MONTEREY PENINSULA AIRPORT DISTRICT

ANNUAL FINANCIAL AND COMPLIANCE REPORT

FOR THE FISCAL YEARS ENDED JUNE 30, 2022 AND 2021

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MONTEREY PENINSULA
AIRPORT DISTRICT

Board of Directors
at June 30, 2022

Name	Office	Term Expires
Carl M. Miller	Chair	December 2022
Lisa Anne Sawhney	Vice-Chair	December 2024
William J. Sabo	Director	December 2024
Mary Ann Leffel	Director	December 2024
Danial D. Pick	Director	December 2022

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Monterey Peninsula Airport District
Monterey, California

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the Monterey Peninsula Airport District (the District), as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the District as of June 30, 2022 and 2021, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS), 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 Standards for California Special Districts. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

To the Board of Directors
Monterey Peninsula Airport District
Monterey, California

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards,* and the State Controller's Minimum Audit Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if, there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the State Controller's Minimum Audit Standards we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Reporting Responsibilities

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of the District's proportionate share of the net pension liability – miscellaneous & safety risk pools, the schedule of Plan contributions – miscellaneous & safety risk pools, and the schedule of changes in the total OPEB liability and related ratios, as listed on the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with

To the Board of Directors
Monterey Peninsula Airport District
Monterey, California

auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements. The schedule of passenger facility charge revenues and expenditures is presented for purposes of additional analysis as required by the Federal Aviation Administration and is also not a required part of the basic financial statements.

The schedule of expenditures of federal awards and the schedule of passenger facility charge revenues and expenditures are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and the schedule of passenger facility charge revenues and expenditures are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 6, 2022 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Lance, Soll & Lunghard, LLP

Sacramento, California
October 6, 2022

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MONTEREY PENINSULA AIRPORT DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Years Ended June 30, 2022 and 2021

The Management Discussion and Analysis (MD&A) is provided by the Monterey Peninsula Airport District (District) in compliance with requirements established by the Governmental Accounting Standards Board (GASB), Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB Statement No. 34). It is intended to serve as an introduction to the financial statements for the years ended June 30, 2022 (FY22) and 2021 (FY21). 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 Regional Airport is to *provide the region convenient commercial and general aviation access to the national air transportation system, operate the airport in a safe, efficient, sustainable and fiscally responsible manner, and develop the airport to meet future needs, opportunities and challenges*.

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; the revision updated the archaic language and provisions to allow the District to function more efficiently. The District is governed by five directors elected by voters residing in five voting districts 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 District employs an Executive Director as its Chief Executive and a Corporate Legal Counsel.

The Monterey Regional Airport (Airport), 507 acres, has two parallel, east-west runways. The primary runway, 10R/28L, is 7,175 feet long and 150 feet wide. It is used by commercial and business aircraft and is equipped for instrument landings with a Category I instrument landing system on runway 10R. The secondary runway, 10L/28R, is 3,503feet long and 60 feet wide, used solely by general aviation aircraft.

During FY22 and FY21, five commercial airlines served the airport with scheduled flights. Alaska, American Airlines, and United Express provided non-stop service to gateway hubs: Dallas, Denver, Los Angeles, Phoenix, San Diego, San Francisco, and Seattle. Allegiant operated non-stop service, two days per week, to Las Vegas and Portland. JetSuiteX (JSX) operates flights to Burbank and Santa Ana three to four days per week.

There is a strong general aviation presence on the airfield. Two full-service fixed-based operators, Del Monte Aviation and Monterey Jet Center, 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; 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 and construction in progress, over their useful lives. Please refer to the notes to the basic financial statements for a summary of the District's significant accounting policies.

Overview of Fiscal Year 2022 Events

Impact of the COVID-19 National Health Emergency Subsides in late FY21 and FY22

On March 15, 2020, the District's operations were impacted by the COVID-19 national health emergency (COVID-19) which resulted in shelter in place orders by national, state and county health departments. The District implemented customer, tenant and staff safety procedures based on recommendations from the health departments and industry specialists.

The District's commercial and general aviation services decreased significantly, local transportation and parking services concessions followed the decrease in aviation services and initially terminal food concessions were instructed by the county health department to discontinue services.

In FY21 COVID-19 travel restrictions continued and various changes in the commercial and general aviation services emerged; safety procedures recommended by health departments and industry specialists became the operational standard for commercial airline services. During the first 6 months of FY21 the financial impact on the District was significant.

On December 27, 2020, the Coronavirus Response and Relief Supplemental Appropriations Act, 2021 (CRRSA Act) was signed into law. The CRRSA Act includes nearly $2 billion in funds to be awarded as economic relief to eligible U.S. airports and eligible concessions at those airports to prevent, prepare for, and respond to the coronavirus disease 2019 (COVID-19) pandemic. The District received two CRRSA Act grants totaling $2,126,221.

The District used the previously awarded CARES and the new CRRSA Act grants to cover operating variances. By Spring of 2021 aviation activities started to improve and travel restrictions by federal and state governments were cancelled.

For FY22 the District prepared a budget fully recognizing forecasted improvements in passenger traffic and the airlines increase in scheduled flights. In December 2021 the FAA awarded the District two Airport Rescue Plan grants totaling $3,350,212. Enplanements increased from 103,309 in FY21 to 228,763 in FY22.

CARES, CRRSA and ARP Act Grant Draws and Balances

The District received the CARES Act grant award on May 14, 2020. The grant allowed the District to submit reimbursements for expenses back to February 20, 2020. The District submitted expense reimbursement requests totaling $1,279,673 in FY20, $2,539,459 in FY21 and $4,912,674 in FY22. CARES Act grant balance available as of June 30, 2022, is $3,932,219.

The District received the two CRRSA Act grant awards on March 22, 2021. During FY21 the District submitted reimbursements totaling $900,968 in FY21 and $1,175,144 in FY22. CRRSA Act grant balance available as of June 30, 2022, is $50,110.

The District received the two Airport Rescue Plan Act (ARPA) grant awards on September 12, 2021, and December 22, 2021, respectively. During FY22 the District submitted ARPA reimbursements totaling $3,149,773. ARPA Act grant balance available as of June 30, 2022, is $200,439.

Overview of District Financial Statements

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

The *Statements of Net Position* presents information on the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference between these balances as *Net Position*. The District implements changes adopted by Governmental Accounting Standards Board, which may require restatement of prior years' reported net position. The following financial information includes GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* and GASB 87 *Leases and Reporting*.

The *Statements of Revenues, Expenses and Changes in Net Position* present information showing how the District's net position changed during the most recent fiscal years. All changes in net position 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 reported for certain items in this statement may result in cash flows in future fiscal periods.

The *Statements of Cash Flows* relate to the flows of cash and cash equivalents. Only transactions that affect the District's cash and cash equivalents 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 basic financial statements provide additional information that is essential for a full understanding of the data provided in the financial statements.

Financial Highlights

- The assets and deferred outflows of resources of the District exceed liabilities and deferred inflows of resources by $88,209,351 and $74,367,781 on June 30, 2022 and 2021, respectively.

- In FY22 the District acquired and placed into service the capital assets listed below:
  - NEPA/CEQA Safety Initiative ($2,646,170)
  - Infield Safety Area Rehab Phase 1 ($8,560,458)
  - Upgrades to Terminal FIDS Computer and Display Systems ($292,057)
  - RSA Project Mitigation - Years 6 and 7 ($95,866)
  - Installed Electric Vehicle DC Fast Chargers ($364,273)
  - Completed Upgrades to District IT Systems ($40,774)
  - Repaired 2801 Monterey Salinas Building A ($246,040)

- In FY21, the District acquired and placed into service the capital assets listed below:
  - PG&E Lighting Upgrade Project 2801 Properties ($46,870)

- The District met its obligations and paid in full its taxable pension obligation bonds, continued payments on the California Energy Commission Loan principal to $2,342,089 (FY21 $2,497,206) and a decrease of the PG&E loan to $106,502 (FY21 $160,821).

Financial Highlights (Continued)

- 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-fiscal year period, FY17 through FY22, are presented below in Table I.

Table I

TOTAL ENPLANEMENTS: FISCAL YEARS 2017 - 2022											
FY 2017		FY 2018		FY 2019		FY 2020		FY 2021		FY 2022	
7/16	17,679	7/17	18,068	7/18	16,262	7/19	22,109	7/20	5,606	7/21	20,920
8/16	17,589	8/17	16,450	8/18	15,537	8/19	21,823	8/20	5,816	8/21	20,459
9/16	17,304	9/17	16,374	9/18	14,630	9/19	20,961	9/20	6,667	9/21	19,971
10/16	17,856	10/17	17,151	10/18	17,933	10/19	21,245	10/20	7,871	10/21	21,768
11/16	16,444	11/17	15,576	11/18	17,071	11/19	19,507	11/20	7,160	11/21	22,123
12/16	16,275	12/17	15,740	12/18	15,477	12/19	19,350	12/20	6,102	12/21	17,575
1/17	14,802	1/18	13,302	1/19	14,284	1/20	16,088	1/21	3,521	1/22	12,309
2/17	15,102	2/18	13,758	2/19	15,242	2/20	16,222	2/21	5,052	2/22	14,721
3/17	18,986	3/18	15,758	3/19	17,533	3/20	8,726	3/21	9,379	3/22	17,914
4/17	17,677	4/18	16,400	4/19	19,159	4/20	601	4/21	12,618	4/22	19,758
5/17	18,832	5/18	15,622	5/19	20,760	5/20	1,623	5/21	15,434	5/22	19,312
6/17	18,359	6/18	15,857	6/19	21,774	6/20	3,499	6/21	18,083	6/22	21,933
	206,905		190,056		205,662		171,754		103,309		228,763

* Enplanements reported by commercial airlines include both revenue and nonrevenue passenger counts. Beginning FY 2019 the District removed nonrevenue passenger counts from financial reporting. Enplanements report before FY 2019 still include nonrevenue reported passengers.

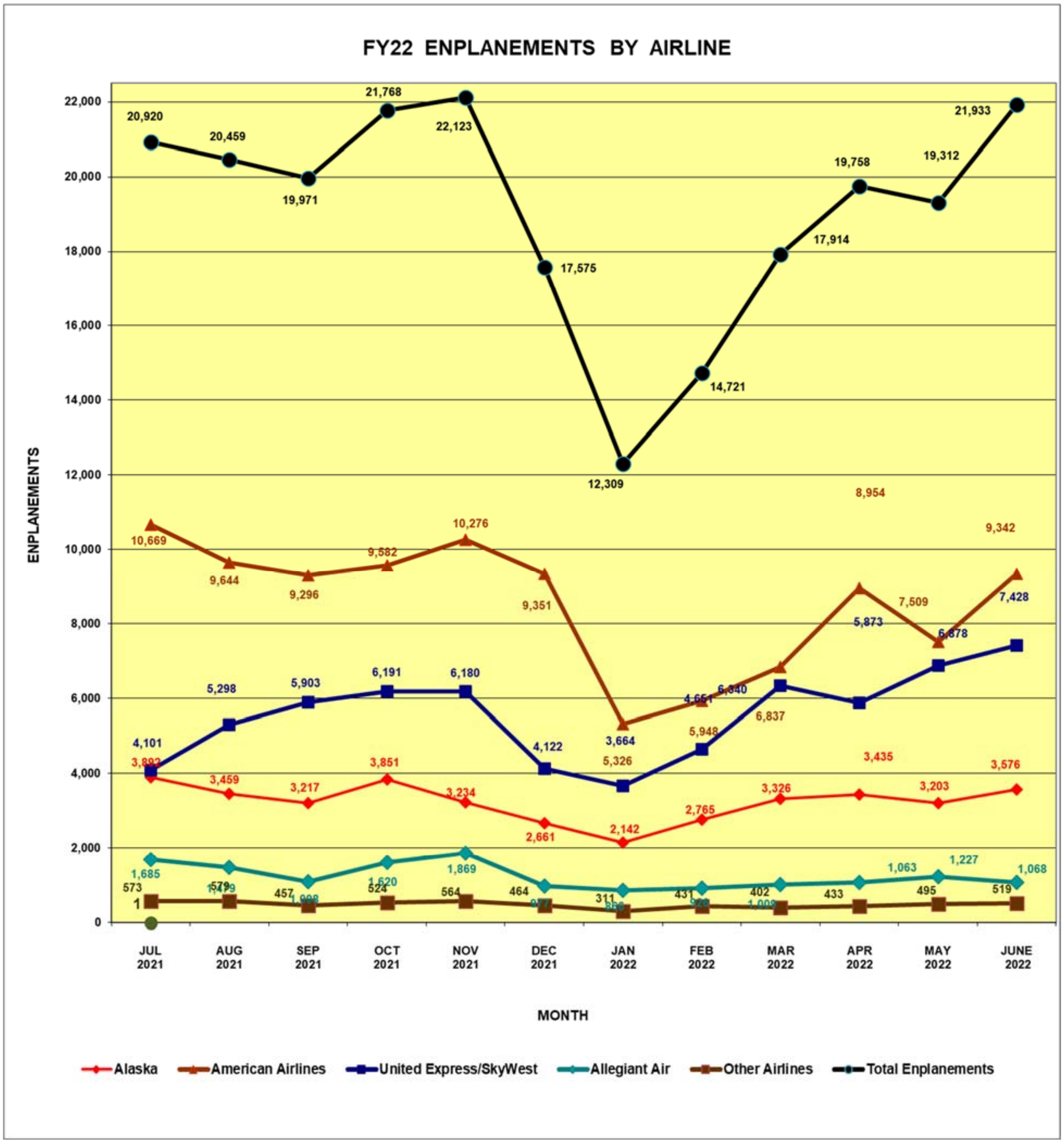
- FY22 enplanements increased 121.4% compared to FY21 to 228,763 due to cancellation of Federal and State travel restrictions and airline improved flight schedules.

- FY21 enplanements decreased 39.9% compared to FY20 to 103,309 due to the COVID-19 national health emergency. Until March 2021 the District was on track to recognize less than 80,000 enplanements. Fortunately, the COVID-19 emergency began to subside and enplanements for the last 4 months of fiscal year 2021 totaled 55,514.

Charts A and B present the monthly enplanements for FY22 and FY21, respectively, in total and for the scheduled commercial airlines that serve the Airport.

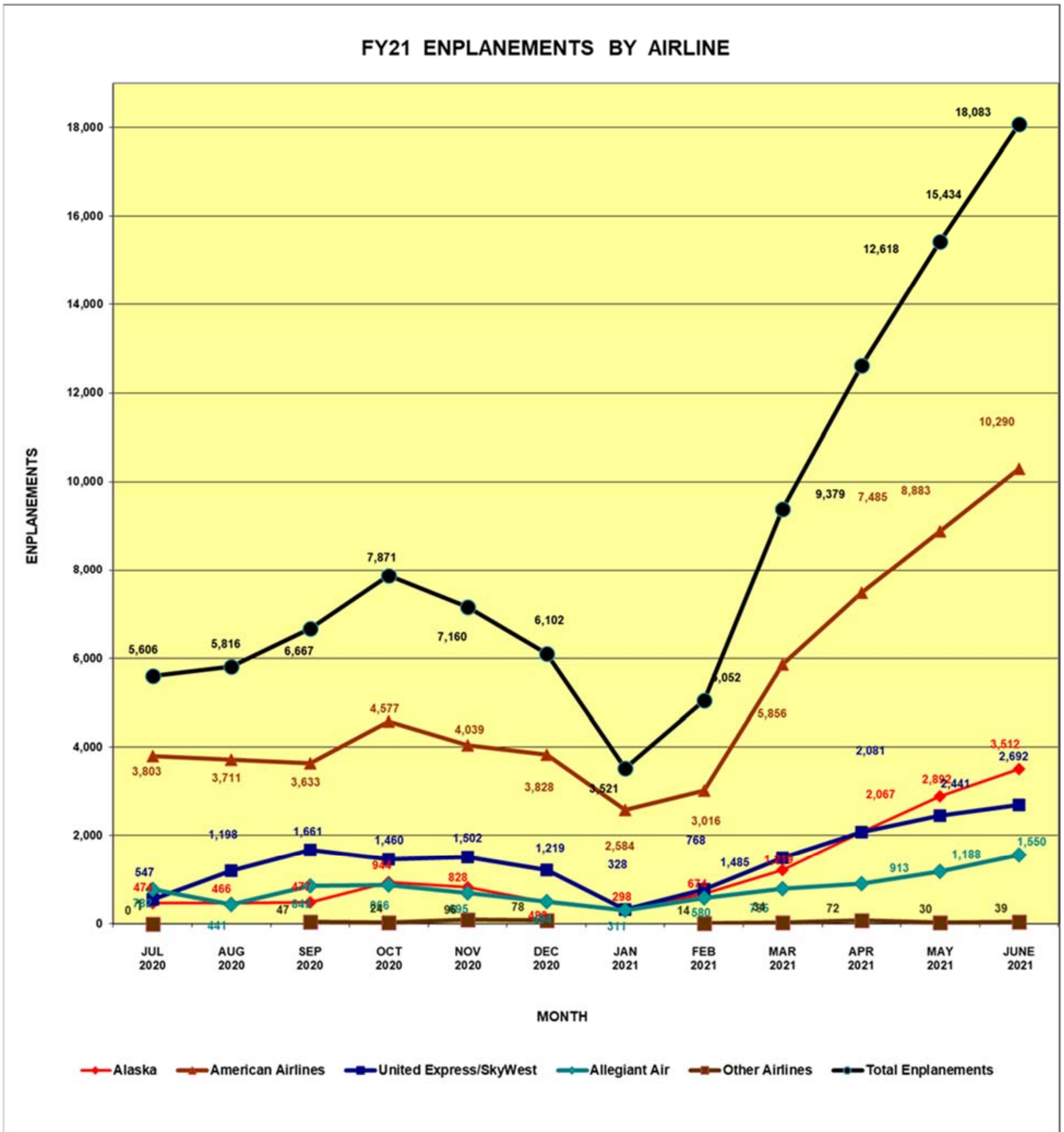
Financial Highlights (Continued)

Chart A



Financial Highlights (Continued)

Chart B



Summary of Net Position

Implementation of GASB Statement No. 87

The District implemented GASB Statement No. 87, *Accounting and Financial Reporting of Unregulated and Long-term Leases on July 1, 2019.*

GASB Statement No. 87, *Accounting and Financial Reporting of Unregulated and Long-term Leases* establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, the District, as a lessor, is required to recognize a lease receivable and a deferred lease revenue inflow of resources, thereby enhancing the relevance and consistency of information about government's leasing activities.

