	\$ 433,888	\$ 368,288
CASH AND CASH EQUIVALENTS – Restricted	<u>997,082</u>	<u>663,479</u>
TOTAL	<u>\$ 1,430,970</u>	<u>\$ 1,031,767</u>

See Notes to Financial Statements.

**MONTEREY PENINSULA AIRPORT DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2008 AND 2007**

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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Description of Reporting Entity** – The Monterey Peninsulas Airport District (the District) was established under the provisions of Article #133 of the General Law of the State of California on March 22, 1941 for the purpose of operating and maintaining a public airport. Originally, it consisted of 37 acres which were contributed to the District by the City of Monterey. Additional land has been acquired by grants and purchases in subsequent years. As of June 30, 2008, the District's total acreage amounted to approximately 600 acres.

**Reporting Entity** – The financial statements of the District, in accordance with governmental accounting and financial reporting standards, include funds and account groups that are controlled by or dependent on the District. Control or dependence is determined on the basis of budget adoption, designation of management, and ability to significantly influence operations. All known activities of the District have been included in these financial statements. There are no known potential component units that have been excluded.

**Basis of Accounting and Financial Statement Presentation** – In accordance with generally accepted accounting principles (GAAP) applicable to governmental units, the accounts of the District are organized into one proprietary type fund, the Enterprise Fund.

Enterprise Funds are used to account for operations 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.

Enterprise 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. Operating expenses for enterprise funds include the cost of operating the primary activities of the District, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District has adopted Governmental Accounting Standards Board (GASB) Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting." Accordingly, the District has elected to apply all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, *Basic Financial Statements – and Management's discussion and Analysis – for State and Local Governments*. This statement provided for the most significant change in financial reporting in over twenty years and called for a phased implementation based on size of government starting with the year ending June 30, 2002. The District implemented the basic model for the year ending June 30, 2004.

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

**Cash and Cash Equivalents** – The District considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

**Receivables** – Receivables from tenants are recorded when the revenues are earned under the accrual method of accounting and accounted for using the allowance method. The allowance at June 30, 2008 and June 30, 2007 was \$10,000.

**Prepaid Expenses** – Prepaid amounts have been allocated to expense prorate in the periods in which the benefit was received.

**Investments** – The District invests its surplus cash in certificates of deposits with original maturity dates of three months or longer.

**Capital Assets** – Capital assets are stated at cost or estimated historical cost if original cost is not available. Gifts or contributions of such assets are stated at estimated fair market value at the date received.

Depreciation has been provided over the following estimated useful lives using the straight-line method:

Land improvements	10 – 40 Years
Buildings and improvements	10 – 40 Years
Furniture, equipment and vehicles	3 – 20 Years

Depreciation of assets is recorded as an expense in the statements of revenues, expenses and changes in net assets.

Tangible assets include the District's logo, noise study, master plan update and soundproofing of neighboring residences. These have been amortized on the straight-line basis over the estimated useful lives of the assets which are 10 – 40 years. No depreciation is provided on construction-in-progress until construction is complete and the asset is placed in service.

**Compensated Absences** – The District's personnel policy provides full-time employees with vacation and sick leave in varying amounts, and at termination or retirement, employees are paid for accumulated (vested) vacation. Employees are paid for accumulated sick leave to a maximum of one month's salary. Accordingly, compensation for vacation and sick leave is charged to expense as earned by the employee, and accumulated, unpaid vacation and sick leave, which is payable upon an employee's termination or retirement, is recorded as a liability.

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Deferred Revenue** – Deferred revenue represents amounts collected before year-end which were not earned as of June 30, 2008 and 2007.

**Net Assets** – Net assets represent the difference between assets and liabilities and are classified into the following net asset categories:

**Invested in Capital Assets, Net of Related Debt** – Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets invested in capital assets, net of related debt excludes unspent debt proceeds.

**Restricted** – Restricted net assets are reported as restricted when there are limitations imposed on their use either through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Restricted resources are used first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**Unrestricted** – Unrestricted net assets consists of net assets that do not meet the definition of “invested in capital assets, net of related debt” or “restricted.”

**Passenger Facility Charge (PFC)** – In 1990, Congress approved the Aviation Safety and Capacity Expansion Act, which authorized domestic airports to impose a Passenger Facility Charge (PFC) on enplaning passengers. In May 1991, the Federal Aviation Administration issued the regulations for the use and reporting of PFCs. PFCs may be used for airport projects which meet at least one of the following criteria: preserve or enhance safety, security or capacity of the national air transportation system; reduce noise or mitigate noise impacts resulting from an airport; or furnished opportunities for enhanced competition between or among carriers.

The District was granted permission to begin collection of a \$3 PFC effective January 1, 1994. The charges, less an administrative fee charged by the airlines for processing, are collected by the airlines and remitted on a monthly basis to the District. Effective July 27, 2001 the District received approval from the FAA to increase the PFC charge to \$4.50 per enplaned passenger.

In accordance with GASB Statements 33 and 34, the District records PFCs as nonoperating revenue. The fees are reserved for specific purposes as defined in the approval letter received from the Federal Aviation Administration’s administrator.

The District’s applications for PFCs were approved as impose and use. It is the position of the District that these receipts should be recognized immediately.

**Reclassifications** – Certain reclassifications have been made to the 2007 financial statements to conform to the 2008 presentation.

**Estimates** – The preparation of the financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported. Actual results could differ from those estimates.



**NOTE 2. CASH AND INVESTMENTS**

Balances in cash and cash equivalents consist of bank accounts insured by the Federal Depository Insurance Corporation (FDIC) and unsecured and uncollateralized deposits in the California State Treasurer's Investment Pool, known as the Local Agencies Investment Fund (LAIF). As of June 30, 2008 and 2007, the bank balances exceeded the FDIC limit by \$1,166,300 and, \$822,743 respectively. The uninsured amount is, however, collateralized at a rate of 110% by securities which are held for the benefit of the District. Money in LAIF is invested by the State Treasurer to realize the maximum return consistent with prudent treasury management. All earnings of the fund, less a reimbursement of management costs incurred not to exceed one quarter of one percent of earnings, are distributed to the contributing agencies in their relative shares each quarter. The balances of funds in LAIF approximated fair market value as of June 30, 2008 and 2007.

**Restricted Cash and Investments** – Balances in restricted cash consist of security deposits from tenants held in certificates of deposit, demand deposits and investment restricted as Passenger Facility Charges.

**Cash, Cash Equivalents, Investments and Restricted Cash** – Investments consist of time certificates which have a maturity date greater than three months, amounts in the LAIF and money market funds as of June 30, 2008 and 2007. The certificates and money market funds are entirely covered by the FDIC and represent unspent passenger facility charges restricted for airport improvements.