The presentation of GASB 87 leases is similar to capital leases and the financial statement footnotes will provide the lease types, expected cash flows and revenue recognition. Regulated aviation leases (terminal, fixed based operators, hangars, aprons, etc.) and month-to-month leases are specifically excluded from GASB 87 requirements, but other regulated long term operating leases are still recognized in accordance with previous GASB statements and are included in the financial statement footnote 7.

The adoption of GASB 87 change in accounting principles impacts the presentation of both FY22 and FY21 financial statements. Included in the following financial statements are leases receivable, deferred inflows of lease revenues and lease interest income. See Note 7 for further detail.

Table II

A summarized comparison of the District's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position as of June 30 follows:

Net Position

	2022	% Change	2021	% Change	2020
Current and other assets	$ 28,996,618	16.4%	$ 24,908,569	-15.9%	$ 29,616,088
Capital assets, net	84,386,790	5.8%	79,783,310	5.7%	75,511,285
Total assets	113,383,408	8.3%	104,691,879	-0.4%	105,127,373
Deferred outflow of resources	6,605,365	196.6%	2,227,198	1.9%	2,185,393
Debt outstanding	2,448,591	-19.2%	3,029,027	-14.3%	3,533,826
Other liabilities	11,486,810	-26.2%	15,572,428	-1.5%	15,813,508
Total liabilities	13,935,401	-25.1%	18,601,455	-3.9%	19,347,334
Deferred inflow of resources	17,844,021	27.9%	13,949,841	-26.2%	18,910,501
Net investment in capital assets	81,250,853	6.4%	76,355,163	8.2%	70,559,889
Restricted - unspent					
Passenger Facilities Charges	1,568,379	21.0%	1,296,200	-32.2%	1,911,081
Cash Assets	881,507	-30.5%	1,268,956	32.7%	956,469
Unrestricted	4,508,612	-199.0%	(4,552,538)	4.1%	(4,372,508)
Total net position	$ 88,209,351	18.6%	$ 74,367,781	7.7%	$ 69,054,931

Net Position (Continued)

FY 22 Total Net Position of the District increased $13,841,570 from FY21. The District's FY22 Total Net Position increase resulted from AIP funded capital assets $12,341,365 that were offset by depreciation of capital assets $5,486,985, a $9,018,034 increase in the Unrestricted Net Position. The Unrestricted Net Position increase came from a $3,889,919 improvement of the Net Pension Liability, a $4,000,000 District pre-payment to the fund CalPERS Unfunded Account Liability and $1,128,115 from other operating income. See discussions below for changes in FY21 to FY22 revenues and expenses.

FY 21 Total Net Position of the District increased $5,312,851 from FY20. The District's FY21 Total Net Position increase resulted mostly from AIP funded capital assets ($11,358,077M) that were offset by depreciation of capital assets $5,562,803. See discussions below for changes in FY20 to FY21 revenues and expenses.

Conforming to requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions,* funds received from operating grants and PFCs are included in the financial statements, referred to as "Other Nonoperating Revenue" and grants restricted for capital purposes are reported as "Capital Contributions." In FY22, the District recognized $17,757,392 in grant income from FAA Airport Improvement Program- AIP ($7,467,396), CARES Act grant draws ($4,912,674), CRSSA Act grant draws ($1,175,481), ARPA grant draws ($3,149,773), TSA Law Enforcement grants ($116,800) and from PFCs receipts ($931,007). These grants funded capital project planning, engineering design, and construction costs, District capital purchases, police/law enforcement services and operating expenses. In FY21, the District recognized $12,032,849 from FAA Airport Improvement Program (AIP), $8,475,621, CARES Act grant draws $2,539,459, CRSSA Act grant draws $900,968, TSA Law Enforcement grants $116,800 and $522,134 from PFCs receipts to fund capital project planning, engineering design, and construction costs.

FY22 Total Liabilities decreased $4,666,047 primarily from a decrease in Net Pension Liability. In FY22 CalPERS reported a 21% return on investments which resulted in a $3,889,919 decrease in the Net Pension Liability. The remaining $776,128 decrease in Total Liabilities came from other changes in operations.

Operating Revenues

An airport functions as a landlord. District revenue is derived from fees and lease revenues. Total operating revenues for the FY22 are $10,400,683, an increase of 66.1% or $4,138,259 when compared to FY21 ($6,262,423) and a decrease of 25.3% or $2,124,870 when comparing FY21 to FY20 ($8,387,293).

The FY22 operating revenue increase resulted from improvements in commercial, general aviation and concession fees due to the cancellation of COVID-19 travel restrictions in FY21 and FY22. Additionally, the District cancelled rent and minimum annual guaranteed (MAG) fee abatements to aviation related tenants and concession on June 30 2021 and July 31, 2021 respectively which resulted in overall improvements in general aviation fees, and concession revenues.

The FY21 operating revenue decrease resulted from continued loss of commercial, general aviation and concession fees due to the COVID-19. Additionally, the District continued to provide rent and minimum annual guaranteed (MAG) fee abatements to aviation related tenants from July 1, 2020 to June 30, 2021. The impact on FY21 rent and MAG abatements is approximately $1,738,304. Fortunately, commercial and general aviation fees, and some concessions MAG began to recover in March 2021 and revenues exceeded the District's conservative FY21 budget.

Operating Revenues (Continued)

Revenues derived from commercial airlines activities and from airline passengers using services offered by the Airport account for 57.6% of FY22, 40.8% of FY21 and 53.6% of FY20 total operating revenues. In FY22 the Airport recognized an increase of 159.3% in airline and related revenues when compared to FY21 and a 43.4% decrease comparing FY21 to FY20 (see Table III, "Subtotal – Commercial Aviation"). Included in this category are revenues paid by commercial airlines for landing, apron, aircraft overnight parking fees and fuel flowage fees, and income received from tenants that leased space in the airport terminal. Commercial Airline fuel flowage fees were first included in the District's Rates and Charges schedules beginning August 1, 2018. Commercial Airline Fuel Flowage fees provided revenues of $134,696 in FY22 and $66,262 in FY21.

Terminal Leases & Concessions includes income from many sources: concessions such as *Woody's at the Airport restaurant (formerly Flyaway Café)* and *Gifts and More* gift shop, commercial airlines that rent ticket counters, offices, baggage make-up, hold rooms and baggage claim areas, five rental car companies (*Avis, Budget, Enterprise, Hertz, and National*), long and short-term parking lots and in-terminal advertising.

This category of revenue in FY22 increased 159.3% or $3,068,340 compared to FY21 and in FY21 decreased 47.8% or $1,762,484 when compared to FY20. The FY22 increase is attributed to cancellation of the COVID-19 restrictions and rent and MAG abatements. The adoption of GASB 87 and the restatement of FY22 Terminal Leases & Concessions revenues had a $5,384 decrease on recognized revenues.

General Aviation activities generated 18.6% of FY22, 24.6% of FY21 and 20.2%% of FY20 total operating revenues. 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. These FY22 revenues increased 26.8% from FY21 and decreased 10.1% from FY20. The adoption of GASB 87 and the restatement of FY20 General Aviation revenues had a $44,342 decrease on recognized revenues.

Non-aviation Tenants and Other Revenues produced 23.9% of FY22, 35.0% of FY21, and 26.1% of FY20 total operating revenues. During the FY20 and FY21 COVID-19 national health emergency Non-aviation Tenants and Other Revenues remained relatively stable as the businesses continued to operate with a year-to-year revenue variance of less than $20,000 per year. The adoption of GASB 87 and the restatement of FY20 Non-aviation Tenants and Other revenues had a $143,043 decrease on recognized revenues.

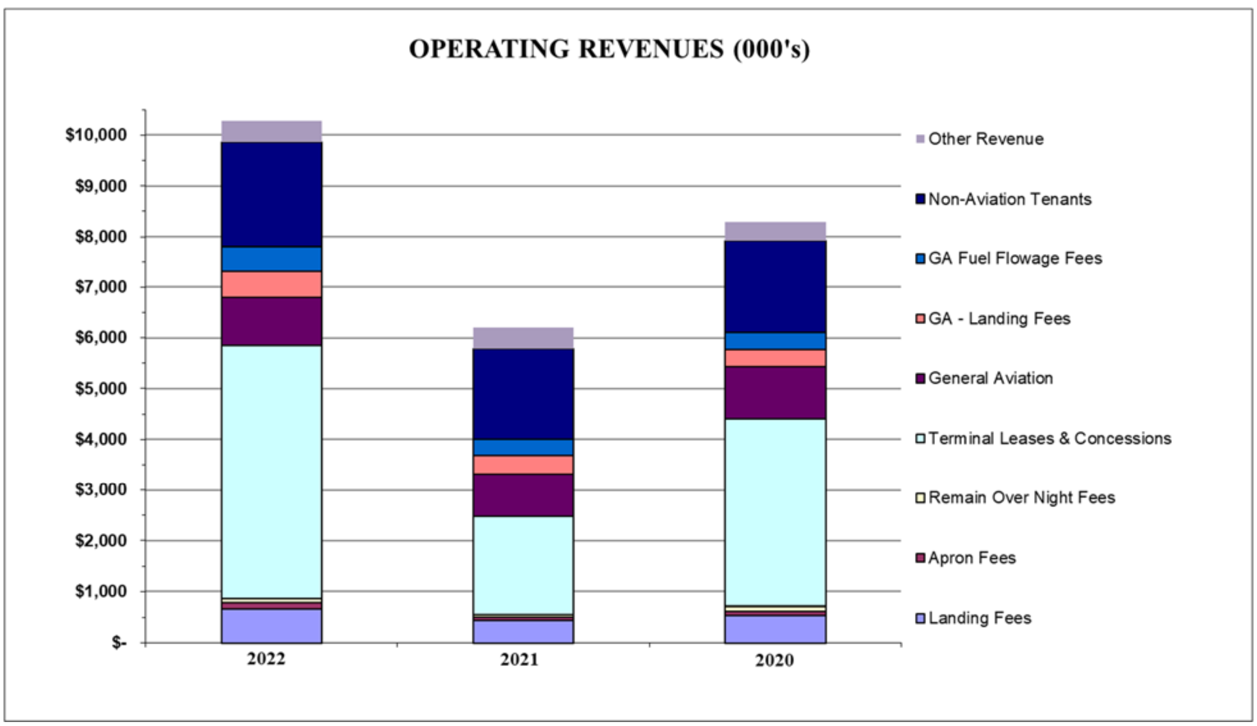
Table III presents a comparison of operating revenues for Fiscal Years 2022, 2021 and 2020. Chart C provides a graphic representation of operating revenues.

Operating Revenues (Continued)

Table III

FISCAL YEARS 2022, 2021 & 2020 OPERATING REVENUES						
	2022		2021		2020	
Landing Fees	$ 664,039	6.4%	$ 438,369	7.0%	$ 544,897	6.5%
Apron Fees	111,465	1.1%	75,175	1.2%	$ 69,286	0.8%
Remain Over Night Fees	77,067	0.7%	35,888	0.6%	$ 97,599	1.2%
CA Fuel Flowage Fees	134,696	1.3%	66,262	1.1%	$ 91,398	1.1%
Terminal Leases & Concessions	4,994,510	48.1%	1,926,170	30.8%	$ 3,688,654	44.0%
Subtotal - Commercial Aviation	$ 5,981,777	57.6%	$ 2,541,865	40.6%	$ 4,491,834	53.5%
General Aviation	$ 937,867	9.1%	$ 838,744	13.4%	$ 1,033,490	12.3%
Landing Fees	513,372	4.9%	364,303	5.8%	340,734	4.1%
GA Fuel Flowage Fees	492,789	4.7%	330,173	5.3%	332,052	4.0%
Subtotal - General Aviation	$ 1,944,028	18.7%	$ 1,533,220	24.4%	$ 1,706,276	20.4%
Non-Aviation Tenants	$ 2,065,728	19.9%	$ 1,779,349	28.4%	$ 1,806,795	21.5%
Other Revenues	409,151	4.0%	407,990	6.6%	382,388	4.6%
Subtotal - Non-Aviation and Other	$ 2,474,879	23.9%	$ 2,187,339	34.9%	$ 2,189,183	26.1%
Total	$ 10,400,683	100.2%	$ 6,262,423	99.9%	$ 8,387,293	100.0%

Chart C



Operating Expenses Before Depreciation and Amortization

Operating expense before depreciation and amortization in FY22 ($9,063,931) increased 5.9% compared to FY21 ($8,554,946) and decreased 7.4% when compared to FY20 ($9,283,450) (see Table V, "Fiscal Years 2022, 2021 and 2020 Operating Expenses Before Depreciation and Amortization"). As discussed below, most of the year over year expense decreases and increases are the result of staffing changes, GASB Statement No. 68 and 75 adjustments, CalPERS Unfunded Account Liability expense increases, and other changes to the Districts operations.

Table IV presents FY22, FY21 and FY20 salary, payroll benefit expenses by District department. The District provides a wide variety of services and staffs the Airport for Planning and Development, Maintenance, Airport Operations and Administration functions. In FY19 the District negotiated a new contract with the City of Monterey for five years of Airport Rescue and Fire Fighting (ARFF) services. In FY19 the District negotiated a five-year contract with the City of Del Rey Oaks for Law Enforcement services that began on October 1, 2018.

Total FY22 salaries and payroll costs increased $8,276 (0.2%) compared to FY21 and increased $311,366 (7.2%) from FY20 to FY21. From FY20 to FY22 salaries, benefits, and payroll related expenses, measured as a percentage of total operating expenses before depreciation and amortization, have averaged approximately 46% (see Table IV below).

The District receives "Law Enforcement Officer (LEO) Reimbursement Grants" from the U. S. Department of Homeland Security (DHS) that directly offsets Police Department labor expenses. The LEO grant reimbursements/offsets are not included in Table IV but are included in Other Revenues and Expenses (see Table VI.).

Table IV

FISCAL YEARS 2022, 2021 & 2020 SALARY & PAYROLL EXPENSES						
	2022		2021		2020	
Finance & Administration	**$ 1,208,048**	**29.9%**	**$ 950,484**	**23.6%**	**$ 1,041,530**	**24.0%**
Planning & Development	**394,312**	**9.8%**	**586,076**	**14.6%**	**552,528**	**12.7%**
Maintenance & Custodial Services	**1,171,283**	**29.0%**	**1,159,363**	**28.8%**	**1,218,041**	**28.1%**
Airport Operations	**469,582**	**11.6%**	**410,672**	**10.2%**	**448,765**	**10.3%**
Police Department [1]	**111,321**	**2.8%**	**234,936**	**5.8%**	**300,657**	**6.9%**
ARFF / Fire Department	**680,441**	**16.9%**	**685,179**	**17.0%**	**776,557**	**17.9%**
Total	**$ 4,034,987**	**100%**	**$ 4,026,711**	**100%**	**$ 4,338,077**	**100%**

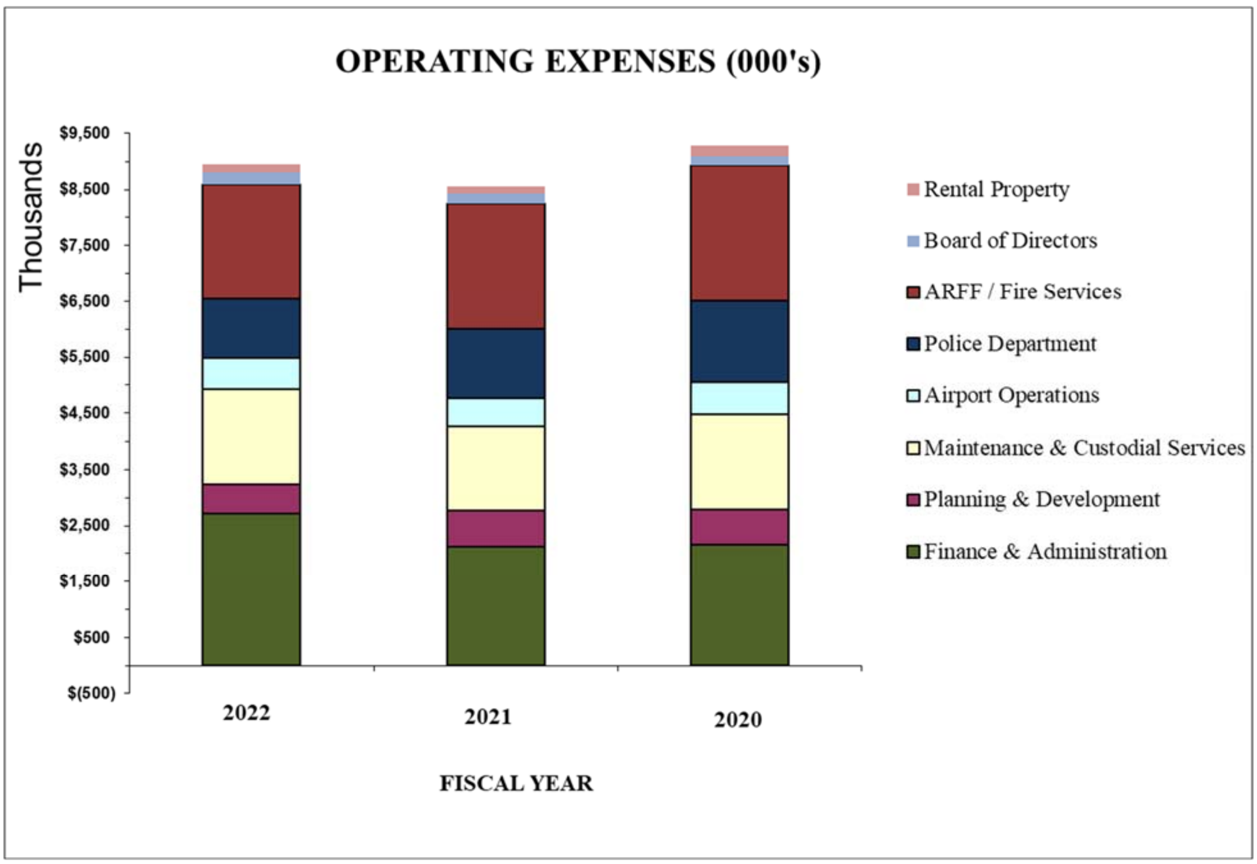
Table V compares operating expenses for Fiscal Years 2022, 2021 and 2020. Chart D provides a graphic representation of operating expenses. All operating department expenses were affected by changes in CalPERS Unfunded Account Liability and offset by lower GASB 68 and GASB 75 OPEB non-cash adjustments. These expenses are recognized as components of the compensation and retirement benefits.

Operating Expenses Before Depreciation and Amortization (Continued)

Table V

FISCAL YEARS 2022, 2021 & 2020 OPERATING EXPENSE BEFORE DEPRECIATION AND AMORTIZATION						
	2022		2021		2020	
Finance & Administration	$ 2,724,983	30.1%	$ 2,121,741	24.8%	$ 2,159,953	23.3%
Planning & Development	515,696	5.7%	656,681	7.7%	633,345	6.8%
Maintenance & Custodial Services	1,690,464	18.7%	1,488,364	17.4%	1,680,160	18.1%
Airport Operations	558,531	6.2%	489,273	5.7%	576,327	6.2%
Police Department [1]	1,185,015	13.1%	1,257,266	14.7%	1,456,201	15.7%
ARFF / Fire Services	2,037,666	22.5%	2,230,804	26.1%	2,430,465	26.2%
Board of Directors	209,878	2.3%	181,277	2.1%	153,523	1.7%
Office Space Rentals	141,698	1.6%	129,540	1.5%	193,476	2.1%
Total	$ 9,063,931	100%	$ 8,554,946	100%	$ 9,283,450	100%

Chart D



Operating Expenses Before Depreciation and Amortization (Continued)

Finance & Administration (F&A) FY22 operating expenses increased 28.4% or $603,242 and decreased 1.8% or $38, 212 from FY20 to FY21.

The FY22 F&A expenses increase includes $257,564 in salaries, benefits and increased headcount (includes GASB 68 and 75 entries), $71,801 in marketing expenses, $56,705 in public relations expenses, $47,527 in air service development, $27,998 in telephone expenses, $104,125 in other profession expenses, $82,393 in water usage and $97,159 in other small increases. These increases were offset by a $142,030 decrease in legal expenses from the City of Monterey lawsuit.

FY21 operating expenses decreased 1.8% or $38,212 compared to FY20 and increased 7.5% or $151,267 from FY19 to FY20. The FY21 expenses decrease resulted from lower employment related expenses from staffing changes ($165,724) that was offset by an increase in legal expenses from the lawsuit filed by the City of Monterey ($141,107) and lower utilities expenses ($16,436).

Planning & Development (PD) FY22 operating expenses decreased 21.5% or $140,985 compared to FY21 and increased 3.7% or $23,336 from FY20 to FY21.

FY22 PD expense decreases come from a $191,764 decrease in salaries and benefits (includes GASB 68 and 75 entries), that is offset by increases of $36,222 in Architect and & Engineering expenses and $14,557 in other small increases.

FY21 PD operating expenses increased 3.7% or $23,336 compared to FY20. The FY21 PD expense increase came from higher architect & engineer expense for the Monterey Jet Center remodel project ($50,545). The FY20 PD expense increase came from higher labor liquidations ($24,848), higher GASB 68 expenses ($97,505), higher CalPERS UAL expenses ($51,125) and other small variances ($7,510).

Maintenance & Custodial Services (MCS) FY22 operating expenses increased 13.6% or $202,100 from FY21 and increased 11.4% or $191,796 from FY20 to FY21.

The FY22 MCS expense increase came from a $11,920 increase in salaries and benefits (includes GASB 68 and 75 entries), $75,508 increase in Airfield Repairs and Maintenance, $29,588 increase in landscaping & ground Repair maintenance and $85,084 in other small increases.

The FY21 MCS expense decrease came from a lower employment related expense ($122,006), Airfield/Facilities repair and maintenance expenses ($53,568) and supplies expenses ($12,142).

Airport Operations (OPS) FY22 operating expenses increased 14.2% or $69,258 compared to FY21 and decreased 15.1% or $87,054 from FY20 to FY21.

The FY22 OPS expense increase came from a $58,910 increase in salaries and benefits (includes GASB 68 and 75 entries) and $10,348 in other small increases.

The FY21 OPS expense decrease came from a lower employment related expense ($58,523), computer/LAN & IT expenses ($24,698) and other contract expenses ($5,726).

Police Department operating expenses decreased 5.7% or $72,251 compared to FY21 and decreased 13.7% or $198,935 from FY20 to FY21.

Operating Expenses Before Depreciation and Amortization (Continued)

In FY22 Police Department expenses decreased from higher Del Rey Oaks direct contract labor expenses ($56,588), lower GASB 68 and 75 expenses ($142,090) and lower NGEN telecommunications expenses (13,251).

In FY21 Police Department expenses decreased from lower Del Rey Oaks direct contract labor expenses ($121,231) and GASB 68 and 75 expenses ($74,575).

In FY22 Police Department expenses decreased from the Law Enforcement services contract with the City of Del Rey Oaks. Table V excludes the annual LEO Grant reimbursement for FY22 ($116,800), FY21 ($116,800), and FY20 ($117,440) which is reported as Operating Grant revenue.

ARFF / Fire operating expenses decreased 8.7% or $193,138 compared to FY21 and decreased 8.2% or $199,137 from FY20 to FY21. In FY14 the District eliminated its Aircraft Rescue and Fire Fighting (ARFF) department staff and contracted with the City of Monterey for fire department staffing services. The City of Monterey absorbed the District's fire department staff through a 5-year contract, which provides the ARFF services. The Airport's ARFF department is subject to CalPERS Pension Unfunded Account Liabilities payments and GASB 68 and 75 expense adjustments for ARFF department staff who worked for the airport before contracting with City of Monterey. The District negotiated a new contract with the City of Monterey in 2019 and this contract is set to terminate in 2023.

In FY22 ARFF Department expense decreased ($193,138) from lower CalPERS UAL, GASB 68 and GASB 75 ($43,958) and lower Fire Service Contract expenses ($158,604) and other small differences.

In FY21 ARFF department recognized a decrease in CalPERS UAL, GASB 68 pension expenses ($112,933) and Fire Service Contract ($109,752) and that was offset by an increase in ARFF vehicle repairs and other expenses ($20,505).

Board of Directors (Director) operating expenses increased 15.8% or $28,601 compared to FY21 and increased 18.1% or $27,754 from FY20 to FY21.

FY22 was an off-election year therefore no Director election expenses were incurred. The FY22 Director expense increase came from higher District legal counsel fees ($11,956), Board Member expenses for modifying District boundaries ($26,750) and other small differences.

FY21 was an election year for three Directors. Two Directors ran for election uncontested, and one Director was reelected resulting in election expenses of $49,324 that was offset by a decrease in seminar, conference, and travel expenses ($22,485).

Office Space Rental Property (Office Space) In July 2019 the District acquired the 2801 Monterey Salinas Highway commercial properties. The 2801 properties consist of two office buildings with various suites. Building A currently has three tenants that have leased the property through 2028.

In FY22 Office Space expenses for property maintenance, repairs, and taxes increased 9.4% or $12,158. Most of the expense increase came from building repairs and maintenance ($8,904) and changes in the supporting utilities.

In FY21 Office Space expenses for property maintenance, repairs, and taxes decreased 33% or $63,936. Most of the expense decrease came from a change in county taxes which switched from property to possessory taxes ($42,892) and HVAC and other repairs ($19,984).

Table VI compares actual Operating Revenues, Operating Expenses, and the change in Net Position for Fiscal Years 2022, 2021 & 2020.

Table VI

	FY 2022 Actual	FY 2021 Actual	FY 2020 Actual
Operating Revenues			
Commercial Aviation - Fees	$ 987,268	$ 615,694	$ 803,180
General Aviation - Fees	513,372	364,303	340,734
Terminal Concessions and Leases	4,994,510	1,926,170	3,688,654
Heavy General Aviation	1,090,149	805,676	967,317
Light General & Other Aviation Tenants	340,506	363,241	398,225
Non-Aviation Tenants	2,065,728	1,779,349	1,806,795
Other Operating Revenues	409,150	407,990	382,388
Total Operating Revenues	10,400,683	6,262,423	8,387,293
Operating Expenses			
Finance & Administration	2,724,983	2,121,741	2,159,953
Planning & Development	515,696	656,681	633,345
Maintenance & Custodial Services	1,690,464	1,488,364	1,680,160
Airport Operations	558,531	489,273	576,327
Police Department	1,185,015	1,257,266	1,456,201
ARFF Services	2,037,666	2,230,804	2,430,465
Board of Directors	209,878	181,277	153,523
Office Space Rentals	141,698	129,539	193,476
Total Operating Expenses	9,063,931	8,554,945	9,283,450
Operating Income before Depreciation	1,336,752	(2,292,522)	(896,157)
Depreciation & Amortization Expense	5,486,986	5,562,803	6,641,491
Net Operating Income / (Loss)	(4,150,234)	(7,855,325)	(7,537,648)
Other Revenue (Expense), net	17,991,804	13,168,175	12,884,571
Change in Net Position	13,841,570	5,312,850	5,346,923
Net Position Beginning of Year	74,367,781	69,054,931	63,708,008
Net Position End of Year	$ 88,209,351	$ 74,367,781	$ 69,054,931

Capital Assets and Debt Activity

The District finances airport capital improvements by aggressively pursuing FAA Airport Improvement Program (AIP) grants, collecting Passenger Facilities Charges from the airlines and operating income. When practical the District will also finance the purchase or the construction of Capital assets with assistance of agencies like Air Quality District, California Energy Commission, or other funding resources.

Capital assets, net of depreciation, and intangible assets, net of amortization, are presented below:

Table VII

	2022	2021	2020
Tangible assets, net			
Land	$ 4,206,755	$ 4,206,755	$ 4,206,755
Land improvements	51,541,083	46,640,474	50,471,802
Buildings	7,809,779	8,718,758	9,928,091
Furniture, equipment and vehicles	3,112,596	2,692,279	2,985,860
Construction in progress	14,000,068	16,250,965	6,463,007
Total	80,670,281	78,509,230	74,055,515
Intangible assets, net	3,716,509	1,274,080	1,455,770
Total capital assets - net	$ 84,386,790	$ 79,783,310	$ 75,511,285

Contractual Commitments

The District approved capital expenditures for fiscal years 2022 and 2021 and authorized contracts for the construction of various capital assets. By June 30, 2021, and June 30, 2020, the District had approved construction in progress (CIP) projects totaling $12,204,155 and $19,485,177 respectively. As presented in the financial statements notes, work completed on these approved CIP projects on June 30, 2022, totaled $12,341,365 and on June 30, 2021 totaled $46,870. Remaining approved CIP expenditures and contracts for subsequent years beginning July 1, 2022 are $14,000,068 and July 1, 2020 are $16,250,965. Most of these commitments will be funded by AIP grants and PFCs when work is complete.

Additional information pertaining to the Capital Assets and Expenditures can be found in the notes to the financial statements.

Debt

The Monterey Peninsula Airport District 2012 Taxable Pension Obligation Bonds (POB) were issued on June 27, 2012. The bonds' par value, coupon rate, and terms are $3,077,000, 4.40% and 10 years, respectively. POB Bond proceeds were used to eliminate the "side accounts" associated with the District's CalPERS's pension obligations and employer retirement expense rates. The POB principal balance on June 30, 2021 was $371,000. The POB was paid in full by June 30, 2022.

Debt (continued)

On May 22, 2017, the Monterey Peninsula Airport District received approval for a $3,000,000, 1% and 16.1-year California Energy Commission (CEC) construction and term loan to finance development of a 1.51M kWh Solar Panel Array on airport property. The District made draws on the CEC construction loan totaling $2,931,320 through completion of the project in November 2017. The CEC loan will be repaid through the Airport's electricity savings from power generated by the Solar Panel Array. The Solar Panel Array power generation is expected to meet the power requirements of the District. The CEC loan principal balance on June 30, 2022 is $2,342,089.

In April 2019 the Association of Monterey Bay Area Governments (AMBAG) contacted the District about no interest loans offered by Pacific Gas and Electric to upgrade lighting to newer LED technologies. The new lighting would be installed by Lumenature a PG&E authorized contractor. On November 15, 2019 the District approved two Pacific Gas and Electric no interest loans for upgrading parking lot and terminal lighting to newer LED fixtures and lights. On June 3, 2020 Loan TIF 010101 with a balance of $145,762, payment terms of 45 months with monthly payments of $3,239 was signed and project work was scheduled to be complete in July 2020. On June 9, 2020 Loan TIF 010598 with a balance of $10,464, payment terms of 57 months with monthly payments of $184 per month was signed and the project was completed in June 2020. On August 26, 2020, the District signed a third Pacific Gas and Electric no interest loan application to upgrade lighting in the Rental Space/Offices at 2801 Monterey Salinas Highway. On April 27, 2021, the final Loan TIF 011474 was signed with a balance of $46,870 payment terms of 64 months and payments of $1,019 per month. During FY21 the District paid $42,092 on all three loans. The PG&E loans have been combined in the financial statements with a total balance of $106,502 on June 30, 2022.

Additional information pertaining to the POB bonds, CEC Loan and PG&E Loan can be found in the notes to the financial statements.

Fiscal Year 2022 District Actions Impacting Future Operations

District and Management Focus

The District's FY22 operational and financial performance were a direct result of actions and changes implemented by the District's Board of Directors and Executive Management of the Airport. In FY22 the District operations continued to improve as COVID-19 travel restrictions subsided. With the continued decline in COVID-19 restrictions and increased flight schedules, the District approved its FY23 financial plans which can be reviewed at https://montereyairport.specialdistrict.org/fiscal-administration.