Cash and investments (at market value) consist of the following at June 30, 2008 and 2007:

2008						
	Unrestricted	Restricted			ASA/ EMS	Totals
		QTAC	Security Deposits	Passenger Facilities Charges		
Cash in bank	\$ 433,888	\$ 589,980	\$ 248,568	\$ 152,020	\$ 6,514	\$ 1,430,970
Investments	2,689,354	1,497,036	92,046	–	–	4,278,436
LAIF	1,848,697	–	–	–	–	1,848,697
Total	<u>\$ 4,971,939</u>	<u>\$ 2,087,016</u>	<u>\$ 340,614</u>	<u>\$ 152,020</u>	<u>\$ 6,514</u>	<u>\$ 7,558,103</u>
2007						
	Unrestricted	Restricted			ASA/ EMS	Totals
		QTAC	Security Deposits	Passenger Facilities Charges		
Cash in bank	\$ 368,288	\$ 134,762	\$ 216,704	\$ 306,504	\$ 5,509	\$ 1,031,767
Investments	2,919,832	1,420,082	89,174	499,684	–	4,928,772
LAIF	1,050,341	–	–	–	–	1,050,341
Total	<u>\$ 4,338,461</u>	<u>\$ 1,554,844</u>	<u>\$ 305,878</u>	<u>\$ 806,188</u>	<u>\$ 5,509</u>	<u>\$ 7,010,880</u>

**NOTE 2. CASH AND INVESTMENTS (Continued)**

**Custodial Credit Risk Related to Deposits** – Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits might not be recovered. The District does not have a deposit policy for custodial credit risk. As of June 30, 2008 and 2007, \$1,166,300 and \$822,743, respectively, of the District's bank balances were exposed to custodial credit risk as follows:

	<u>2008</u>	<u>2007</u>
Uninsured and collateral held by the pledging financial institution's agent but not in the name of the District.	\$ <u>1,166,300</u>	\$ <u>822,743</u>
Total	\$ <u>1,166,300</u>	\$ <u>822,743</u>

**Custodial Credit Risk Related to Investments** – The custodial credit risk for investments is the risk that a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party if the counterparty to the transaction fails. The District does not have an investment policy for custodial credit risk. As of June 30, 2008, none of the District's investments (including those in LAIF) meet the definition of investments that are subject to the above categorization.

**Concentration of Credit Risk** – While it is the District's policy to limit its investment in time deposits to a maximum of \$100,000 to a single issuer, the District places no limit on the amount it may invest in LAIF. As of June 30, 2008 and 2007, approximately 30% and 18% of total investments were held in LAIF.

**Interest Rate Risk** – The District does not have a formal policy limiting investment maturities that would help manage its exposure to fair value losses from increasing interest rates.

**NOTE 3. ACCOUNTS RECEIVABLE**

Accounts receivable at June 30 are as follows:

	<u>2008</u>	<u>2007</u>
Accounts receivable	\$ 481,722	\$ 614,323
Less allowance for doubtful accounts	<u>10,000</u>	<u>10,000</u>
Accounts receivable – net	\$ <u>471,722</u>	\$ <u>604,323</u>

#### NOTE 4. CAPITAL ASSETS

Capital assets at June 30 are as follows:

	2008		
	Balance as of June 30, 2007	Additions Transfers	Deletions Transfers
Capital assets not being depreciated:			
Land	\$ 1,683,547	\$ -	\$ -
Construction in progress	11,126,648	6,032,445	(12,237,775)
Total capital assets not being depreciated	12,810,195	6,032,445	(12,237,775)
Capital assets being depreciated:			
Land improvements	25,664,939	58,734	-
Buildings	11,838,934	9,862,677	-
Furniture, equipment and vehicles	3,169,466	46,011	-
Total capital assets being depreciated	40,673,339	9,967,422	-
Accumulated depreciation:			
Land improvements	16,858,964	666,234	-
Buildings	5,737,310	493,267	-
Furniture, equipment and vehicles	2,043,328	202,022	-
Total accumulated depreciation	24,639,602	1,361,523	-
Total capital assets being depreciated - net	16,033,737	8,605,899	-
Capital assets - net	<u>\$ 28,843,932</u>	<u>\$ 14,638,344</u>	<u>\$ (12,237,775)</u>
2007			
	Balance as of June 30, 2006	Additions Transfers	Deletions Transfers
	Balance as of June 30, 2007		
Capital assets not being depreciated:			
Land	\$ 1,683,547	\$ -	\$ -
Construction in progress	3,277,924	7,848,724	-
Total capital assets not being depreciated	4,961,471	7,848,724	-
Capital assets being depreciated:			
Land improvements	25,647,323	17,616	-
Buildings	11,838,934	-	-
Furniture, equipment and vehicles	3,140,192	29,274	-
Total capital assets being depreciated	40,626,449	46,890	-
Accumulated depreciation:			
Land improvements	16,166,624	692,340	-
Buildings	5,245,135	492,175	-
Furniture, equipment and vehicles	1,837,414	205,914	-
Total accumulated depreciation	23,249,173	1,390,429	-
Total capital assets being depreciated - net	17,377,276	(1,343,539)	-
Capital assets - net	<u>\$ 22,338,747</u>	<u>\$ 6,505,185</u>	<u>\$ -</u>

**NOTE 5. INTANGIBLE ASSETS**

The District's intangible assets at June 30 are as follows:

	<u>2008</u>	<u>2007</u>
Noise safety study and soundproofing	\$ 16,969,781	\$ 14,542,136
Master Plan	208,440	208,440
Logo	<u>9,833</u>	<u>9,833</u>
Total	17,188,054	14,760,409
Less accumulated amortization	<u>7,613,199</u>	<u>6,353,072</u>
Intangible assets – net	<u>\$ 9,574,855</u>	<u>\$ 8,407,337</u>

**NOTE 6. OPERATING LEASES**

A significant portion of the District's revenue comes from operating leases of which the District is the lessor. The District leases parts of the terminal building, parking areas, north side buildings, land, hangars and ramps to various businesses and individuals. The cost of property held for leasing is not readily determinable.

Future minimum rentals on noncancelable leases are as follows:

<u>Year Ending June 30</u>	
2009	\$ 1,394,412
2010	1,394,412
2011	1,385,802
2012	1,377,792
2013	1,377,792
2014 and thereafter	<u>33,655,896</u>
Total	<u>\$ 40,586,106</u>

Maximum rentals which are adjusted periodically based on the Consumer Price Index have been shown at current payment amounts.

**NOTE 7. DEFERRED REVENUE**

Deferred revenue at June 30 consists of the following:

	<u>2008</u>	<u>2007</u>
Art program grant received in advance	\$ 3,000	\$ 6,000
Advance rents received from DBO Development	<u>251,000</u>	<u>257,000</u>
Total	<u>\$ 254,000</u>	<u>\$ 263,000</u>

**NOTE 8. FUNDS HELD IN TRUST**

Funds held in trust represents monies collected from various rental car companies. The companies remit \$10 for each car rental at the Airport. The District is to hold and invest funds on their behalf. The funds will be used to construct a facility for car rentals and car wash on the Airport's grounds.

**NOTE 9. RESTRICTED NET ASSETS**

Restricted net assets at June 30 consists of the following:

	<u>2008</u>	<u>2007</u>
Unspent passenger facility charges	\$ 152,020	\$ 806,188
Emergency Medical Supplies	3,458	2,457
Asset Seizure Account	<u>3,056</u>	<u>3,053</u>
Total	<u>\$ 158,534</u>	<u>\$ 811,698</u>

**NOTE 10. PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS)**

**Plan Description** – The District contributes to the California Public Employees Retirement System (CalPERS), an agent multiple-employer public employee defined benefit pension plan. CalPERS provides retirement, disability benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by State statute. CalPERS issues a separate comprehensive annual financial report. Copies of CalPERS' annual financial report may be obtained from their Executive Office, 400 P Street, Sacramento, California 95814.

**Funding Policy** – Participants are required to contribute approximately 7% – 9% of their annual covered salary. The District is required to contribute 10.140% (31.284% for safety employees) of their annual covered salary. The District is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration.

**Annual Pension Cost** – For the year ended June 30, 2008 and the District's annual pension cost of \$715,740 for CalPERS was equal to the District's required and actual contributions. The required contribution was determined as part of the June 30, 2004 actuarial valuation.

A summary of principle assumptions and methods used to determine the annual required contribution is shown below:

Valuation Date	June 30, 2007
Actuarial Cost Method	Entry Age Actuarial Cost Method
Amortization Method	Level Percent of Payroll
Average Remaining Period	16–17 Years as of the Valuation Date
Asset Valuation Method	15 Year Smoothed Market

**NOTE 10. PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS) (Continued)**

## Actuarial Assumptions:

Investment Rate of Return	7.75% (net of administrative expenses)
Projected Salary Increases	3.25% to 14.45% depending on Age, Service and type of employment for miscellaneous and safety employees
Inflation	3.0%
Payroll Growth	3.25% to 14.45%
Individual Salary Growth	A merit scale varying by duration of employment coupled with an assumed annual inflation component of 3.00% and an annual production growth of 0.25%

Initial unfunded liabilities are amortized over a closed period that depends on the plan's date of entry into CalPERS. Subsequent plan amendments are amortized as a level percentage of pay over a closed 20 year period. Gains and losses that occur in the operation of the plan are amortized over a rolling 30 year period. If the plan's accrued liability exceeds the actuarial value of plan assets, then the amortization payment on the total unfunded liability may not be lower than the payment calculated over a 30 year amortization period.

**Asset Valuation Method** -- In order to dampen the effect of short-term market value fluctuations on employer contributions rates, the following asset smoothing technique is used. First an Expected Value of Assets is computed by bringing forward the prior year's Actuarial Value of Assets and the contributions received and benefits paid during the year at the assumed actuarial rate of return. The Actuarial Value of Assets is then computed as the Expected Value of Assets plus one-third of the difference between the actual Market Value of Assets and the Expected Value of Assets as of the valuation date. However, in no case will the Actuarial Value of Assets be less than 80% or greater than 120% of the actual Market Value of Assets.

**Three Year Trend Information for Miscellaneous Plan**

<u>Fiscal Year</u>	<u>Annual Pension Cost APC</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
06/30/05	\$ 847,064	100%	\$ -0-
06/30/06	\$ 780,669	100%	\$ -0-
06/30/07	\$ 754,145	100%	\$ -0-



**NOTE 11. COMMITMENTS AND CONTINGENCIES**

The District is also, from time to time, involved in lawsuits arising in the ordinary course of District operations, that in the opinion of management, will not have a material effect on results of operations.

The District receives significant financial assistance from the U.S. government in the form of contracts and grants. Entitlement to these resources is generally contingent upon compliance with the terms and conditions of the contract or grant agreements and applicable federal regulations, including the expenditure of the resources for eligible purposes. Substantially all federal grants and contracts are subject to a financial and compliance audit under federal regulations. Disallowed costs as a result of compliance audits become a liability to the District. Management believes that the potential for a material liability due to future audit disallowance is remote.

**NOTE 12. BUDGETARY REPORTING BASIS**

The District does not budget depreciation and certain other non-operating revenue and expense items. This method differs from accounting principles generally accepted in the United States of America (GAAP). For the year ending June 30, 2008 the District's budget includes depreciation and other nonoperating revenue and expense items, which will make the budget compliant with GAAP.

## **SUPPLEMENTAL INFORMATION**

**MONTEREY PENINSULA AIRPORT DISTRICT**  
**SCHEDULE OF CONSTRUCTION-IN-PROGRESS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

Projects		Balance at		Completed/ Transferred	Balance at
No.	Title	June 30, 2007	Additions	to Capital Assets	June 30, 2008
AIP 36B	Security Access Control, Phase 2	\$ 624,639	\$ 2,052	\$ (626,691)	\$ -
AIP 36C	Terminal Modernization Improvements	6,249,672	1,857,712	(8,107,384)	-
AIP 39B	Terminal Passenger Circulation and Auto Baggage System	958,901	-	(958,901)	-
AIP 40	Residential Soundproofing, Phase 10, Construction	1,932,983	20,616	(1,953,599)	-
AIP 41	Terminal Infrastructure Upgrade	21,669	-	(21,669)	-
AIP 42	Residential Soundproofing, Phase 11	331,599	1,471,409	-	1,803,008
AIP 43	Noise Exposure Map Update	230,780	102,685	(333,465)	-
AIP 44	Runway Safety Area Study	83,055	57,527	(140,582)	-
AIP 45	Baggage Area Electrical Upgrade	9,745	1,140	(10,885)	-
AIP 46	Airline Office/Hallway Remodel	78,457	6,142	(84,599)	-
AIP T-25	Service Road to Runway 28L	252,895	-	-	252,895
MPAD 114	Quick Turn Around (QTA) Area	208,992	141,733	-	350,725
AIP 45	Residential Soundproofing, Phase 12	-	11,992	-	11,992
AIP 46A	Fire Rescue/Command Vehicle	-	20,289	-	20,289
AIP 46B	ARRF Support/Structure Vehicle	-	18,165	-	18,165
AIP 47A	Airfield Pavement Rehab/Improvement	-	2,030,540	-	2,030,540
AIP 47B	Airfield Lighting/Signage Rehabilitation	-	188,976	-	188,976
2008-10	Airfield Pavement Rehabilitation- Phase 2	-	71,680	-	71,680
2008-06	Snack Bar/Gift Shop - Security	-	22,803	-	22,803
2008-07	Airport Terminal Signage Rehabilitation	-	6,985	-	6,985
PFC Funded Projects:					
PFC BB	EIR Roadway Circulation Projects – PFC	100,178	-	-	100,178
PFC EE	Airport Biological Assessment	43,083	-	-	43,083
TOTAL		<u>\$ 11,126,648</u>	<u>\$ 6,032,445</u>	<u>\$ (12,237,775)</u>	<u>\$ 4,921,318</u>

See Notes to Financial Statements.

**MONTEREY PENINSULA AIRPORT DISTRICT**  
**SCHEDULE OF CONSTRUCTION-IN-PROGRESS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

Projects		Balance at	Additions/	Completed/	Balance at
No.	Title	June 30, 2006	(Deletions)	to Capital Assets	June 30, 2007
AIP 36B	Security Access Control, Phase 2	\$ 66,801	\$ 557,838	\$ -	\$ 624,639
AIP 36C	Terminal Modernization Improvements	1,345,387	4,904,285	-	6,249,672
AIP 39B	Terminal Passenger Circulation and Auto Baggage System	958,901	-	-	958,901
AIP 40	Residential Soundproofing, Phase 10, Construction	278,223	1,654,760	-	1,932,983
AIP 41	Terminal Infrastructure Upgrade	21,669	-	-	21,669
AIP 42	Residential Soundproofing, Phase 11	-	331,599	-	331,599
AIP 43	Noise Exposure Map Update	-	230,780	-	230,780
AIP 44	Runway Safety Area Study	-	83,055	-	83,055
AIP 45	Baggage Area Electrical Upgrade	-	9,745	-	9,745
AIP 46	Airline Office/Hallway Remodel	-	78,457	-	78,457
AIP T-25	Service Road to Runway 28L	244,448	8,447	-	252,895
MPAD 114	Quick Turn Around (QTA) Area	190,991	18,001	-	208,992
4005	Bordonaro, Phase 3	28,243	(28,243)	-	-
PFC Funded Projects:					
PFC BB	EIR Roadway Circulation Projects – PFC	100,178	-	-	100,178
PFC EE	Airport Biological Assessment	43,083	-	-	43,083
TOTAL		<u>\$ 3,277,924</u>	<u>\$ 7,848,724</u>	<u>\$ -</u>	<u>\$ 11,126,648</u>

See Notes to Financial Statements.