In the following paragraphs are indicators of how the District changed its FY23 revenue and expense projections. Additionally, the District's annual financial plans do not include GASB 68, GASB 75 and GASB 87 adjustments, but the following audited financial statements do include these GASB adjustments. See the Notes to the audited financial statements for additional information on the impact of GASB adjustments.

Fiscal Year 2022 District Actions Impacting Future Operations (Continued)

Airport Master Plan

In 2013 the District began the process of developing a Master Plan to improve, upgrade or replace several components of the Airport's airside and landside facilities. On November 26, 2018 the District's Board of Directors passed Resolution No. 1730 which approved and certified the Final Environmental Impact Report and Resolution No. 1731 Alternative 1 of the Monterey Regional Airport Master Plan. The Master Plan was then submitted to the Federal Aviation Administration (FAA) for National Environmental Policy Act (NEPA) Environmental Impact Assessment review. On June 8, 2020, the FAA issued a Finding of No Significant Impact for the Safety Enhancement Program (SEP) for Taxiway A Relocation and Associated Demolition and Relocation of General Aviation Facilities, Passenger Terminal, and Other Facilities. On November 26, 2018, the District's Board of Directors under the California Environmental Quality Act (CEQA) requirements certified the Final Environmental Impact Report (FEIR) on the Master Plan. On August 12, 2020 the District's Board of Directors passed Resolutions No. 1781 and 1782 which certified and approved the Addendum to the FEIR and approved the minor changes and modifications to the Airport Master Plan Project.

The Master Plan is a multiyear series of projects that began in FY20 and will continue for up to twenty or more years. Information about the Airport Master Plan can be viewed online at https://montereyairport.specialdistrict.org/aviation-documents-regulations.

Commercial Air Service and Concessions

During FY22 airlines flight schedules continued to improve, passenger traffic increased significantly, and airport concessions operations returned to near normal operations. In July all tenant's rent and minimal annual/monthly abatements were cancelled.

Airlines made the following changes: United Airlines returned a nonstop flight to Denver and made plans for Los Angeles and San Francisco flights, American Airlines added a second nonstop flight to Dallas and Phoenix schedules increased, Alaska continued its flight to Seattle and proposed a second flight to San Diego, and Allegiant made plans to add a seasonal flight to Portland.

In FY22 the District prepared a FY23 budget with improved airlines schedules and related concession revenues to $10,527,699. The District still has CARES and ARPA Act funds available to manage potential changes in airline and customer traffic.

General Aviation

Combined FY22 Heavy and Light general aviation revenues increased 22.4% from FY21 and decreased 14.4% from FY20 to FY21 for a $65,113 revenue change over two years. Like Airlines, heavy general aviation operations and charters saw an upward trend in FY22 which is expected to continue in FY23.

Light general aviation hangar, tiedowns and hangar end space rentals have decreased slightly with changes in the economy and a reduction of 6 hangars removed on the northeast apron. The District approved AIP funded contracts for development of the northeast apron and a northeast Airport service road. Plans to add new aircraft hangars is part of the Airports future development efforts.

Fiscal Year 2022 District Actions Impacting Future Operations (Continued)

Operating Expenses

FY23 operating expenses are budgeted to increase slightly to $9,063,91 which is a $508,987 increase over the FY22 operating expenses of $8,554,945. Included in the FY23 operating expenses are continued savings from the service contracts with the Cities of Monterey and Del Rey Oaks discussed below. Most of the FY23 operating expenses increases come from headcount changes and expenses required to support increased customer traffic.

Service Contracts

Airport Rescue and Fire Fighting Services – As previously mentioned in FY14 the District eliminated its fire department staff and contracted with the City of Monterey for fire department staffing services. The City of Monterey absorbed the District's fire department staff through a 5-year contract, which provides the airport with Aircraft Rescue and Fire Fighting (ARFF) services. That contract expired on June 30, 2019. The District negotiated a new five-year ARFF contract with the City of Monterey that commenced July 1, 2019. In contrast to the previous contract the new five-year agreement includes a decreasing fee structure that recognized the benefits the City of Monterey receives from using the Districts ARFF station for both Airport and City fire and protection services. The ARFF fees for FY 22 to FY23 will remain the same but there is a true-up provision that will be negotiation based on an agreed upon formula at the conclusion of the FY23 5-year extension.

Police Department Law Enforcement Service Agreement – In October 2018, the District implemented a five-year contract for Law Enforcement Services with the City of Del Rey Oaks (DRO). The District's goals were to reduced management overhead while maintaining the needed services and improved flexibility in staffing with a larger pool of qualified officers. For FY22 DRO planned an increase in FY23 Law Enforcement Services. The District law enforcement contract has not been increased as negotiations have not been finalized.

Airport Infrastructure

To improve the Airport Infrastructure, the District pursued grants and other financing to make capital investments. In FY21 and FY22. The follow is a summary of three significant capital projects.

- In FY19, the District submitted AIP 3-06-0159-070 (2019-01) for the Infield and Taxiway Improvements Project total $7,297,427. The Infield Improvements Project purpose is to enhance safety by minimizing FOD, increasing separation distances between aircraft, improving drainage, and reducing the amount of infield areas attractive to wildlife by resurfacing the existing infield areas located between Runway 10R-28L and parallel taxiways located to the north and south of the runway. The project was broken down into phases that were projected to be completed in approximately two years. In FY21 Infield Improvements Project construction was completed and the District is waiting for final FAA approval to close the project in FY22.

- In FY20, the District submitted AIP 3-06-0159-072 (2020-13) Northeast Vehicle Service Road Improvements Project total $2,139,811. The Vehicle Service Road Improvement (VSR) will allow for the relocation of the 44 GA tenants from the current southeast side of the Airport. The VSR improvements will build on an approximately 24-foot-wide, 1,600-footlong paved airport vehicle

Fiscal Year 2022 District Actions Impacting Future Operations (Continued)

service road (northeast service road improvement) from the existing east vehicle service road to the terminus of Airport Road at the north GA apron. The construction includes installation of utilities (electrical, water, sewer, data, storm drain) fencing, access gate, fire hydrant, street lighting and required mitigation. In FY21 the Northeast Vehicle Service Road Improvements Project started, and construction was completed in mid FY22, but will be capitalized in FY23.

- In FY20, under the Supplemental Funding Program, the District submitted AIP 3-06-0159-073 (2020-12) Northside General Aviation Apron Construction total $9,128,779. Construction of the Northside general aviation (GA) apron and hangar area will allow the relocation of the GA tenants and ARFF services from the current southeast side of the Airport. This relocation will provide for the current southeast location to support a new passenger terminal complex and aircraft parking apron. This GA location will enhance airport safety by reducing crossover aircraft traffic through the consolidation of general aviation (GA) services on the north side of the Airport. Ultimately with the reconfiguration, operational safety of Runway 10R-28L taxiway system will be improved. In FY21 the Northside General Aviation Apron Construction project started, and construction was completed in mid FY22 but will be capitalized in FY23

- In FY21, the District submitted AIP 3-06-0159-076 (2021-04) for the Safety Enhancement Program (SEP) Phase B1 Commercial Apron Design total $2,985,092. Commercial Apron Design will consist of design in order to allow for procuring bids for construction of a new commercial ramp/apron and reconstruction of Taxiway J and elimination of Taxiway K to accommodate the relocated terminal building which will improve separation standards to the main runway 10R-28L by relocation of 1,600-foot section of Taxiway A. This Commercial Apron Design will enhance airport safety through the ability to relocate the current terminal building so as to improve operational safety of Runway 10R-28L taxiway system. This design will provide the plans and specification package for bid procurement to construct the Commercial Apron. This grant was awarded and executed on July 30, 2021. Design is scheduled to be completed in the first quarter of FY23.

- In FY22, the District approved a Design-Build contract for Safety Enhancement Program (SEP) Phase C Aircraft Rescue and Fire Fighting (ARFF) Design/Construction/Demo/Airfield Access. March 16, 2022, the Board of Directors adopted Resolution No. 1817, authorizing a Professional Services Agreement with Mill Construction Company to complete the ARFF Design Phase in a not-to-exceed cost of $1,169,892.00. Subsequent to the conclusion of the Design process a Guaranteed Maximum Price was be provided for construction and the District submitted a FAA FY22 AIP grant that is anticipated to be awarded in the first quarter of FY23. ARFF construction will begin in the fourth quarter of 2023.

<u>Rental Car Customer Facility Charge</u>

In FY19 the District implemented a Customer Facility Charge (CFC) and is tracking these funds as Funds held in Trust. CFCs are a user fee imposed by the District on each rental car contract, collected by rental car companies and deposited with the District. CFCs are regulated at the state level instead of the federal level. The District's CFC is charged at $10.00 per rental contract. The CFC funds held in trust on June 30, 2022 total $922,457 and on June 30, 2021 total $814,031.

Fiscal Year 2022 District Actions Impacting Future Operations (Continued)

The CFCs are being collected to support the District's study to access, build and transport non-potable water from southside Airport property wells to the rental car Quick-Turn-Around (QTA) facility on the southside of the Airport. Access to this non-potable water source will help ensure water is available for the QTA facility in the future. The District would need to incur new debt to finance the installation of the non-potable water system. The District is continuing to investigate this capital project.

<u>City of Monterey vs Monterey Peninsula Airport District Litigation for Alleged California Environmental Quality Act (CEQA) Violations</u>

As mentioned above the District's SEP was submitted to the Federal Aviation Administration (FAA) for National Environmental Policy Act (NEPA) Environmental Impact Assessment review. On June 8, 2020 the FAA issued a Finding of No Significant Impact for the current Airport Safety Enhancements. On August 12, 2020 the District's Board of Directors approved the Addendum to the FEIR and approved the minor changes and modifications to the Airport Master Plan Project.

The City of Monterey contested the District's Addendum to the FEIR with minor changes and modifications and filed a lawsuit with the Superior Court of the State of California County of Monterey on September 10, 2020. The Hearing on the Merits of the Petition was presented at the Monterey County Superior Court on August 4, 2021 and the case was settled in April 2022.

Requests for Information

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

MONTEREY PENINSULA AIPRORT DISTRICT

STATEMENTS OF NET POSITION
JUNE 30, 2022 AND 2021

	2022	2021
Assets:		
Current Assets:		
Unrestricted:		
Cash (Note 2)	$ 2,004,131	$ 2,318,773
Investments (Note 2)	6,345,765	4,838,415
Accounts receivable, net	763,193	940,531
Accrued interest receivable	8,013	8,625
Leases receivable (Note 7)	11,947,365	12,647,126
Grants receivable	4,806,805	1,232,285
Prepaid costs and other assets	183,581	269,414
Total unrestricted current assets	26,058,853	22,255,169
Restricted:		
Cash (Note 2)	2,392,751	2,040,928
Investments (Note 2)	545,014	612,472
Total restricted current assets	2,937,765	2,653,400
Total Current Assets	**28,996,618**	**24,908,569**
Noncurrent Assets:		
Capital assets (Note 3)		
Non depreciable capital assets	18,206,823	20,457,720
Depreciable capital assets, net	66,179,967	59,325,590
Total Noncurrent Assets	**84,386,790**	**79,783,310**
Total Assets	**113,383,408**	**104,691,879**
Deferred Outflows of Resources:		
Deferred outflows related to pensions (Note 8)	6,194,423	2,067,951
Deferred outflows related to OPEB (Note 9)	410,942	159,247
Total Deferred Outflows of Resources	**6,605,365**	**2,227,198**
Liabilities:		
Current liabilities:		
Accrued liabilities (Note 4)	1,112,828	1,180,029
Unearned revenues	16,826	112,987
Accrued compensated absences (Note 5)	34,044	23,520
Due to the City of Monterey (Note 6 & 11)	19,966	19,966
Pension obligation bonds payable, current portion (Note 6)	-	371,000
Loans payable, current portion (Note 6)	209,972	208,417
Funds held in trust	922,457	867,372
Total Current Liabilities	**2,316,093**	**2,783,291**
Long-term liabilities:		
Security deposits	444,764	444,339
Unearned revenues - rent received in advance from tenants	238,921	238,921
Accrued compensated absences, net of current portion (Note 5)	155,573	162,382
Due to the City of Monterey, net of current portion (Note 6 & 11)	-	19,966
Loans payable, net of current portion (Note 6)	2,238,619	2,449,610
Net pension liability (Note 8)	6,509,179	10,399,097
Total OPEB liability (Note 9)	2,032,252	2,103,849
Total Long-Term Liabilities	**11,619,308**	**15,818,164**
Total Liabilities	**13,935,401**	**18,601,455**
Deferred Inflows of Resources:		
Deferred inflows related to pensions (Note 8)	5,159,271	744,689
Deferred inflows related to OPEB (Note 9)	737,385	558,026
Deferred inflows related to leases (Note 7)	11,947,365	12,647,126
Total Deferred Inflows of Resources	**17,844,021**	**13,949,841**
Net Position:		
Net investment in capital assets	81,250,853	76,355,163
Restricted - unspent Passenger Facilities Charges	1,568,379	1,296,200
Restricted - cash assets	881,507	1,268,956
Unrestricted	4,508,612	(4,552,538)
Total Net Position	**$ 88,209,351**	**$ 74,367,781**

MONTEREY PENINSULA AIPRORT DISTRICT

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
JUNE 30, 2022 AND 2021

	2022	2021
Operating Revenues:		
Commercial aviation	$ 987,268	$ 615,694
General aviation	513,372	364,303
Terminal leases and concessions	4,994,510	1,926,170
Heavy general aviation	1,090,149	805,676
Light general aviation and other aviation tenants	340,506	363,241
Non-aviation tenants	2,065,728	1,779,349
Other operating revenue	409,150	407,990
Total Operating Revenues	**10,400,683**	**6,262,423**
Operating Expenses:		
Finance and administration	2,724,983	2,121,741
Planning and development	515,696	656,681
Maintenance and custodial services	1,690,464	1,488,364
Airport operations	558,531	489,273
Police department	1,185,015	1,257,266
Fire department	2,037,666	2,230,804
Board of directors	209,878	181,277
Rental property	141,698	129,540
Total Operating Expenses Before Depreciation	**9,063,931**	**8,554,946**
Depreciation and amortization	5,486,986	5,562,803
Total Operating Expenses	**14,550,917**	**14,117,749**
Operating Loss	(4,150,234)	(7,855,326)
Nonoperating Revenues (Expenses):		
Passenger Facility Charges	931,007	504,785
Operating grants	9,354,728	3,885,001
Customer Facility Charges	420,634	76,559
Investment income	(60,728)	20,589
Lease interest	192,768	393,439
Interest expense	(34,472)	(54,191)
Misc expense - other	(279,529)	-
Loss on disposal of construction-in-progress	-	(133,627)
Net Nonoperating Revenues (Expenses)	**10,524,408**	**4,692,555**
Gain/(Loss) Before Contributed Capital	6,374,174	(3,162,771)
Capital Contributions		
Grants from government agencies	7,467,396	8,475,621
Changes in Net Position	13,841,570	5,312,850
Net Position:		
Beginning of Fiscal Year	74,367,781	69,054,931
End of Fiscal Year	**$ 88,209,351**	**$ 74,367,781**

See Notes to Financial Statements.