**MONTEREY PENINSULA AIRPORT DISTRICT**  
**STATEMENT OF REVENUES AND EXPENSES – BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2008**

	Budget	Actual	Variance Favorable (Unfavorable)
<b>OPERATING REVENUES:</b>			
Commercial aviation:			
Landing fees	\$ 480,714	\$ 410,241	\$ (70,473)
RON fees	75,474	54,637	(20,837)
Apron fees	84,248	76,380	(7,868)
Total commercial aviation	640,436	541,258	(99,178)
General aviation -			
Landing fees	193,641	243,168	49,527
Total general aviation	193,641	243,168	49,527
Terminal leases and concessions:			
Gate usage fees	7,008	5,518	(1,490)
Terminal space rent	1,351,848	1,351,104	(744)
Terminal concessions	194,244	218,935	24,691
Rental car concessions	1,194,206	1,120,611	(73,595)
Parking concession	778,929	831,639	52,710
Tower lease	3,152	3,150	(2)
Total terminal leases and concessions	3,529,387	3,530,957	1,570
Heavy general aviation tenants:			
FBO rents	607,368	603,876	(3,492)
Fuel flowage fees	370,430	332,937	(37,493)
Total heavy general aviation tenants	977,798	936,813	(40,985)
Light general and other aviation tenants:			
Facility/space rents	181,368	191,119	9,751
Hangar rents	209,844	205,164	(4,680)
Tiedown fees	10,392	10,128	(264)
Total light general and other aviation tenants	401,604	406,411	4,807
Non-aviation tenants:			
Facility/space rents	977,846	960,091	(17,755)
Outside storage	249,612	208,307	(41,305)
RV storage	114,936	116,181	1,245
Monterey Highway Self-Storage	212,840	203,932	(8,908)
Miscellaneous non-aviation revenue	6,000	7,342	1,342
Total non-aviation tenants	\$ 1,561,234	\$ 1,495,853	\$ (65,381)

**MONTEREY PENINSULA AIRPORT DISTRICT**  
**STATEMENT OF REVENUES AND EXPENSES – BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2007**  
(Continued)

	Budget	Actual	Variance Favorable (Unfavorable)
OPERATING REVENUES (Continued):			
Other operating revenue:			
Utility charges	\$ 69,451	\$ 71,071	\$ 1,620
Late fees and interest	7,500	10,895	3,395
Bail and traffic fines	3,900	9,407	5,507
License fees	2,200	-	(2,200)
Decals and badges	14,850	30,758	15,908
Banner (advertising) revenue	-	120	120
Tenant plan reviews, checks and inspections	-	16,089	16,089
Miscellaneous other operating revenue	-	1,544	1,544
	<u>97,901</u>	<u>139,884</u>	<u>41,983</u>
Total other operating revenue			
	<u>97,901</u>	<u>139,884</u>	<u>41,983</u>
TOTAL OPERATING REVENUES	<u>7,402,001</u>	<u>7,294,344</u>	<u>(107,657)</u>
OPERATING EXPENSES:			
Finance and administration:			
Salaries and wages	717,039	652,996	64,043
Employer SSI	40,057	36,681	3,376
Employer MC	10,396	9,649	747
Employer SDI	4,233	3,985	248
Workers' compensation insurance	22,319	21,919	400
ADP processing	2,080	1,755	325
CalPERS retirement	72,121	64,142	7,979
CalPERS health insurance	104,122	94,286	9,836
Flexible spending account	11,024	8,840	2,184
Dental insurance	10,700	9,599	1,101
Vision insurance	3,684	1,314	2,370
Retiree health insurance	405	388	17
Life insurance	764	670	94
Personnel recruitment and pre-employment expense	2,000	3,737	(1,737)
Temporary personnel	34,000	43,252	(9,252)
Dues and subscriptions	16,000	20,245	(4,245)
Seminars and conferences	15,000	6,157	8,843
Professional development and education	33,800	20,259	13,541
Travel and business entertainment	8,000	18,487	(10,487)
Board of Directors - stipends	12,000	8,100	3,900
Board of Directors - seminars and conferences	4,000	5,525	(1,525)
Board of Directors - travel and business entertainment	5,000	8,716	(3,716)
Board of Directors - miscellaneous	5,400	4,649	751
	<u>\$ 1,134,144</u>	<u>\$ 1,045,351</u>	<u>\$ 88,793</u>
Subtotal - forward			



**MONTEREY PENINSULA AIRPORT DISTRICT**  
**STATEMENT OF REVENUES AND EXPENSES – BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2007**  
(Continued)

	Budget	Actual	Variance Favorable (Unfavorable)
Subtotal - forward	\$ 1,134,144	\$ 1,045,351	\$ 88,793
<b>OPERATING EXPENSES (Continued):</b>			
Finance and administration:			
Public notices	1,200	814	386
LAFCO expense	20,995	20,992	3
Umbrella liability insurance expense	226,800	213,994	12,806
Administrative meetings / employee relations	4,000	5,124	(1,124)
Telephone	33,000	33,137	(137)
Postage and courier services	5,500	5,069	431
Bank fees and finance charges	300	2,479	(2,179)
Telecommunications	3,600	4,877	(1,277)
General supplies and materials	1,000	1,217	(217)
Office supplies and materials	22,000	17,903	4,097
District vehicle supplies and materials	50	49	1
District vehicle fuel	2,500	2,334	166
Office equipment repair and maintenance	5,500	4,356	1,144
General repairs and maintenance	-	1,618	(1,618)
District vehicle repair and maintenance	1,500	3,326	(1,826)
Other services	1,000	1,178	(178)
Tenant services	30,000	45	29,955
Art program	30,000	35,940	(5,940)
Annual audit / accounting	36,000	36,000	-
District legal counsel	190,000	233,211	(43,211)
Administration and finance	10,500	8,711	1,789
Human resources	22,000	22,977	(977)
Other legal services	35,000	128,019	(93,019)
Marketing	2,400	245	2,155
Public relations	12,000	12,102	(102)
Air service development	25,000	16,366	8,634
New air services - marketing	63,000	64,465	(1,465)
Utilities - miscellaneous	2,400	2,438	(38)
Utilities - electricity	213,000	225,684	(12,684)
Utilities - natural gas	51,000	83,096	(32,096)
Utilities - water	54,600	70,471	(15,871)
Utilities - sewage / waste water	18,000	18,152	(152)
Utilities - solid waste disposal	12,700	11,942	758
Bad debt expense	5,000	-	5,000
Total finance and administration	\$ 2,275,689	\$ 2,333,682	\$ (57,993)