STATEMENTS OF CASH FLOWS
JUNE 30, 2022 AND 2021

	2022	2021
Cash Flows from Operating Activities:		
Receipts from customers	$ 10,482,285	$ 5,702,414
Payments to vendors for goods and services	(5,717,624)	(7,509,629)
Payments for employees pension and OPEB benefits	(3,745,741)	(852,725)
Payments to employees for services	(4,031,272)	(1,862,785)
Net Cash Provided (Used) by Operating Activities	**(3,012,352)**	**(4,522,725)**
Cash Flows from Non-Capital Financing Activities:		
Interest paid on pension obligation bond	(9,949)	(28,072)
Principal payments on pension obligation bond	(371,000)	(356,000)
Proceeds from operating grants	4,547,923	2,652,716
Lease interest income received	192,768	393,439
Other miscellaneous expense	(279,529)	-
Net Cash Provided by Non-Capital Financing Activities	**4,080,213**	**2,662,083**
Cash Flows from Capital and Related Financing Activities:		
Proceeds from capital grants and Passenger Facility Charges	9,630,688	11,880,010
Proceeds from funds held in trust	475,719	292,043
Acquisition and construction of capital assets	(9,403,120)	(9,198,335)
Interest paid on loans	(24,523)	(26,119)
Principal paid on loans	(209,436)	(195,669)
Proceeds from loans	-	46,870
Net Cash Provided (Used) by Capital and Related Financing Activities	**469,328**	**2,798,800**
Cash Flows from Investing Activities:		
Investment income received	16,219	27,254
Investments matured (purchased)	(1,516,227)	(661,839)
Net Cash Provided (Used) by Investing Activities	**(1,500,008)**	**(634,585)**
Net Change in Cash and Cash Equivalents	**37,181**	**303,573**
Cash and Cash Equivalents at Beginning of Year	4,359,701	4,056,128
Cash and Cash Equivalents at End of Year	**4,396,882**	**4,359,701**
Reconciliation of Cash and Cash Equivalents to Amounts Reported on the Statement of Net Position		
Unrestricted cash and equivalents	2,004,131	2,318,773
Restricted cash and equivalents	2,392,751	2,040,928
	4,396,882	**4,359,701**
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:		
Operating loss	(4,150,234)	(7,855,326)
Adjustments to reconcile operating loss net cash provided (used) by operating activities:		
Depreciation and Amortization	5,486,986	5,562,803
(Increase) decrease in accounts receivable	177,338	(626,787)
(Increase) decrease in prepaid costs and other assets	85,833	(30,079)
(Increase) decrease in lease receivables	699,761	842,620
Increase (decrease) in accrued liabilities	(754,547)	(2,141,847)
Increase (decrease) in due to the City of Monterey	(19,966)	(19,966)
Increase (decrease) in security deposits	425	(7,552)
Increase (decrease) in unearned revenue	(96,161)	74,330
Increase (decrease) in compensated absences	3,715	10,552
Increase (decrease) in pension related items	(3,601,808)	633,219
Increase (decrease) in OPEB related items	(143,933)	(122,072)
Increase (decrease) in deferred inflows related to leases	(699,761)	(842,620)
Total Adjustments	**1,137,882**	**3,332,601**
Net Cash Provided (Used) by Operating Activities	**$ (3,012,352)**	**$ (4,522,725)**
Non-Cash Capital and Related Financing Activities:		
Acquisition and construction of capital assets in accrued liabilities	$ 687,346	$ 770,120
Accrued interest on CEC loan	586	586
Loss on disposal of construction-in-progress	-	(133,627)

See Notes to Financial Statements.

Note 1: Summary of Significant Accounting Policies

a. Description of the Reporting Entity

The Monterey Peninsula Airport District (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. The District has acquired additional land through grants and purchases in subsequent years and now totals 507 acres. For financial reporting purposes, the District's basic financial statements include all financial activities that are controlled or are dependent upon actions taken by the District's Board of Directors. There are no component units considered for inclusion in the District's financial reporting entity.

b. Measurement Focus and Basis of Accounting

The District's financial activities are accounted for on a flow of economic resources measurement focus, using the accrual basis of accounting in accordance with U.S. Generally Accepted Accounting Principles (GAAP).

The District distinguishes operating revenues and expenses from nonoperating revenues and expenses. Operating revenues generally result from providing services and producing and delivering goods in connection with an organization's principal ongoing operations. The principal operating revenues of the District are charges to airlines, concessionaires, parking and property rental. Operating expenses of the District include personnel costs, administrative expenses and depreciation and amortization of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses, except for capital contributions, which are presented separately.

When restricted resources meet the criteria to be available for use and unrestricted resources are also available for use, it is the District's policy to use restricted resources first, and then unrestricted resources, as needed.

c. Cash and Cash Equivalents

For purposes of the statements of cash flows, the District considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

d. Investments

The District reports its investments at fair value in the accompanying financial statements and the corresponding change in fair value of investments is reported in the year in which the change occurs. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The District measures its investments at fair value and categorizes its fair value measurements within the fair value hierarchy established by GAAP.

The District invests its surplus cash in certificates of deposits with original maturity dates of three months or longer and obligations of the State Treasurer's Local Agency Investment Fund (LAIF).

Note 1: Summary of Significant Accounting Policies (Continued)

e. 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 is estimated using historical collection experience as well as management's judgment about collectability of individual receivables. The allowance at both June 30, 2022 and 2021 was $10,000.

f. Prepaid Expenses

Prepaid amounts are allocated to expense prorated in the periods in which the benefit is received.

g. Capital Assets

Capital assets are stated at historical cost or estimated historical cost if actual historical cost is not available. Gifts or contributions of such assets are stated at acquisition value on the date received. The District's policy is to capitalize assets with a value in excess of $5,000 for furniture, equipment and vehicles and $25,000 for land, facilities and improvements.

Depreciation has been provided using the straight-line method over the estimated useful lives, which range as follows:

Land improvements	10 - 40 years
Buildings and improvements	10 - 40 years
Furniture, equipment and vehicles	3 - 20 years

Intangible assets include the District's logo, noise study, master plan update and easements related to 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. Depreciation is not provided on construction in progress until construction is complete and the asset is placed in service.

h. Employee Benefits

Fringe benefits such as pension, health insurance, dental insurance, vision insurance, and paid- time-off, are provided to employees per the District's current human resources policies or as determined by respective agreements between the District and the respective employees' collective bargaining agreements.

i. Accrued 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 up to a maximum of one month's salary for accumulated sick leave upon retirement; employees separated under circumstances other than retirement are not paid for accumulated sick leave. 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)

j. Unearned Revenues

Unearned revenues represent amounts collected before year-end, which were not earned as of year- end.

k. Deferred Outflows and Inflows of Resources

Deferred outflows and inflows of resources related to pensions are certain changes in total pension liabilities and fiduciary net position that are to be recognized in future pension expense. Excluding deferred pension contributions, the remaining pension related deferred outflows and inflows of resources are amortized over the remaining expected average remaining service lifetime 3.8 years or five years, depending on the nature of items.

Deferred outflows and inflows of resources related to OPEB are certain changes to the total OPEB liability that are to be recognized in future OPEB expense. The OPEB related deferred outflows and inflows of resources are amortized: (1) over the expected average remaining service lifetime (6.33 years) for changes between expected and actual experience, changes in assumptions and changes in proportion; and (2) over five years for the net differences between projected and actual earnings on OPEB pension plan investments.

l. Net Position

Net position comprises the various accumulated net earnings from operating income or losses, nonoperating revenues and expenses, and capital contributions. Net position is classified in the following three components:

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

Restricted - This component of net position consists of constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. Restricted net position represents unspent Passenger Facility Charges (PFC), unspent Customer Facility Charges (CFC) and Security Deposits which are restricted by enabling legislation.

Unrestricted - This component represents net position that does not meet the definition of “restricted” or “net investment in capital assets.”

Note 1: Summary of Significant Accounting Policies (Continued)

m. Passenger Facility Charges

In 1990, Congress approved the Aviation Safety and Capacity Expansion Act, which authorized domestic airports to impose a PFC on enplaning passengers. In May 1991, the Federal Aviation Administration (FAA) issued the regulations for the use and reporting of PFC's. PFC's 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.

The District was granted permission to begin collection of a $3.00 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.

Pursuant to governmental accounting standards, the District records PFCs as nonoperating revenue. The fees are reserved for specific purposes as defined in the approval letter received from the FAA'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 in the period earned or collected by the airline and reported.

n. Operating Grants and Capital Contributions

Certain expenditures for airport capital improvements, airport safety and security operations, are significantly funded through the Airport Improvement Program (AIP) of the FAA and Transportation Security Administration (TSA), with certain matching funds provided by the District. Funding provided under government grants is considered earned as the related allowable expenditures are incurred. In addition, to provide temporary relief to governments in lights of the COVID-19 pandemic, the Coronavirus Aid, Relief, and Economic Security (CARES) Act was passed by Congress and signed into law by the President on March 27th, 2020. Included in the CARES Act was $12,664,025 million approved aid for the District, funded by the FAA through the AIP grant.

Grants awarded by TSA to reimburse certain police department's costs are reported in the statement of revenues, expenses and changes in net position as nonoperating revenues. For the years ended June 30, 2022 and 2021, the District requested and received $116,800, as reimbursement of certain police department costs. Grants for capital asset acquisition, facility development and rehabilitation are reported as capital contributions, after nonoperating revenues and expenses. For the years ended June 30, 2022 and 2021, the District recognized $7,467,396 and $8,475,621, respectively, as capital contributions funded by AIP grants. Grants used to offset operating losses due to COVID-19 are reported as nonoperating revenues. For the year ended June 30, 2022 and 2021, the District requested and received $6,088,155 and $3,440,427, respectively in reimbursable costs funded by additional AIP grants.

On December 27, 2020, the Coronavirus Response and Relief Supplemental Appropriations Act, 2021 (CRRSA Act) was signed into law. The CRRSA Act includes nearly $2 billion in funds to be awarded as economic relief to eligible U.S. airports and eligible concessions at those airports to prevent, prepare for, and respond to the coronavirus disease 2019 (COVID-19) pandemic. The District received two CRRSA Act grants totaling $2,126,221.

Note 1: Summary of Significant Accounting Policies (Continued)

o. Use of Estimates

Management of the District has made certain estimates and assumptions relating to the reporting of assets, deferred outflows of resources, liabilities, deferred inflows of resources and revenues and expenses to prepare these financial statements in conformity with GAAP. Actual results may differ from those estimates.

p. Reclassifications and Presentation

There have been no reclassifications of prior year balances included with the current year presentation.

q. New Accounting Standards to be Implemented

The District is currently analyzing its accounting practices to determine the potential impact on the financial statements for the following GASB Statements:

GASB Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period – The objective of this statement is to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period.

GASB Statement No. 91, Conduit Debt Obligations –The primary objective of this Statement is to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with commitments extended by issuers, arrangements associated with conduit debt obligations, and related note disclosures. This statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

Note 2: Cash and Investments

Cash and investments at June 30, 2022 and 2021, comprised of the following:

	2022	2021
Unrestricted:		
Deposits with banks	$ 2,004,131	$ 2,318,773
Investments	6,345,765	4,838,415
Total unrestricted	8,349,896	7,157,188
Restricted		
Deposits with banks	2,392,751	2,040,928
Investments	545,014	612,472
Total restricted	2,937,765	2,653,400
Total cash and investments	$ 11,287,661	$ 9,810,588

Note 2: Cash and Investments (Continued)

a. Custodial Credit Risk – Deposits and Investments

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the District will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District's investment policy does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits. However, the District follows the California Government Code, which requires that a financial institution secure deposit made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The California Government Code and the District's investment policy contains legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools such as LAIF.

b. Investments Permitted

The table below identifies the investment types that are authorized for the District by the California Government Code 53601 or the District's Investment Policy, where the policy is more restrictive. The District's Investment Policy is more restrictive than the California Government Code in that the allowed investments are limited to the State of California's Local Agency Investment Fund and certificates of deposits, which may not exceed $250,000 per institution in order that the principal remain fully insured by the federal government. The tale also identifies certain provisions of the California Government Code that address interest rate risk and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio*	Maximum Investment In One Issuer
FDIC Insured Negotiable and Nonnegotiable Certificates of Deposit	5 year	None	$250,000 per institution
State of California Local Agency Investment Fund (LAIF)	N/A	None	None

* Excludes amounts held by fiscal agents that are not subject to California Government Code restrictions.

Note 2: Cash and Investments (Continued)

c. Investments

The following is a summary of the District's investments at June 30, 2022:

		(Maturity in Years)		
	Fair Value	Less than 1	1 - 5	Credit Ratings (Standard & Poor's)
Negotiable certificates of deposits	$ 1,308,803	$ 670,620	$ 638,183	Not Rated
Local Agency Investment Fund	5,581,976	5,581,976	-	Not Rated
Total investment	$ 6,890,779	$ 6,252,596	$ 638,183	

The following is a summary of the District's investments at June 30, 2021:

		(Maturity in Years)		
	Fair Value	Less than 1	1 - 5	Credit Ratings (Standard & Poor's)
Negotiable certificates of deposits	$ 1,320,002	$ 928,979	$ 391,023	Not Rated
Local Agency Investment Fund	4,130,885	4,130,885	-	Not Rated
Total investment	$ 5,450,887	$ 5,059,864	$ 391,023	

The District is a voluntary participant in the LAIF that is governed by the California Government Code under the oversight of the Local Investment Advisory Board (Board). The board consists of five members as designated by state statute. The fair value of the District's investment in the LAIF pool is reported in the accompanying financial statements at amounts based upon the District's pro rata share of the fair value provided by LAIF, for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis, which is different from the fair value of the District's position in the LAIF pool. LAIF is not rated by rating agencies. The weighted average maturity of LAIF at June 30, 2022 and 2021 was 311 and 291 days, respectively.

As of June 30, 2022, and 2021, the District had unrestricted investments of $5,581,976 and $4,130,885, respectively invested in LAIF, which had invested 1.88% and 2.31% of the pooled investment funds in Structured Notes and Asset-Backed Securities. LAIF is part of the State's Pooled Money investment Account (PMIA). PMIA has a total of $229.9 billion and $193.3 billion in its investment portfolio as of June 30, 2022 and 2021, respectively. The District valued its investments in LAIF as of June 30, 2022 and 2021, by multiplying its account balance with LAIF times a fair value factor determined by LAIF. This fair value factor was determined by dividing all LAIF participants' total aggregate fair value by total aggregate amortized costs resulting in a factor of 0.987125414 and 1.00008297 as of June 30, 2022 and 2021, respectively.

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. The District does not have any of its investments using level 1 and 3 inputs.

Note 2: Cash and Investments (Continued)

The District's investments in negotiable certificates of deposits are classified in Level 2 of the fair value hierarchy and are valued using prices determined by the use of matrix pricing techniques maintained by the pricing vendors for these securities. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. The District's investment in LAIF is exempt from the fair value hierarchy.

d. Restricted Cash and Investments

At June 30, 2022 and 2021, cash and investments were restricted for the following:

	June 30, 2022			June 30, 2021		
	Cash in Bank	Investments	Total	Cash in Bank	Investments	Total
Security deposits from tenants	$ 442,208	$ -	$ 442,208	$ 444,339	$ -	$ 444,339
Passenger facility charge program	1,086,113	545,014	1,631,127	777,470	612,472	1,389,942
Debt service	5,003	-	5,003	5,069	-	5,069
Customer Facilities Charges	859,427	-	859,427	814,050	-	814,050
Total restricted cash and investments	$ 2,392,751	$ 545,014	$ 2,937,765	$ 2,040,928	$ 612,472	$ 2,653,400

Note 3: Capital Assets

Capital assets activity for the year ended June 30, 2022, was as follows:

	Balance at June 30, 2021	Additions/ Transfers	Disposals/ Transfers	Balance at June 30, 2022
Capital assets not being depreciated:				
Land	$ 4,206,755	$ -	$ -	$ 4,206,755
Construction in progress	16,250,965	9,994,742	(12,245,639)	14,000,068
Total Capital Assets Not being Depreciated	20,457,720	9,994,742	(12,245,639)	18,206,823
Capital assets being depreciated/amortized:				
Intangible assets	23,612,155	2,646,170	-	26,258,325
Land improvements	88,386,958	8,656,324	-	97,043,282
Buildings and improvements	26,937,622	341,765	-	27,279,387
Furniture, equipment and vehicles	7,247,097	697,104	-	7,944,201
Total Capital Assets being Depreciated	146,183,832	12,341,363	-	158,525,195
Less accumulated depreciation/amortization for:				
Intangible assets	(22,338,075)	(203,741)	-	(22,541,816)
Land improvements	(41,746,483)	(3,755,716)	-	(45,502,199)
Buildings and improvements	(18,218,865)	(1,250,743)	-	(19,469,608)
Furniture, equipment and vehicles	(4,554,819)	(276,786)	-	(4,831,605)
Less Accumulated Depreciation	(86,858,242)	(5,486,986)	-	(92,345,228)
Total Capital Assets, Being Depreciated, Net	59,325,590	6,854,377	-	66,179,967
Total Capital Assets, Net	$ 79,783,310	$ 16,849,119	$ (12,245,639)	$ 84,386,790

Note 3: Capital Assets (Continued)

Construction in progress activity for the year ended June 30, 2022 was as follows:

Projects		Balance July 1, 2021	Additions/ Transfers	Completed Transferred to Depreciable/ Disposed	Balance July 1, 2022
2016-01	NEPA/CEQA Safety Initiative	$ 2,646,170	$ -	$ (2,646,170)	$ -
2019-01	Infield Safety Area Rehab Phase 1	8,560,458	-	(8,560,458)	-
2019-03	Water Distribution System	106,381	428,812	-	535,193
2020-03	FIDS Computer Upgrades	225,797	66,260	(292,057)	-
2020-12	Northside GA Apron Construction	2,959,977	5,556,282	-	8,516,259
2020-13	Northeast VSR Improvements	1,094,310	818,651	-	1,912,961
2020-14	Demolish Building 505	155,575	48,304	-	203,879
2021-01	RSA Mitigation 6 & 7	46,946	48,920	(95,866)	-
2021-03	Electric Vehicle DC Fast Chargers	364,273	-	(364,273)	-
2021-04	SEP Phase 1 A1- Commercial Apron Design	91,078	2,337,923	-	2,429,001
2022-01	SEP Phase B1/B2/B3- ARFF Design	-	374,767	-	374,767
2022-02	Vehicle Replacement	-	27,859	-	27,859
2022-04	It Upgrades	-	40,774	(40,774)	-
2022-05	Property Repairs	-	246,040	(246,040)	-
2023-01	SEP Phase D1- Terminal Design	-	150	-	150
	Total	$ 16,250,965	$ 9,994,742	$ (12,245,638)	$ 14,000,069