**MONTEREY PENINSULA AIRPORT DISTRICT**  
**STATEMENT OF REVENUES AND EXPENSES – BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2007**  
(Continued)

	Budget	Actual	Variance Favorable (Unfavorable)
OPERATING EXPENSES (Continued):			
Planning and development:			
Salaries and wages	\$ 333,210	\$ 217,337	\$ 115,873
Salary and wage reimbursement - AIP and billing	-	(122,597)	122,597
Employer SSI	19,637	13,010	6,627
Employer MC	4,830	3,203	1,627
Employer SDI	2,177	1,373	804
Workers' compensation insurance	30,156	20,291	9,865
ADP processing	1,080	654	426
CalPERS retirement	33,516	20,811	12,705
CalPERS health insurance	53,935	24,637	29,298
Flexible spending account	5,618	1,202	4,416
Dental insurance	5,135	2,593	2,542
Vision insurance	1,884	462	1,422
Life insurance	388	233	155
Personnel recruitment and pre-employment expense	-	1,300	(1,300)
Temporary personnel	-	26,900	(26,900)
Dues and subscriptions	1,035	620	415
Seminars and conferences	4,900	3,254	1,646
Professional development and education	4,600	-	4,600
Travel and business entertainment	4,200	4,185	15
Public notices	4,000	50	3,950
Administrative meetings / employee relations	1,080	507	573
Telephone	540	503	37
Telecommunications	4,500	3,288	1,212
Postage and courier services	500	273	227
Miscellaneous expense	1,200	-	1,200
Office supplies and materials	2,400	3,393	(993)
District vehicle supplies and materials	600	-	600
District vehicle fuel	1,620	2,264	(644)
Office equipment repair and maintenance	1,500	2,692	(1,192)
General repair and maintenance	-	35	(35)
District vehicle repair and maintenance	1,620	2,689	(1,069)
Other services	-	1,003	(1,003)
Architect and engineer	6,000	35,684	(29,684)
District legal counsel	20,000	30,994	(10,994)
Public relations	-	6,037	(6,037)
Computer / LAN and IT	39,450	39,583	(133)
Environmental	5,000	-	5,000
Other professional services	10,115	-	10,115
Total planning and development	\$ 606,426	\$ 348,463	\$ 257,963

**MONTEREY PENINSULA AIRPORT DISTRICT**  
**STATEMENT OF REVENUES AND EXPENSES – BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2007**  
(Continued)

	Budget	Actual	Variance Favorable (Unfavorable)
<b>OPERATING EXPENSES (Continued):</b>			
Maintenance and custodial services:			
Salaries and wages	\$ 458,662	\$ 462,047	\$ (3,385)
Salary and wage reimbursement - AIP and billing	-	(2,008)	2,008
Pager pay	10,980	10,610	370
Overtime pay	6,584	9,289	(2,705)
Holiday pay	3,661	2,270	1,391
Employer SSI	29,753	29,678	75
Employer MC	6,958	6,941	17
Employer SDI	3,362	3,345	17
Workers' compensation insurance	51,885	51,269	616
ADP processing	2,640	2,416	224
CalPERS retirement	48,269	44,705	3,564
CalPERS health insurance	130,860	129,901	959
Flexible spending account	13,992	9,522	4,470
Dental insurance	14,520	13,523	997
Vision insurance	4,680	1,492	3,188
Life insurance	964	932	32
Retiree health insurance	972	-	972
Personnel recruitment and pre-employment expense	-	431	(431)
Dues and subscriptions	525	-	525
Seminars and conferences	1,000	-	1,000
Professional development and education	3,280	6,890	(3,610)
Travel and business entertainment	2,650	-	2,650
Administrative meetings / employee relations	420	95	325
Telephone	300	97	203
Telecommunications	1,182	581	601
Postage and courier services	480	59	421
Custodial supplies and materials	72,000	71,962	38
General supplies and materials	1,620	1,612	8
Maintenance supplies and materials	10,000	7,546	2,454
Office supplies and materials	1,200	291	909
District vehicle supplies and materials	900	1,925	(1,025)
District vehicle fuel	13,560	10,971	2,589
District vehicle repair and maintenance	15,000	2,574	12,426
Airfield repair and maintenance	48,000	34,069	13,931
Terminal repair and maintenance	60,000	70,453	(10,453)
Rental space repair and maintenance	15,000	19,377	(4,377)
Landscape and grounds repair and maintenance	14,000	16,222	(2,222)
Subtotal - forward	\$ 1,049,859	\$ 1,021,087	\$ 28,772

**MONTEREY PENINSULA AIRPORT DISTRICT**  
**STATEMENT OF REVENUES AND EXPENSES – BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2007**  
(Continued)

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Subtotal - forward	\$ 1,049,859	\$ 1,021,087	\$ 28,772
<b>OPERATING EXPENSES (Continued):</b>			
Maintenance and custodial services:			
Office equipment repair and maintenance	2,200	892	1,308
General repair and maintenance	1,200	2,576	(1,376)
Other services	24,000	41,366	(17,366)
Tenant services	1,200	-	1,200
Human resources	2,000	-	2,000
Other professional services	1,200	-	1,200
	<u>1,081,659</u>	<u>1,065,921</u>	<u>15,738</u>
Total maintenance and custodial services			
Airport operations:			
Salaries and wages	269,181	253,517	15,664
Salary and wage reimbursement - AIP and billing	-	(11,701)	11,701
Overtime pay	536	-	536
Employer SSI	16,332	15,025	1,307
Employer MC	3,912	3,634	278
Employer SDI	1,734	1,635	99
Workers' compensation insurance	24,574	23,225	1,349
ADP processing	940	846	94
CalPERS retirement	49,586	46,310	3,276
CalPERS health insurance	33,364	29,328	4,036
Flexible spending account	4,876	2,997	1,879
Life insurance	336	320	16
Vision insurance	1,628	423	1,205
Dental insurance	3,328	3,662	(334)
Personnel recruitment and pre-employment expense	6,000	258	5,742
Dues and subscriptions	410	502	(92)
Seminars and conferences	400	750	(350)
Travel and business entertainment	300	297	3
Telephone	720	144	576
Telecommunications	1,440	821	619
Postage and courier services	120	44	76
General supplies and materials	2,400	1,495	905
Office supplies and materials	600	344	256
District vehicle supplies and materials	500	17	483
District vehicle fuel	1,200	1,836	(636)
General repairs and maintenance	-	125	(125)
	<u>-</u>	<u>125</u>	<u>(125)</u>
Subtotal - forward	\$ 424,417	\$ 375,854	\$ 48,563

**MONTEREY PENINSULA AIRPORT DISTRICT**  
**STATEMENT OF REVENUES AND EXPENSES – BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2007**  
(Continued)

	Budget	Actual	Variance Favorable (Unfavorable)
Subtotal - forward	\$ 424,417	\$ 375,854	\$ 48,563
OPERATING EXPENSES (Continued):			
Airport operations:			
District vehicle repair and maintenance	600	228	372
Other services	3,335	3,030	305
Environmental	10,000	6,249	3,751
Total airport operations	438,352	385,361	52,991
Police department:			
Salaries and wages	484,385	474,333	10,052
Salary wage reimbursement - AIP and billing	-	(136,218)	136,218
Overtime pay	41,051	102,502	(61,451)
Holiday pay	5,212	8,076	(2,864)
Training pay	600	700	(100)
Uniform allowance	4,150	3,200	950
Employer SSI	33,193	33,942	(749)
Employer MC	7,764	8,195	(431)
Employer SDI	3,761	3,582	179
Workers' compensation insurance	57,887	57,286	601
ADP processing	1,900	1,576	324
CalPERS retirement	144,233	130,985	13,248
CalPERS health insurance	70,322	60,990	9,332
Flexible spending account	7,420	6,092	1,328
Dental insurance	9,140	8,482	658
Vision insurance	2,480	739	1,741
Life insurance	514	459	55
Retiree health insurance	4,392	4,402	(10)
Personnel recruitment and pre-employment expense	11,750	7,296	4,454
Dues and subscriptions	1,550	474	1,076
Seminars and conferences	2,500	395	2,105
Professional development and education	10,000	1,124	8,876
Travel and business entertainment	5,000	4,631	369
Telephone	4,000	2,473	1,527
Telecommunications	14,100	10,689	3,411
Postage and courier services	500	397	103
Subtotal - forward	\$ 927,804	\$ 796,802	\$ 131,002

**MONTEREY PENINSULA AIRPORT DISTRICT**  
**STATEMENT OF REVENUES AND EXPENSES – BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2007**  
(Continued)

	Budget	Actual	Variance Favorable (Unfavorable)
Subtotal - forward	\$ 927,804	\$ 796,802	\$ 131,002
<b>OPERATING EXPENSES (Continued):</b>			
Police department:			
General supplies and materials	24,875	18,302	6,573
Maintenance supplies and materials	-	82	(82)
Office supplies and materials	4,620	1,080	3,540
District vehicle supplies and materials	500	-	500
District vehicle fuel	8,040	7,535	505
Office equipment repair and maintenance	3,200	2,799	401
General repairs and maintenance	7,800	1,677	6,123
District vehicle repair and maintenance	4,000	5,063	(1,063)
Police services	36,000	43,380	(7,380)
Other services	40,555	27,644	12,911
District legal counsel	9,000	4,695	4,305
Other legal services	1,440	-	1,440
Human resources	1,000	-	1,000
Total police department	1,068,834	909,059	159,775
Fire department:			
Salaries and wages	821,037	849,575	(28,538)
Salary and wage reimbursement - AIP and billing	-	(44,699)	44,699
LC 4850 wages	-	28,125	(28,125)
Overtime pay	60,927	212,942	(152,015)
Holiday pay	22,149	22,621	(472)
Uniform allowance	5,760	6,080	(320)
Employer SSI	56,413	62,773	(6,360)
Employer MC	13,193	15,937	(2,744)
Employer SDI	6,366	6,741	(375)
Workers' compensation insurance	98,374	111,744	(13,370)
ADP processing	2,880	2,808	72
CalPERS retirement	396,722	408,787	(12,065)
CalPERS health insurance	135,204	136,914	(1,710)
Flexible spending account	15,264	10,384	4,880
Dental insurance	15,638	17,571	(1,933)
Vision insurance	5,106	1,152	3,954
Life insurance	1,050	1,107	(57)
Retiree health insurance	4,443	2,231	2,212
Personnel recruitment and pre-employment expense	4,000	4,137	(137)
Dues and subscriptions	2,660	5,025	(2,365)
Seminars and conferences	8,000	675	7,325
Subtotal - forward	\$ 1,675,186	\$ 1,862,630	\$ (187,444)



**MONTEREY PENINSULA AIRPORT DISTRICT**  
**STATEMENT OF REVENUES AND EXPENSES – BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2007**  
(Continued)

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Subtotal - forward	\$ 1,675,186	\$ 1,862,630	\$ (187,444)
<b>OPERATING EXPENSES (Continued):</b>			
Fire department:			
Professional development and education	14,250	15,226	(976)
Travel and business entertainment	7,200	6,885	315
Telephone	3,500	2,595	905
Telecommunications	12,320	11,077	1,243
Postage and courier services	200	147	53
Custodial supplies and materials	600	-	600
General supplies and materials	17,600	13,297	4,303
Maintenance supplies and materials	-	453	(453)
Office supplies and materials	2,000	890	1,110
District vehicle supplies and materials	7,300	2,534	4,766
District vehicle fuel	5,750	5,306	444
Office equipment repair and maintenance	-	5,114	(5,114)
General repairs and maintenance	6,000	10,150	(4,150)
District vehicle repair and maintenance	3,000	2,008	992
Fire services	2,000	105	1,895
Other services	600	4,839	(4,239)
Other legal services	-	7,037	(7,037)
Total fire department	<u>1,757,506</u>	<u>1,950,293</u>	<u>(192,787)</u>
TOTAL OPERATING EXPENSES	<u>7,228,466</u>	<u>6,992,779</u>	<u>235,687</u>
OPERATING INCOME (LOSS) BEFORE DEPRECIATION AND AMORTIZATION	173,535	301,565	128,030
DEPRECIATION AND AMORTIZATION	<u>3,160,937</u>	<u>2,621,650</u>	<u>539,287</u>
OPERATING INCOME (LOSS)	<u>(2,987,402)</u>	<u>(2,320,085)</u>	<u>667,317</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>			
Grants - FAA	8,438,626	4,437,091	(4,001,535)
Passenger Facility Charges	792,000	859,702	67,702
Passenger Facility Charges - interest income	<u>36,000</u>	<u>7,680</u>	<u>(28,320)</u>
Subtotal - forward	\$ 9,266,626	\$ 5,304,473	\$ (3,962,153)

**MONTEREY PENINSULA AIRPORT DISTRICT**  
**STATEMENT OF REVENUES AND EXPENSES – BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2007**  
(Continued)

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Subtotal - forward	\$ 9,266,626	\$ 5,304,473	\$ (3,962,153)
NONOPERATING REVENUES (EXPENSES) (Continued):			
PFC - unrealized gain/(loss) on investments	-	464	464
Grants - EMS	-	1,000	1,000
Interest income - banks	6,300	2,122	(4,178)
Interest income - L.A.I.F.	60,000	68,373	8,373
Interest income - notes receivable	3,829	3,828	(1)
Interest income - MPAD investments	85,275	110,759	25,484
MPAD - unrealized gain/(loss) on investments	42,500	57,169	14,669
Interest income - QTAC investments	50,450	64,683	14,233
QTAC - unrealized gain/(loss) on investments	-	2,635	2,635
TOTAL NONOPERATING REVENUE	<u>9,514,980</u>	<u>5,615,506</u>	<u>(3,899,474)</u>
CHANGE IN NET ASSETS	<u>\$ 6,527,578</u>	<u>\$ 3,295,421</u>	<u>\$ (3,232,157)</u>

See Notes to Financial Statements.

**REPORTS REQUIRED BY**  
***GOVERNMENT AUDITING STANDARDS***

**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  
Monterey Peninsula Airport District  
Monterey, California**

We have audited the financial statements of the *Monterey Peninsula Airport District (the District)* as of and for the year ended June 30, 2008 and have issued our report thereon dated October 28, 2008. 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.

**Internal Control Over Financial Reporting**

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

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be presented or detected by the entity's internal control.

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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the *District's* financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and 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*.