Capital assets activity for the year ended June 30, 2021, was as follows:

	Balance at June 30, 2020	Additions/ Transfers	Disposals/ Transfers	Balance at June 30, 2021
Capital assets not being depreciated:				
Land	$ 4,206,755	$ -	$ -	$ 4,206,755
Construction in progress	6,463,007	9,968,455	(180,497)	16,250,965
Total Capital Assets Not being Depreciated	10,669,762	9,968,455	(180,497)	20,457,720
Capital assets being depreciated/amortized:				
Intangible assets	23,612,155	-	-	23,612,155
Land improvements	88,386,958	-	-	88,386,958
Buildings and improvements	26,890,752	46,870	-	26,937,622
Furniture, equipment and vehicles	7,247,097	-	-	7,247,097
Total Capital Assets being Depreciated	146,136,962	46,870	-	146,183,832
Less accumulated depreciation/amortization for:				
Intangible assets	(22,156,385)	(181,690)	-	(22,338,075)
Land improvements	(37,915,155)	(3,831,328)	-	(41,746,483)
Buildings and improvements	(16,962,662)	(1,256,203)	-	(18,218,865)
Furniture, equipment and vehicles	(4,261,237)	(293,582)	-	(4,554,819)
Less Accumulated Depreciation	(81,295,439)	(5,562,803)	-	(86,858,242)
Total Capital Assets, Being Depreciated, Net	64,841,523	(5,515,933)	-	59,325,590
Total Capital Assets, Net	$ 75,511,285	$ 4,452,522	$ (180,497)	$ 79,783,310

Note 3: Capital Assets (Continued)

Construction in progress activity for the year ended June 30, 2021, was as follows:

Projects		Balance July 1, 2020	Additions/ Transfers	Completed Transferred to Depreciable/ Disposed	Balance July 1, 2021
2016-01	NEPA/CEQA Safety Initiative	$ 2,642,093	$ 4,077	$ -	$ 2,646,170
2019-01	Infield Safety Area Rehab Phase 1	3,408,221	5,152,237	-	8,560,458
2019-03	Water Distribution System	25,409	80,972	-	106,381
2020-03	FIDS Computer Upgrades	-	225,797	-	225,797
2020-10	SWRCB/PFAS Testing Project	123,773	9,854	(133,627)	-
2020-11	PG&E Lighting Project	-	46,870	(46,870)	-
2020-12	Northside GA Apron Construction	181,804	2,778,173	-	2,959,977
2020-13	Northeast VSR Improvements	81,707	1,012,603	-	1,094,310
2020-14	Demolish Building 505	-	155,575	-	155,575
2021-01	RSA Mitigation 6 & 7	-	46,946	-	46,946
2021-03	Electric Vehicle DC Fast Chargers	-	364,273	-	364,273
2021-04	SEP Phase 1 A1- Commercial Apron Design	-	91,078	-	91,078
	Total	$ 6,463,007	$ 9,968,455	$ (180,497)	$ 16,250,965

At June 30, 2022 and 2021, intangible assets consist of the following:

	2022	2021
Noise safety study and sound proofing easements	$ 21,549,356	$ 21,549,356
Master Plan	1,747,376	1,747,376
Wildlife hazard assessment plan	151,939	151,939
East End Development Procedure	49,005	49,005
FAA Disparity Study	114,479	114,479
NEPA / CEQA -- Safety Installation	2,646,170	-
Total intangible assets, gross	26,258,325	23,612,155
Less accumulated amortization	(22,541,816)	(22,338,075)
Total intangible assets, net	$ 3,716,509	$ 1,274,080

Note 4: Accrued Liabilities

At June 30, 2022 and 2021, accrued liabilities consist of the following:

	2022	2021
Accrued employee benefits	$ 40,460	$ 41,126
Accounts payable	935,428	1,107,042
Other accrued expenses	136,940	31,861
Total accrued liabilities	$ 1,112,828	$ 1,180,029

Note 5: Accrued Compensated Absences

A summary of the changes in compensated absences for the year ended June 30, 2022, is as follows:

Balance July 1, 2021	Additions	Reductions	Balance June 30, 2022	Due in One Year
$ 185,902	$ 30,112	$ 26,397	$ 189,617	$ 34,044

Note 5: Accrued Compensated Absences (Continued)

A summary of the changes in compensated absences for the year ended June 30, 2021, is as follows:

Balance July 1, 2020	Additions	Reductions	Balance June 30, 2021	Due in One Year
$ 175,350	$ 84,053	$ 73,501	$ 185,902	$ 23,520

Note 6: Long-Term Obligations

A summary of the changes in long-term obligations for the year ended June 30, 2022, is as follows:

Notes From Private Borrowings and Direct Placements	Balance July 1, 2021	Additions	Reductions	Balance June 30, 2022	Due in One Year
Due to the City of Monterey (Note 11)	$ 39,932	$ -	$ 19,966	$ 19,966	$ 19,966
Pension obligation bonds	371,000	-	371,000	-	-
CEC secured loan	2,497,206	-	155,117	2,342,089	156,672
PG&E Loan	160,821	-	54,319	106,502	53,300
Total	$ 3,068,959	$ -	$ 600,402	$ 2,468,557	$ 229,938

A summary of the changes in long-term obligations for the year ended June 30, 2021, is as follows:

Notes From Private Borrowings and Direct Placements	Balance July 1, 2020	Additions	Reductions	Balance June 30, 2021	Due in One Year
Due to the City of Monterey (Note 11)	$ 59,898	$ -	$ 19,966	$ 39,932	$ 19,966
Pension obligation bonds	727,000	-	356,000	371,000	371,000
CEC secured loan	2,650,783	-	153,577	2,497,206	155,117
PG&E Loan	156,043	46,870	42,092	160,821	53,300
Total	$ 3,593,724	$ 46,870	$ 571,635	$ 3,068,959	$ 599,383

Pension Obligation Bonds – On June 27, 2012, the District issued Taxable Pension Obligation bonds for the purpose of refinancing the outstanding “side fund” obligations in the amount of $3,077,000 with an interest rate of 4.40% per annum. The bonds are subject to mandatory redemption every six months as set forth in the Indenture of Trust. This obligation was incurred to retire a previously unrecorded liability between the District’s funded status of the CalPERS plan versus the funded status of the entire risk pool. The outstanding note from this direct borrowing contains a provision that in the occurrence or continuation of any event of default the trustee, at the written direction of the bond owners, must declare the principal of the bonds, together with the accrued interest, to be due and payable immediately and may exercise any other remedies available to the trustee and bond owners in law or at equity to enforce the rights of the bond owners. In addition, upon the occurrence and during the continuation of an event of default, interest on the bonds shall accrue at the default rate. The pension obligation bonds are paid in full as of June 30, 2022.

California Energy Commission (CEC) Solar Array Loan - In May 2017, the Monterey Peninsula Airport District entered into a construction loan from the CEC to assist in the development of a 3-acre solar farm to power the District’s operations. The CEC construction loan provided a maximum amount of $3,000,000 at 1.00% per annum for a period of 16.1 years. The District requested and received reimbursements from the CEC loan totaling $2,497,206 as of June 30, 2020. The 2021 payment includes the principal reduction and accrued interest during construction and the first year of operation. The remainder of the CEC loan will be repaid

Note 6: Long-Term Obligations (Continued)

through the Airport's electricity savings earned from the solar farm. The solar farm was operational in November of fiscal year 2018. The outstanding note from this direct borrowing contains a provision that in the occurrence of any event of default, the Energy Commission may, to the extent permitted by law, declare all or any portion of the principal and accrued interest on this promissory note to be immediately due and payable.

The future debt service requirements for the California Energy Commission (CEC) Loan at June 30, 2022, are as follows:

Year	Principal	Interest	Total Requirement
2023	$ 156,672	$ 23,031	$ 179,703
2024	158,185	21,518	179,703
2025	159,828	19,875	179,703
2026	161,430	18,273	179,703
2027	163,049	16,654	179,703
2028-2032	840,028	58,487	898,515
2033-2036	702,897	15,466	718,363
Total	$ 2,342,089	$ 173,304	$ 2,515,393

PG&E Loan - In June 2020, the District entered into a loan agreement with PG&E to participate in the Energy Efficiency Retrofit Loan Program (the "Program"). The program is funded by California utility customers and administered by Pacific Gas and Electric Company (PG&E) under the auspices of the California Public Utilities Commission (CPUC). The Program provides qualified PG&E customers with a means to finance energy efficient (EE) retrofit projects implemented under select PG&E EE Programs (the "Qualified Program"). The loans issued under the Program are interest free, unsecured loans to fully or partially reimburse qualified PG&E customers for the costs they incur in connection with a qualified retrofit project (the "Retrofit Project"), which term shall mean the energy efficiency retrofit project described in Customer's relevant Energy Efficiency Program Application. The future debt service requirements for the PG&E Loan at June 30, 2022, are as follows:

Year	Principal
2023	$ 53,300
2024	43,582
2025	9,620
Total	$ 106,502

Note 7: Leases

Leases Receivable in accordance with GASB 87

The District functions as a landlord or lessor to tenants that lease terminal space, office suites, aircraft hangars, recreational vehicle parking spaces, buildings and land within its boundaries. Lease types include month-to-month, general long-term operating and regulated long-term capital as defined by GASB 87.

The District recognizes lease revenues by category and three categories are impacted by the implementation of GASB 87. Specific leases in General Aviation, Terminal Concessions and Non-Aviation revenue categories were reclassified from long-term operating to GASB 87 capital leases. Those leases are for commercial buildings, commercial office space, land, and terminal restaurant and gift shop concessions.

Note 7: Leases (Continued)

Lease receivables and deferred leases income are $11,947,365 and $12,647,126 for fiscal years 2022 and 2021, respectively. The District uses the Standards and Poor's municipal bond 20 year high grade index to estimate the discount rate to apply for the GASB 87 lease receivable which is 4.06% on June 30, 2022 and 2.23% as of June 30, 2021.

The table below summarizes total remaining lease payments, GASB 87 lease receivables/deferred lease inflows and lease interest receivable at an estimated District discount rate of 4.06% as of June 30, 2022:

Fiscal Year	Lease Receivable	Lease Interest	Total Lease Payments
2023	$ 1,092,200	$ 343,580	$ 1,435,780
2024	1,124,787	310,119	1,434,906
2025	1,046,968	277,587	1,324,555
2026	1,007,337	246,749	1,254,086
2027	1,043,172	215,988	1,259,159
2028-2032	2,689,211	763,579	3,452,790
2033-2037	1,182,766	493,643	1,676,409
2038-2042	1,001,169	342,175	1,343,344
2043-2047	1,099,260	181,320	1,280,581
2048-2052	581,179	51,152	632,331
2053	79,316	1,094	80,410
	$ 11,947,365	$ 3,226,986	$ 15,174,351

The table below summarizes total remaining lease payments, GASB 87 lease receivables/deferred lease inflows and lease interest receivable at an estimated District discount rate of 2.23% as of June 30, 2021:

Fiscal Year	Lease Receivable	Lease Interest	Total Lease Payments
2022	$ 1,023,234	$ 365,491	$ 1,388,725
2023	1,085,723	333,964	1,419,687
2024	1,118,113	300,700	1,418,813
2025	1,040,091	268,371	1,308,462
2026-2030	3,930,370	926,413	4,856,783
2031-2035	1,550,408	536,989	2,087,397
2036-2040	892,127	370,753	1,262,880
2041-2045	1,036,309	226,571	1,262,880
2046-2050	752,626	80,828	833,454
2051-2053	218,126	9,674	227,800
	$ 12,647,126	$ 3,419,754	$ 16,066,880

Regulated Leases Excluded by GASB 87

A significant portion of the District's revenue comes from regulated leases of which the District is the lessor. Regulated leases as defined by the Department of Transportation and the Federal Aviation Administration and outlined in GASB 87 paragraphs 42 and 43 are specially excluded. Terminal space, aircraft hangars, recreational vehicle parking spaces are generally month-to-month leases are described in the information herein.

The District leases parts of the terminal building, parking areas, north side buildings, land, hangars and ramps to various businesses and individuals under long-term leases with terms from 5 – 60 years. Rental revenues from these regulated leases were $192,768 and included in terminal leases and concessions for the year ended June 30, 2022. The cost of property held for leasing is not readily determinable.

Note 7: Leases (Continued)

Future minimum rentals on regulated leases as of June 30, 2022, are as follows:

Fiscal Year	Total Payment
2023	$ 924,610
2024	924,610
2025	924,610
2026	924,610
2027	924,610
2028-2032	4,623,049
2033-2037	4,623,049
2038-2042	4,623,049
2043-2047	4,623,049
2048-2052	3,719,092
2053-2057	2,304,872
Total	$ 29,139,210

Future minimum rentals on regulated leases as of June 30, 2021, are as follows:

Fiscal Year	Total Payment
2022	$ 924,610
2023	924,610
2024	924,610
2025	924,610
2026	924,610
2027-2031	4,623,049
2032-2036	4,623,049
2037-2041	4,623,049
2042-2046	4,623,049
2047-2051	4,131,508
2052-2056	2,560,969
2057	256,097
Total	$ 30,063,820

Note 8: Pension Plan

Plan Description - All full-time and certain other qualifying employees of the District are eligible to participate in the Public Employees' Retirement Fund of the State of California's Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer plan. CalPERS acts as a common investment and administrative agent for various local and state governmental agencies within the State of California. CalPERS provides retirement, disability and death benefits based on the employee's years of service, age and final compensation. Employees vest after five years of service. benefit provisions and other requirements are established by State statute and by District resolution.

The State of California passed the California Employee's Pension Reform Act (PEPRA), which became effective on January 1, 2013. PEPRA changes included the classification of active employees into two distinct classifications: classic members and new members. Classic members represent active members hired before January 1, 2013 and retain the pension plan

Note 8: Pension Plan (Continued)

benefits in effect. New members are active members hired on or after January 1, 2013 and are subject to PEPRA.

The District participates in five separate rate plans within the cost-sharing multiple-employer plan with CalPERS: Safety Fire, Safety Police, Miscellaneous, PEPRA Miscellaneous and PEPRA Police, collectively the Plans. The District no longer employs Safety Fire employees but maintains benefits for Safety Fire retirees.

Benefits Provided – CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees, and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. The death benefit is one of the following: the basic Death Benefit, the 1959 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost-of-living adjustments for the plan are applied as specified by the Public Employees' Retirement Law.

The Plans' provisions and benefits in effect at the measurement date, are summarized as follows:

	Fire	Police	PEPRA Police	Misc.	PEPRA Misc.
Hire date	Prior to 1/1/2013	Prior to 1/1/2013	On/after 1/1/2013	Prior to 1/1/2013	On/after 1/1/2013
Benefit formula	3% @ 50	3% @ 50	2.7% @ 57	2% @ 55	2% @ 62
Benefit vesting schedule	5 years service	5 years service	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life	monthly for life	monthly for life
Retirement age	50 & Up	50 & Up	57 & Up	55 & Up	62 & Up
Monthly benefits, as a percentage of eligible compensation	3.00%	3.00%	2.70%	1.426%-2.418%	2.00%
Required employee contribution rates	0.00%	0.00%	0.00%	7.00%	6.75%
Required normal employer contribution rates	0.00%	0.00%	0.00%	10.22%	6.99%
Required employer payment of unfunded liability	$395,307	$139,738	$654	$143,406	$1,066

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

For the years ended June 30, 2022 and 2021, the employer contributions recognized as a reduction to the net pension liability were $852,725 and $796,495, respectively.

Note 8: Pension Plan (Continued)

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2022, and 2021, the District's reported total net pension liability of $6,509,179 and $10,399,097, respectively, for its proportionate shares of the net pension liability. The District's net pension liability is measured as the proportionate share of the net pension liability of the cost-sharing plan. The net pension liability at June 30, 2022 and 2021, of the Plan is measured as of June 30, 2021 and 2020 (measurement dates), and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020 and 2019, respectively, rolled forward to June 30, 2021 and 2020 using standard update procedures. The District's proportion of the net pension liability was based on the District's total pension liability based on the District's share of the actuarial accrued liability of the cost-sharing plan less the District's share of the fiduciary net position based on the District's share of the market value of assets in the cost-sharing plan. The District's proportionate share of the net pension liability for the Plan as of the measurement dates June 30, 2021 and 2020, were 0.17313% and 0.09119%, respectively.