This report is intended solely for the information and use of the Board of Directors, management, the Controller's Office of the State of California, the Department of Transportation and the Federal Aviation Administration and is not intended to be and should not be used by anyone other than those specified parties.

October 28, 2008

*Hayashi + Wayland*

**REPORT ON COMPLIANCE WITH  
REQUIREMENTS APPLICABLE TO MAJOR PROGRAMS  
AND ON INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133**

**Board of Directors  
Monterey Peninsula Airport District  
Monterey, California**

**Compliance**

We have audited the compliance of the *Monterey Peninsula Airport District (the District)* with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended June 30, 2008.

The *District's* major federal program is identified in the summary of the auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the *District's* management. Our responsibility is to express an opinion on the *District's* Compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the *District's* compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the *District's* compliance with those requirements.

In our opinion, the *District* complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2008.





## **Internal Control Over Compliance**

The management of the *District* is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the *District's* internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the *District's* internal control over compliance.

A *control deficiency* is an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by any entity's internal control.

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

This report is intended solely for the information of the Board of Directors, management, the Controller's Office of the State of California, the Department of Transportation and the Federal Aviation Administration and is not intended to be and should not be used by anyone other than those specified parties.

October 28, 2008

*Hayashi + Wayland*

**MONTEREY PENINSULA AIRPORT DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

<u>FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM</u>	<u>CFDA NUMBER</u>	<u>GRANT NUMBER</u>	<u>EXPENDITURES</u>
<b>Federal Aviation Administration:</b>			
Airport Improvement Program	20.106*	Various	\$ 4,437,091
<b>Transportation Security Administration</b>			
Law Enforcement Officer Reimbursement Program	97.090	HSTS0208- HSLR329	<u>116,813</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u>\$ 4,553,904</u>

\* Denotes a Type A major program under OMB A-133. The dollar threshold used to distinguish between Type A and Type B programs is \$300,000. Monterey Peninsula Airport District prepares the Schedule of Expenditures of Federal Awards based on actual expenditures incurred as a result of the activity related to the assistance. The District received no noncash federal assistance during the year. There were no loans nor loan guarantees outstanding at year end.



**MONTEREY PENINSULA AIRPORT DISTRICT**  
**SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

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**I. SUMMARY OF INDEPENDENT AUDITORS' RESULTS**

A. Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency(ies) identified that are not considered material weakness(es)? ☐ Yes ☒ None reported

Noncompliance material to financial statements noted? ☐ Yes ☒ No

B. Federal Awards

Internal control over the program:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? ☐ Yes ☒ None reported

Type of auditors' report issued on compliance for the program: Unqualified

- Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? ☐ Yes ☒ No

C. Identification of Major Programs

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
20.106	Airport Improvement Program

Dollar threshold used to distinguish between Type A and Type B programs: \$ 300,000

Auditee qualified as low-risk auditee? ☐ Yes ☒ No

**II. FINANCIAL STATEMENT FINDINGS**

A. Internal Control Deficiencies

There are no reportable conditions in internal control.

B. Compliance Findings

There are no compliance findings.

**MONTEREY PENINSULA AIRPORT DISTRICT**  
**SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2008**  
(Continued)

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**III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

There were no findings and/or questioned costs for the year ending June 30, 2008.

**MONTEREY PENINSULA AIRPORT DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2008**

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**#07-1 Finding**

Contractors subject to the Davis-Bacon Act did not pay their employees wages equal to the prevailing wage.

**Corrective Actions Taken**

The District contacted the contractors and further documentation was provided to resolve the difference, also, wages were paid retroactively to the appropriate people.

**MONTEREY PENINSULA AIRPORT DISTRICT**  
**CORRECTIVE ACTION PLAN**  
**FOR THE YEAR ENDED JUNE 30, 2008**

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The current year single audit disclosed no findings in the Schedule of Findings and Questioned Costs, there is no Corrective Action Plan to be reported.

**REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO THE PASSENGER FACILITY CHARGE  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE**

**Board of Directors  
Monterey Peninsula Airport District  
Monterey, California**

**Compliance**

We have audited the compliance of the *Monterey Peninsula Airport District (the District)* with the compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration (Guide), for its passenger facility charge program for the year ended June 30, 2008. Compliance with the requirements of laws and regulations applicable to its passenger facility charge program is the responsibility of the *District's* management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the Guide. Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on the passenger facility charge program occurred. An audit includes examining, on a test basis, evidenced about the *District's* compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the *District's* compliance with those requirements.

In our opinion, the *District* complied, in all material respects, with the requirements referred to above that are applicable to its passenger facility charge program for the year ended June 30, 2008.

**Internal Control Over Compliance**

The management of the *Monterey Peninsula Airport District* is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws and regulations applicable to the passenger facility charge program. In planning and performing our audit, we considered the *District's* internal control over compliance with requirements that could have a direct and material effect on the passenger facility charge program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but, not for the purpose of expressing an opinion on the effectiveness of internal control over compliance in accordance with the Guide. Accordingly, we do not express an opinion on the effectiveness of the *District's* internal control over compliance.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of passenger facility charge program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer passenger facility charge program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of passenger facility charge program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of passenger facility charge program will not be prevented or detected by an entity's internal control.

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

This report is intended solely for the information and use of the audit committee, management, and the Federal Aviation Administration and is not intended to be and should not be used by anyone other than these specified parties.

October 28, 2008

*Hayashi & Warford*

**MONTEREY PENINSULA AIRPORT DISTRICT**  
**SCHEDULE OF PASSENGER FACILITY CHARGES COLLECTED AND EXPENDED**  
**FOR THE YEAR ENDED JUNE 30, 2008**

**COLLECTIONS**

Cumulative charges collected, June 30, 2007	\$ 8,967,238
Charges collected for the quarter ended:	
September 30, 2007	234,234
December 31, 2007	184,764
March 31, 2008	215,696
June 30, 2008	225,008
Total charges collected for the fiscal year ended June 30, 2008	859,702
Cumulative charges collected, June 30, 2008	\$ 9,826,940

**DISBURSEMENTS**

Projects		Cumulative	Expenditures	Adjustments	Cumulative
No.	Title	Expenditures	for the	for the	Expenditures
		June 30, 2007	Year Ended	Year Ended	June 30, 2008
			June 30, 2008	June 30, 2008	
AIP 12	Security Access System	\$ 44,315	\$ -	\$ -	\$ 44,315
AIP 13	E/A-W/S Access Garden Road	8,088	-	-	8,088
AIP 14	Storm Drain Rehabilitation	27,291	-	-	27,291
AIP 14	Taxiway/Apron Rehabilitation	45,617	-	-	45,617
AIP 14	Airport Signage System	37,121	-	-	37,121
AIP 14	Slurry Seal at S/E Hangars	4,293	-	-	4,293
AIP 14	Extend Water Main Northside	6,327	-	-	6,327
AIP 15 & 18	Residential Soundproofing Phase 2 & 3	425,327	-	-	425,327
AIP 16A	Extend Storm Drain to Pond	15,244	-	-	15,244
AIP 16B	Airfield Lighting Improvements	27,748	-	-	27,748
AIP 16C	Concrete Repair at SS Ramp	8,730	-	-	8,730
AIP 16E	Install Halotron in ARFF Vehicle	1,000	-	-	1,000
AIP 17	Holding Apron for Taxiway	52,518	-	-	52,518
AIP 19	E/A New Northside	24,691	-	-	24,691
AIP 20	Skypark Drive	87,728	-	-	87,728
AIP 21A	Extend Water Main Northside	83,211	-	-	83,211
AIP 21A	Old Northside Road Relocation	48,646	-	-	48,646
AIP 21A	Realign Portion of Skypark Drive	3,082	-	-	3,082
AIP 21A	Reconstruct S/E Entrance	13,216	-	-	13,216
AIP 21B	Slurry Seal Runway	5,934	-	-	5,934
AIP 21B	Slurry Seal Taxiway	6,555	-	-	6,555
AIP 22A	Blast Pad at Holding Area	10,615	-	-	10,615
AIP 22B	Terminal Area Security Fencing	2,388	-	-	2,388
AIP 22C	Acquire ARFF Equipment	1,375	-	-	1,375
AIP 22D	Modify ARFF Vehicle Cooling	1,335	-	-	1,335
AIP 22E	Lower Obstruction to Runway 10R	1,257	-	-	1,257
AIP 22F	Reconstruct Portion of Entrance Road to Northside	658	-	-	658
AIP 23	Residential Soundproofing Phase 4	137,560	-	-	137,560
AIP 24A	New Northside Road Relocation	163,576	-	-	163,576
AIP 24B	Terminal Fire Protection	17,500	-	-	17,500
AIP 24C	PCC Joint Sealant Replacement	15,087	-	-	15,087
AIP 24D	Terminal Storm Drain Rehab	10,000	-	-	10,000
AIP 24E	Pavement Maintenance Management Program	1,000	-	-	1,000
AIP 24F	Reconstruct S/E Hangar Area Pavement, Phase 3	3,060	-	-	3,060
AIP 24G	Road and Storm Drain Improvement	5,088	-	-	5,088
AIP 26C	Purchase Runway Sweeper	84,708	-	-	84,708
AIP 26D	Reconstruct S/E Hangar Pavement, Phase 2	8,371	-	-	8,371
AIP 27	Residential Soundproofing, Phase 5	261,434	-	-	261,434
AIP 28A	Southeast Water Main Extension	1,601	-	-	1,601
AIP 28B	South Ramp Storm Drain Extension	3,422	-	-	3,422

Projects		Cumulative	Expenditures	Adjustments	Cumulative
		Expenditures	for the	for the	Expenditures
No.	Title	June 30, 2007	Year Ended June 30, 2008	Year Ended June 30, 2008	June 30, 2008
AIP 28C	Taxiway D Reconstruction	33,750	-	-	33,750
AIP 28D	Northside Perimeter Fence Extension	10,958	-	-	10,958
AIP 28E	Upgrade Airfield Lighting Systems	29,925	-	-	29,925
AIP 29	Residential Soundproofing, Phase 6	100,493	-	-	100,493
AIP 30A	EIR 28L/Service Road	24,959	-	-	24,959
AIP 30B	EIR Airport Road Extension, Phase 2 & 3	29,375	-	-	29,375
AIP 31A	Skypark Drive Storm Drain Detention Facility, Phase 1	19,800	-	-	19,800
AIP 31B	Terminal Fire Door Replacement	4,000	-	-	4,000
AIP 31C	Generator Power to Del Monte East (DME) Security Gates	900	-	-	900
AIP 32	Soundproofing, Phase 7	222,222	-	-	222,222
AIP 33	EIR/EA for Skypark Extension to Northside	754	-	-	754
AIP 35A	Generator Power to DME Security Gate, Phase 2	1,788	-	-	1,788
AIP 35B	Terminal Door Replacement	4,700	-	-	4,700
AIP 35C	Extension of Fire Alarm System to Safety Building	1,148	-	-	1,148
AIP 35D	Acquisition of Eden Property/Airport Property Map	101,629	-	-	101,629
AIP 35E	Access Security Control	48,880	-	-	48,880
AIP 35F	Passback Security System	14,793	-	-	14,793
AIP 35G	Terminal Improvements and Modifications	129,999	-	-	129,999
AIP 36A	Airfield Markings	57,662	-	-	57,662
AIP 36B	Security Access Control, Phase 2	62,288	-	-	62,288
AIP 36C	Terminal Modernization Improvements	219,927	-	-	219,927
AIP 37	Residential Soundproofing, Phase 8	210,563	-	-	210,563
AIP 38A	Residential Soundproofing, Phase 9	85,734	-	-	85,734
AIP 38B	Residential Soundproofing, Phase 10 Design	17,384	-	-	17,384
AIP 39A	Purchase of ARFF Equipment – Index B	30,726	-	-	30,726
AIP 39B	Terminal Passenger Circulation and Auto Bag System	775,065	-	-	775,065
AIP 40	Residential Soundproofing Phase 10 Construction	90,170	7,510	-	97,680
AIP 41	Terminal Infrastructure Upgrade	345,638	1,363,576	-	1,709,214
AIP 42	Residential Soundproofing, Phase 11	6,678	83,272	-	89,950
AIP 43	Noise Exposure Map Update	7,368	7,632	-	15,000
AIP 44	Runway Safety	476	9,474	-	9,950
PFC BB	EIR Roadway Circulation Projects	104,000	-	-	104,000
PFC EE	Airport Biological Assessment	98,144	-	-	98,144
PFC H 1, 2, 5–8, 10–13	Terminal Renovation Improvement	2,683,579	-	-	2,683,579
PFC H–3	Terminal Door Replacement	91,873	-	-	91,873
PFC H–4	Terminal Roof Replacement	159,030	-	-	159,030
PFC H–14	Update Noise Exposure Map	150,130	-	-	150,130
PFC T	Electrical Service to North Ramp area	6,087	-	-	6,087
PFC Y	Terminal Elevator	327,625	-	-	327,625
PFC Z	Fire Apparatus Pump Upgrade	15,540	-	-	15,540
MPAD	MPAD Projects – Terminal Expansion	272,596	-	-	272,596
MPAD 114	Quick Turn Around (QTA) Area	18,001	-	-	18,001
2008–01	Residential Soundproofing Insulation Program (RSIP) Phase 12	-	600	-	600
2008–02	Fire Rescue / Command Vehicle	-	1,014	-	1,014
2008–03	ARFF Support / Structural Vehicle	-	908	-	908
2008–04	Airfield Pavement Rehabilitation & Improvements Phase 1	-	101,515	-	101,515
2008–05	Airfield Lighting & Signage Rehabilitation	-	9,449	-	9,449
2008–10	Airfield Pavement Rehabilitation & Improvements Phase 2	-	-	-	-
TOTAL		\$ 8,323,074	\$ 1,584,950	\$ -	\$ 9,908,024

See Notes to Financial Statements.



**MONTEREY PENINSULA AIRPORT DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS –**  
**PASSENGER FACILITY CHARGE PROGRAM**  
**FOR THE YEAR ENDED JUNE 30, 2008**

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There were no findings and/or questioned costs for the year ended June 30, 2008.

**MONTEREY PENINSULA AIRPORT DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS -  
PASSENGER FACILITY CHARGE PROGRAM  
FOR THE YEAR ENDED JUNE 30, 2008**

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There were no findings and/or questioned costs for the year ended June 30, 2007.