For the years ended June 30, 2022 and 2021, the District recognized pension expense of $1,486,700 and $1,485,945, respectively. At June 30, 2022 and 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

June 30, 2022	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 5,035,621	$ -
Differences between expected and actual experiences	1,022,699	-
Net differences between projected and actual earnings on pension plan investments	-	(4,297,015)
Adjustment due to difference in proportions	136,103	(9,981)
Differences between actual contributions and the proportionate share of contributions	-	(852,275)
Total	$ 6,194,423	$ (5,159,271)

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

June 30, 2021	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 852,725	$ -
Differences between expected and actual experiences	735,769	-
Change in assumptions	-	44,961
Net differences between projected and actual earnings on pension plan investments	247,663	-
Adjustment due to difference in proportions	231,794	-
Differences between actual contributions and the proportionate share of contributions	-	699,728
Total	$ 2,067,951	$ 744,689

Note 8: Pension Plan (Continued)

At June 30, 2022 and 2021, the District reported $5,035,621 and $852,725, respectively, as deferred outflows of resources related to contributions subsequent to the measurement date, which will be recognized as a reduction of the net pension liability in the years ended June 30, 2023 and 2022, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ending June 30,	Deferred Outflows/(Inflows) of Resources
2023	$ (887,464)
2024	(918,726)
2025	(1,010,256)
2026	(1,184,023)
Total	$ (4,000,469)

Actuarial Assumptions - The total pension liabilities were determined using the following actuarial assumptions:

	2022	2021
Valuation Date	June 30, 2020	June 30, 2019
Measurement Date	June 30, 2021	June 30, 2020
Actuarial Cost Method	Entry Age Normal Cost Method	Entry Age Normal Cost Method
Actuarial Assumptions		
Discount Rate	7.15%	7.15%
Inflation	2.50%	2.50%
Payroll Growth	3.00%	3.00%
Projected Salary Increase	2.5% depending on Age, Service, and Type of Employment	2.5% depending on Age, Service, and Type of Employment
Investment Rate of Return	7.15% net of pension plan investment expenses, includes inflation	7.15% net of pension plan investment expenses, includes inflation
Mortality	Derived using CalPERS' Membership Data for all Funds	Derived using CalPERS' Membership Data for all Funds

The mortality table used in the June 30, 2020 and 2019 valuation was developed based on CalPERS' specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP 2016. For more details on this tale, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

All other actuarial assumptions used in the June 30, 2020 and 2019 valuations were based on the results of an actuarial experience study for the period 1997 to 2015, including updates to salary increase, mortality and retirement rates. Further details of the experience study can be found on the CalPERS website under Forms and Publications.

Note 8: Pension Plan (Continued)

Changes of Assumptions – No changes in assumptions.

Discount Rate – The discount rates used to measure the total pension liability at June 30, 2022 and 2021 were both 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all of the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses. The expected real rates of return by asset class are as followed:

The target allocation for the June 30, 2022, measurement date was as follows:

Asset Class	Current Target Allocation	Real Return Year 1-10 (a)	Real Return Year 1-10 (b)
Global Equity	50.00%	4.80%	5.98%
Global Fixed Income	28.00%	1.00%	2.62%
Inflation Assets	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Estate	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%
Total	100.00%		

(a) An expected inflation of 2.00% used for this period.
(b) An expected inflation of 2.92% used for this period.

Note 8: Pension Plan (Continued)

The target allocation for the June 30, 2021, measurement date was as follows:

Asset Class	Current Target Allocation	Real Return Year 1-10 (a)	Real Return Year 1-10 (b)
Global Equity	50.00%	4.80%	5.98%
Global Fixed Income	28.00%	1.00%	2.62%
Inflation Assets	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Estate	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%
Total	100.00%		

(a) An expected inflation of 2.00% used for this period.
(b) An expected inflation of 2.92% used for this period.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the District's proportionate share of the net pension liability of the Plan as of the June 30, 2021 measurement date, calculated using the discount rate of 7.15 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.15 percent) or 1 percentage-point higher (8.15 percent) than the current rate:

Decrease Rate -1% (6.15%)	Current Discount Rate (7.15%)	Decrease Rate + 1% (8.15%)
$ 11,585,844	$ 6,509,179	$ 2,331,099

The following presents the District's proportionate share of the net pension liability of the Plan as of the June 30, 2020 measurement date, calculated using the discount rate of 7.15 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.15 percent) or 1 percentage-point higher (8.15 percent) than the current rate:

Decrease Rate -1% (6.15%)	Current Discount Rate (7.15%)	Decrease Rate + 1% (8.15%)
$ 15,476,215	$ 10,399,097	$ 6,224,304

Pension Plan Fiduciary Net Position – CalPERS issues a separate comprehensive annual financial report, copies of which may be obtained from the CalPERS website at https://www.calpers.ca.gov/page/forms- publications.

Note 9: Other Post-Employment Benefits

Plan Description – The District provides a defined benefit healthcare plan (Retiree Health Plan). The Retiree Health Plan provides healthcare insurance for eligible retirees that elect to keep healthcare insurance coverage through the CalPERS Health benefit Program upon retirement. Benefit provisions are established by the Board of Directors.

Note 9: Other Post-Employment Benefits (Continued)

Funding Policy – The District's contribution for each miscellaneous and public safety fire retiree is the CalPERS mandatory employer portion of the health care premium. The District's contribution for each public safety police retiree is up to 90% of the health care premium (including the mandatory employer portion). The District currently contributes enough funds to the Retiree Health Plan to satisfy current obligations on a pay-as-you-go basis. The District does not have any assets segregated and restricted to provide funds towards the Retiree Health Plan.

Number of Covered Employees

At June 30, 2022 and June 30, 2021 reporting dates, the following numbers of employees were covered

Measurement Date	6/30/2021	6/30/2020
Active	21	22
Retirees	17	15
Total	38	37

Contributions

The District's contribution for each miscellaneous and public safety retiree is the CalPERS mandatory employer portion of the health care premium. The District's contribution for each public safety police retiree is up to 90% of the health care premium (including the mandatory employer portion). The District currently contributes enough funds to the Retiree Health Plan to satisfy current obligations on a pay-as-you-go basis. The District does not have any assets segregated and restricted to provide funds towards the Retiree Health Plan. The contributions made to fund the Retiree Health Plan for the measurement periods ended June 30, 2021 and 2020 were $86,695 and $80,340, respectively.

Employer's Total OPEB Liability

The total OPEB liability as of June 30, 2022 and 2021 are presented below:

For Reporting at Fiscal Year End	June 30, 2022	June 30, 2021
Measurement Date	*6/30/2021*	*6/30/2020*
Total OPEB Liability	$ 2,032,252	$ 2,103,849

Note 9: Other Post-Employment Benefits (Continued)

Significant Actuarial Assumptions Used in Calculating the Total OPEB Liability

The total OPEB liability was determined by an actuarial valuation as of June 30, 2021, using the following actuarial assumptions:

Valuation date	June 30, 2021
Funding Method	Entry Age Normal Cost, level percent of pay
Asset Valuation Method	Market value of assets ($0; plan is not yet funded)
Discount Rate	2.18% as of June 30, 2021
Discount Rate	2.66% as of June 30, 2020
Participants Valued	Only current active employees and retired participants and covered dependents are valued. No future entrants are considered in this valuation.
Salary Increase	3.00% per year; since benefits do not depend on pay, this is used only to allocate the costs of benefits between service years.
Assumed Wage Inflation	3.0% per year: a component of assumed salary increases.
General Inflation Rate	2.5% per year

Discount Rate

When an agency finances retiree benefits on a pay-as-you-go basis, GASB Statement No. 75 requires the use of a discount rate equal to a 20-year high grade municipal bond rate. The District intends to continue financing its OPEB liability on a pay-as-you-go basis. Therefore, the District's discount rate used in this valuation is based on the S&P Municipal Bond 20 Year High Grade Index. As of the beginning and end of the Measurement Period this index requires use of discount rates of 2.18% as of June 30, 2021 and 2.66% as of June 30, 2020.

Changes in the Total OPEB Liability

The following table shows the changes in the total OPEB liability for the years ended June 30, 2022 and June 30, 2021, respectively:

For Reporting at Fiscal Year End *Measurement Date*	June 30, 2022 *6/30/2021*	June 30, 2021 *6/30/2020*	Change During Period
Balance at beginning of period	$ 2,103,849	$ 2,052,174	$ 51,675
Changes for the year			
Service cost	38,344	36,230	2,114
Interest	55,829	57,146	(1,317)
Differences between expected and actual experience	(232,053)	-	(232,053)
Changes of assumptions	152,978	38,639	114,339
Benefit payments	(86,695)	(80,340)	(6,355)
Net Changes	(71,597)	51,675	(123,272)
Balance at end of period	$ 2,032,252	$ 2,103,849	$ (71,597)

Note 9: Other Post-Employment Benefits (Continued)

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

The following presents the total OPEB liability of the District if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for measurement periods ended June 30, 2021 and June 30, 2020:

Measurement Period June 30, 2021	1% Decrease (1.18%)	Current Discount Rate (2.18%)	1% Increase (3.18%)
Total OPEB Liability	$ 2,376,792	$ 2,032,252	$ 1,759,546

Measurement Period June 30, 2020	1% Decrease (1.66%)	Current Discount Rate (2.66%)	1% Increase (3.66%)
Total OPEB Liability	$ 2,442,925	$ 2,103,849	$ 1,833,825

Sensitivity of the Total OPEB Liability to Changes in the Health Care Cost Trend Rates

The following presents the Total OPEB liability of the District if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2021 and June 30, 2020:

Measurement Period June 30, 2021	1% Decrease (6% decreasing to 4%)	Current Healthcare Cost Trent Rates (7% decreasing to 5%)	1% Increase (8% decreasing to 6%)
Total OPEB Liability	$ 1,756,892	$ 2,032,252	$ 2,377,396

Measurement Period June 30, 2020	1% Decrease (6% decreasing to 4%)	Current Healthcare Cost Trent Rates (7% decreasing to 5%)	1% Increase (8% decreasing to 6%)
Total OPEB Liability	$ 1,827,536	$ 2,103,849	$ 2,448,663

OPEB Expense for Fiscal Year

For the year ended June 30, 2022, the District recognized OPEB expense of $(49,010). For the year ended June 30, 2021, the District recognized OPEB expense of $(35,377).

Deferred Outflows and Inflows of Resources as of Fiscal Year-End and Expected Future Expense Recognition

At June 30, 2022, the District reported deferred outflows of resources and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions	$ 178,572	$ 84,280
Differences Between Expected and Actual Experience	137,447	653,105
Contributions Made Subsequent to the Measurement Date	94,923	-
Total	$ 410,942	$ 737,385

Note 9: Other Post-Employment Benefits (Continued)

The District will recognize the contributions made subsequent to the measurement date in the next fiscal year. In addition, future recognition of the deferred inflows of resources, which will be recognized as OPEB expense, is shown below.

For the Fiscal Year Ending June 30,	Recognized Deferred Outflows (Inflows) of Resources
2023	$ (138,539)
2024	(111,543)
2025	(120,900)
2026	(45,474)
2027	(4,910)
Thereafter	-
Total	$ (421,366)

At June 30, 2021, the District reported deferred outflows of resources and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions	$ 72,552	$ 134,193
Differences Between Expected and Actual Experience	-	423,833
Contributions Made Subsequent to the Measurement Date	86,695	-
Total	$ 159,247	$ 558,026

The District will recognize the contributions made subsequent to the measurement date in the next fiscal year. In addition, future recognition of the deferred inflows of resources, which will be recognized as OPEB expense, is shown below.

For the Fiscal Year Ending June 30,	Recognized Deferred Outflows (Inflows) of Resources
2022	$ (128,753)
2023	(124,109)
2024	(97,113)
2025	(106,470)
2026	(31,044)
Thereafter	2,015
Total	$ (485,474)

Note 10: Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. There have been no significant reductions in insurance coverage from the previous year. The District has not settled claims in excess of the District's insurance coverage in any of the past three years.

Note 10: Risk Management (Continued)

The District purchased coverage through an insurance broker for property and commercial liabilities and losses incurred above its deductible limits. Different insurance carriers cover various categories of coverage and are listed separately. Claims liabilities are reported when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated. The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, newly discovered information and damage awards. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claims settlement trends (including frequency and amount of pay- outs), economic and social factors, newly discovered information and changes in the law.

The District's deductibles and maximum coverage follows:

Coverage	Deductible	Coverage (aggregate)
Buildings & Business Personal Property		
Except Tools & Maintenance Equipment	$ 10,000	$ 53,440,392
Tools & Maintenance Equipment	1,000	
Boiler & Machinery	50,000	31,180,175
Solar Package	5,000/50,000	3,035,000
Automobile	2,500	1,000,000
Fire Truck Physical Damage	5,000	3,049,256
Airport Liability		50,000,000
Bodily Injury & Property	10,000 per occurrence	
Personal Injury	10,000 per occurrence	
Combined	10,000 per occurrence	
Public Officials Liability	100,000	5,000,000
Fiduciary Liability	5,000	1,000,000
Crime	5,000	1,000,000

Workers' Compensation Insurance

The District purchases workers' compensation insurance through the Special District Risk Management Authority (SDRMA) with the following coverage level:

Coverage	Coverage
Workers' Compensation	Statutory
Employers' Liability	$ 5,000,000 (per Occurrence)

Note 11: Commitments and Contingencies

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

Grants and Contracts – The District participates in various federally assisted grant programs that are subject to review and audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements, applicable federal and other regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a review or audit may become a liability of the District; however, as of the date of this report, no such reviews exist, and accordingly, no liabilities are reflected in the accompanying basic financial statements.

Note 11: Commitments and Contingencies (Continued)

Fire Services – On October 31, 2013, the District, and the City of Monterey (City) entered into a fire and emergency services staffing agreement. The City will provide all staff required to operate the District's fire station and provide Airport Rescue Fire Fighting (ARFF) and on Airport Structural Fire Fighting (ASFF) services. The District would provide the fire station and associated equipment, and the ARFF and ASFF fire trucks. The City can house additional staff and fire trucks, and dispatch City fire trucks from the District fire house to service City public properties along the Highway 68 corridor and for Statewide mutual aid and assistance services.

Included in this initial contract the District transferred to the City its unused and unpaid compensated absence balances excluding sick leave in the amount of $199,661 of which $19,966 and $39,932 remains outstanding on June 30, 2022 and 2021, respectively. The District reimburses the City at a rate of 10% per year or $19,666 for a period of ten years until the City is compensated for the initial value of the unpaid sick leave balance.

The initial term of the agreement was from January 1, 2014, through July 1, 2019, with an automatic extension in five-year terms unless either party gives written notice of its intent to allow the agreement to lapse. In consideration for these services, the District agreed to compensate the City with an initial Fire Service Fee (Fee) in the amount of $1,650,000 per fiscal year, payable monthly. The initial Fee would be adjusted each fiscal year using the All Urban Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for the San Francisco-Oakland-San Jose Metropolitan Area.

In March 2019, the District adopted a resolution for a new fire and emergency services staffing agreement between the District and the City of Monterey (City) to provide staff for fire and emergency services to the District and the City's public properties along the Highway 68 corridor. The initial term of the renewed agreement is from July 1, 2019 through July 1, 2024, with an option to extend in five-year terms, however the extension is not automatic.

The Fees for the new contract were adjusted to recognize the District's contribution of the fire station for the City's use as a base for servicing the public properties along the Highway 68 corridor. In the table below are the Fees included in the renewal. In fiscal year 2023-2024 Fees will be subject to a True-Up provision where the City can propose adjustments based on fiscal year 2022-2023 actual operating costs.

Fire Service Fee Schedule. Fees for service shall be as follows for the term of this Agreement:

For the Fiscal Year Ending June 30	Fire Service Fee
2023	$ 1,344,720
2024	1,344,720
Total	$ 2,689,440

COVID-19 National Health Emergency – On March 15, 2020, the District's operations were impacted by the COVID-19 national health emergency which resulted in shelter in place orders by national, state and county health departments. The District implemented customer, tenant and staff safety procedures based on recommendations from the health departments and industry specialists. Terminal cleaning and disinfecting protocols were implemented, separation markers for social distancing were placed in the terminal and staff worked split schedules to reduce contact in all departments.

Note 11: Commitments and Contingencies (Continued)

The District's commercial and general aviation services decreased significantly, local transportation and parking services concessions followed the decrease in aviation services and terminal food concessions where instructed by the county health department to discontinue services. Initially air carrier enplanements decreased by approximately 97%, general aviation services decreased 90% and concessions followed with similar changes in business.

Over the following months various changes in the commercial and general aviation services began to emerge. New operating and safety procedures were recommended by health departments and industry specialists, and aviation activities slowly started to improve. By June 30, 2020 commercial airlines were operating 5 or 6 daily flights, general aviation was operating at approximately 50% of prior year levels and concessions implemented safety procedures to allow for partial services.

To provide temporary relief to governments in lights of the COVID-19 pandemic, the Coronavirus Aid, Relief, and Economic Security (CARES) Act was passed by Congress and signed into law by the President on March 27th, 2020. Included in the CARES Act was $12,664,025 million approved aid for the District, funded by the FAA through the Airport Improvement Program.

Forbearance Communications – Umpqua Bank – In 2012 the District issued Taxable Pension Obligation Bonds (POB) to pay off specific CalPERS retirement accounts. The POB includes debt covenants that require the District to maintain various operating ratios until the bonds are paid in full. Covenant 5.09(b) requires that the District maintain an annual operating income of 125% of the annual debt service. Due to the COVID-19 national health emergency and subsequent abatements provided to tenants, District staff recognized the possibility that fiscal year 2019-20 operating income may fall below the 5.09(b) covenant ratio. In May 2020 District Staff began proactive communication with the bond holder, Umpqua Bank, regarding the expected shortfall in operating income and expects a forbearance of Covenant 5.09(b) to be granted. On October 26, 2020 Umpqua Bank granted a waiver of declaration of default for the remaining term of the loan dated June 30, 2022 for the covenant 5.09(b).

Note 12: Subsequent Event

In January 2020, District conducted tree pruning, topping and removal on property owned by the District at 2801 Monterey Salinas Highway. These activities were accomplished in response to regulatory requirements of the Federal Aviation Administration and the State of California Department of Transportation, Division of Aeronautics.

The City of Monterey, on March 6, 2021, issued citations totaling $94,000 claiming the activities in question were accomplished without proper authorization. The District paid the citations in protest, notifying the City of its intent to appeal. To date, the City has failed to provide for the appeal to be heard.

The $94,000 citation payment remains with the City of Monterey pending the outcome of the appeal.

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MONTEREY PENINSULA AIRPORT DISTRICT

COST SHARING MULTIPLE-EMPLOYER PLAN
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS (1)

	2015	**2016**	**2017**	**2018**
Measurement Period	*2014*	*2015*	*2016*	*2017*
Miscellaneous Rate Plan				
Rate Plan's Proportion of the Net Pension Liability	0.02158%	0.02008%	0.02172%	0.02270%
Rate Plan's Proportionate Share of the Net Pension Liability	$ 1,342,879	$ 1,378,489	$ 1,879,150	$ 2,251,219
Rate Plan's Covered Payroll	$ 1,921,962	$ 1,723,531	$ 1,677,728	$ 1,577,199
Rate Plan's Proportionate Share of the Net Pension Liability as Percentage of Covered Payroll	69.87%	79.98%	112.01%	142.74%
Safety Rate Plan				
Rate Plan's Proportion of the Net Pension Liability	0.06163%	0.06574%	0.06681%	0.06670%
Rate Plan's Proportionate Share of the Net Pension Liability	$ 3,834,741	$ 4,512,232	$ 5,781,218	$ 6,614,914
Rate Plan's Covered Payroll	$ 1,330,599	$ 549,603	$ 601,667	$ 547,264
Rate Plan's Proportionate Share of the Net Pension Liability as Percentage of Covered Payroll	288.20%	821.00%	960.87%	1208.72%
Total Plan				
Plan Proportion of the Net Pension Liability	0.08321%	0.08582%	0.08853%	0.08940%
Plan Proportionate Share of the Net Pension Liability	$ 5,177,620	$ 5,890,721	$ 7,660,368	$ 8,866,133
Plan Covered Payroll	$ 3,252,561	$ 2,273,134	$ 2,279,395	$ 2,124,463
Plan Proportionate Share of the Net Pension Liability as Percentage of Covered Payroll	159.19%	259.15%	336.07%	417.34%
The Pension Plan's (PERF-C) Fiduciary Net Position as a Percentage of the Total Pension Liability	80.43%	78.40%	74.06%	73.31%

Notes to Schedule:

Benefit Changes: There were no changes to benefit terms. However, the figures above do not include any liability impact that may have resulted from plan changes which occurred after the measurement dates. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes of Assumptions: In 2021, 2020 and 2019, there were no changes. In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate in 2018. In 2017, the accounting discount rate reduced from 7.65 percent to 7.15 percent. In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense.) In 2014, amount reported were based on the 7.5 percent discount rate.

(1) Historical information is required only for measurement for which GASB 68 is applicable. Fiscal Year 2015 was the first year of implementation, therefore only eight years are shown.

2019		2020		2021		2022	
2018		*2019*		*2020*		*2021*	
	0.02308%		0.02409%		0.02496%		0.02815%
$	2,223,790	$	2,468,530	$	2,715,215	$	1,522,216
$	1,671,567	$	1,783,112	$	1,751,206	$	1,640,763
	133.04%		138.44%		155.05%		92.77%
	0.06914%		0.06953%		0.07062%		0.09221%
$	6,662,340	$	7,124,443	$	7,683,882	$	4,986,961
$	643,653	$	188,737	$	-	$	-
	1035.08%		3774.80%		0.00%		0.00%
	0.09222%		0.09362%		0.09558%		0.05982%
$	8,886,130	$	9,592,973	$	10,399,097	$	6,509,179
$	2,315,220	$	1,971,849	$	1,751,206	$	1,640,763
	383.81%		486.50%		593.82%		396.72%
	75.26%		75.26%		75.10%		88.29%

MONTEREY PENINSULA AIRPORT DISTRICT

COST SHARING MULTIPLE-EMPLOYER PLAN
SCHEDULE OF PLAN CONTRIBUTIONS
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS (1)

	2015	2016	2017	2018
Miscellaneous Rate Plan				
Actuarially Determined Contribution	$ 181,461	$ 183,331	$ 186,903	$ 204,396
Contribution in Relation to the Actuarially Determined Contribution	(181,461) #	(183,331)	(186,903)	(204,396)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
Covered Payroll	$ 1,723,531	$ 1,677,728	$ 1,577,199	$ 1,671,567
Contributions as a Percentage of Covered Payroll	10.53%	10.93%	11.85%	12.23%
Safety Rate Plan				
Actuarially Determined Contribution	$ 135,343	$ 294,509	$ 371,546	$ 429,673
Contribution in Relation to the Actuarially Determined Contribution	(135,343) #	(294,509)	(371,546)	(429,673)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
Covered Payroll	$ 549,603	$ 601,667	$ 547,264	$ 643,653
Contributions as a Percentage of Covered Payroll	24.63%	48.95%	67.89%	66.76%
Total Plan				
Actuarially Determined Contribution	$ 316,804	$ 477,840	$ 558,449	$ 634,069
Contribution in Relation to the Actuarially Determined Contribution	(316,804) #	(477,840)	(558,449)	(634,069)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
Covered Payroll	$ 2,273,134	$ 2,279,395	$ 2,124,463	$ 2,315,220
Contributions as a Percentage of Covered Payroll	13.94%	20.96%	26.29%	27.39%

(1) Historical information is required only for measurement for which GASB 68 is applicable. Fiscal Year 2015 was the first year of implementation, therefore only eight years are shown.
(2) The District is required to contribute to the Safety Rate Plan even though there is no Covered Payroll.

Note to Schedule:

Valuation Date: June 30, 2020

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method: Entry Age Normal Cost Method

Amortization method: Level percentage of pay, a summary of the current policy is provided in the table below:

Driver	Source: (Gain)/Loss – Investment	Source: (Gain)/Loss – Non-investment	Assumption/ Method Change	Benefit Change	Golden Handshake
Amortization Period	30 years	30 Years	20 Years	20 Years	5 Years
Escalation Rate					
- Active Plans	2.750%	2.750%	2.750%	2.750%	2.750%
- Inactive Plans	0%	0%	0%	0%	0%
Ramp Up	5	5	5	0	0
Ramp Down	5	5	5	0	0

Asset valuation method	Direct rate smoothing
Inflation	2.50%
Payroll Growth	2.75%
Projected Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.00% (net of pension plan investment and administrative expenses, includes inflation)
Retirement Age	All other actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period from 1997 to 2015, including updates to salary increase, mortality and retirement rates. The Experience Study report may be accessed on the CalPERS website at www.calpers.ca.gov under Forms and Publications.
Mortality	The mortality table used was developed based on CalPERS' specific data. The table includes 15 years of mortality improvements using 90 percent of Society of Actuaries' Scale 2016. For more details on this table, please refer to the 2017 experience study report.

2019	2020	2021	2022
$ 246,088	$ 279,219	$ 308,686	$ 1,375,701
(246,088)	(279,219)	(308,686)	(1,375,701)
$ -	$ -	$ -	$ -
$ 1,783,112	$ 1,751,206	$ 1,640,763	$ 1,788,853
13.80%	15.94%	18.81%	76.90%
$ 431,855	$ 517,276	$ 544,039	$ 3,659,920
(431,855)	(517,276)	(544,039)	(3,659,920)
$ -	$ -	$ -	$ -
$ 188,737	$ -	$ -	$ -
228.81%	0.00%	0.00%	0.00%
$ 677,943	$ 796,495	$ 852,725	$ 5,035,621
(677,943)	(796,495)	(852,725)	(5,035,621)
$ -	$ -	$ -	$ -
$ 1,971,849	$ 1,751,206	$ 1,640,763	$ 1,788,853
34.38%	45.48%	51.97%	281.50%

MONTEREY PENINSULA AIRPORT DISTRICT

SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS (1)

	2018	2019	2020	2021	2022
Total OPEB Liability					
Service cost	$ 96,514	$ 89,300	$ 95,605	$ 36,230	$ 38,344
Interest on the total OPEB liability	71,052	80,196	81,212	57,146	55,829
Actual and expected experience difference	-	-	(619,597)	-	(232,053)
Changes in assumptions	(194,370)	63,787	(92,995)	38,639	152,978
Benefit payments	(40,270)	(69,698)	(83,376)	(80,340)	(86,695)
Net change in total OPEB liability	**(67,074)**	**163,585**	**(619,151)**	**51,675**	**(71,597)**
Total OPEB liability - beginning	**2,574,814**	**2,507,740**	**2,671,325**	**2,052,174**	**2,103,849**
Total OPEB liability - ending	**$ 2,507,740**	**$ 2,671,325**	**$ 2,052,174**	**$ 2,103,849**	**$ 2,032,252**
Covered-employee payroll	$ 2,115,913	$ 2,266,251	$ 2,059,685	$ 1,751,206	$ 1,640,763
Total OPEB liability as a percentage of covered-employee payroll	118.52%	117.87%	99.64%	120.14%	123.86%

(1) Historical information is required only for the measurement periods for which GASB 75 is applicable. Fiscal Year 2018 was the first year of implementation. Future years' information will be displayed up to 10 years as information becomes available.

Notes to Schedule: None

Changes in assumptions: In 2021, the discount rate used to value the liability was changed from 2.66% as of June 30, 2020 to 2.18%.In 2020, the discount rate used to value the liability was changed from 2.79% as of June 30, 2019 to 2.66%. In 2019, the discount rate used to value the liability was changed from 2.98% as of June 30, 2018 to 2.79%. In 2018, the discount rate used to value the liability was changed from 3.13% as of June 30, 2017 to 2.98%.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors
Monterey Peninsula Airport District
Monterey, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Monterey Peninsula Airport District (the District) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 6, 2022.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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*.

Board of Directors
Monterey Peninsula Airport District
Monterey, California

Purpose of this Report

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

Lance, Soll & Lunghard, LLP

Sacramento, California
October 6, 2022

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors
Monterey Peninsula Airport District
Monterey, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Monterey Peninsula Airport District (the District)'s compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2022. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the District's federal programs.

Board of Directors
Monterey Peninsula Airport District
Monterey, California

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be a material weakness, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that have not been identified.

Board of Directors
Monterey Peninsula Airport District
Monterey, California

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the business-type activities of the District, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated October 6, 2022, which contained unmodified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Lance, Soll & Lunghard, LLP

Sacramento, California
October 6, 2022

MONTEREY PENINSULA AIRPORT DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Award Number	Expenditures
U.S. Department of Transportation			
Federal Aviation Administration			
Airport Improvement Program*	20.106	DFTA08-06-C-31719	$ 7,467,396
CARES Act Airport Grants*	20.106	MRY-WPG-3-06-0159-071-2020	4,912,674
CRRSA ACT Airport Grants*	20.106	MRY-WPG-3-06-0159-074-2020	1,175,481
ARP ACT Airport Grants*	20.106	MRY-WPG-3-06-0159-077-2021	3,149,773
Total U.S. Department of Transportation			**16,705,324**
U.S. Department of Homeland Security			
Transportation Security Administration			
Law Enforcement Officer Reimbursement Program	97.090	HSTS02-16-H-SLR640	116,800
Total U.S. Department of Homeland Security			**116,800**
Total Federal Expenditures			**$ 16,822,124**

* Major Program

Note a: Refer to Note 1 to the schedule of expenditures of federal awards for a description of significant accounting policies used in preparing this schedule.

Note b: There was no federal awards expended in the form of noncash assistance and insurance in effect during the year.

Note c: Total amount provided to subrecipients during the year was $0.

Note 1: Summary of Significant Accounting Policies Applicable to the Schedule of Expenditures of Federal Awards

a. Scope of Presentation

The accompanying schedule presents only the expenditures incurred by the Monterey Peninsula Airport District (the District), that are reimbursable under federal programs of federal financial assistance. For the purposes of this schedule, federal awards include both federal financial assistance received directly from a federal agency, as well as federal funds received indirectly by the District from a non-federal agency or other organization. Only the portion of program expenditures reimbursable with such federal funds is reported in the accompanying schedule. Program expenditures in excess of the maximum federal reimbursement authorized or the portion of the program expenditures that were funded with state, local or other non-federal funds are excluded from the accompanying schedule.

b. Basis of Accounting

The expenditures included in the accompanying schedule were reported on the accrual basis of accounting. Under the accrual basis of accounting, expenditures are incurred when the District becomes obligated for payment as a result of the receipt of the related goods and services. Expenditures reported included any property or equipment acquisitions incurred under the federal program. The District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

c. Relationship to Federal Financial Reports

Amounts reported in the SEFA agree to or can be reconciled with the amounts reported in the related federal financial reports.

d. Relationship to Basic Financial Statements

The SEFA agrees to or can be reconciled with the amounts reported in the District's basic financial statements.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified Opinion

Internal control over financial reporting:

- Significant deficiencies identified? ____yes __X__none reported
- Material weaknesses identified? ____yes __X__no

Noncompliance material to financial statements noted? ____yes __X__no

Federal Awards

Internal control over major programs:

- Significant deficiencies identified? ____yes __X__none reported
- Material weaknesses identified? ____yes __X__no

Type of auditors' report issued on compliance for major programs: Unmodified Opinion

Any audit findings disclosed that are required to be reported in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance)? ____yes __X__no

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
20.106	Airport Improvement Program

Dollar threshold used to distinguish between type A and type B program $750,000

Auditee qualified as low-risk auditee? __X__yes ____no

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH REQUIREMENTS APPLICABLE TO THE PASSENGER FACILITY CHARGE
PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE
PASSENGER FACILITY CHARGE AUDIT GUIDE FOR PUBLIC AGENCIES AND THE SCHEDULE OF
PASSENGER FACILITY CHARGE REVENUES AND EXPENDITURES

Board of Directors
Monterey Peninsula Airport District
Monterey, California

Report on the Financial Statements

Opinions

We have audited the Monterey Peninsula Airport District's (the District) compliance with the requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies* (the Guide), issued by the Federal Aviation Administration, applicable to the District's passenger facility charge program for the year ended June 30, 2022.

In our opinion, the District complied, in all material respects with the compliance requirements referred to above that are applicable to the passenger facility charge program for the year ended June 30, 2022.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS), 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 Standards for California Special Districts. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Board of Directors
Monterey Peninsula Airport District
Monterey, California

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards,* and the State Controller's Minimum Audit Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if, there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the State Controller's Minimum Audit Standards we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Report on Internal Control Over Compliance

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

Board of Directors
Monterey Peninsula Airport District
Monterey, California

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

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the [insert the name of the governmental audit requirement or program-specific audit guide]. Accordingly, this report is not suitable for any other purpose.

Schedule of Passenger Facility Charge Revenues and Expenditures

We have audited the basic financial statements of the District as of and for the year ended June 30, 2021 and have issued our report thereon dated October 18, 2021, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the District as a whole. The accompanying Schedule of Passenger Facility Charge Revenues and Expenditures is presented for the purpose of additional analysis as required by the Guide and is not a required part of the District's basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Passenger Facility Charge Revenues and Expenditures is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 6, 2022 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Lance, Soll & Lunghard, LLP

Sacramento, California
October 6, 2022

MONTEREY PENINSULA AIRPORT DISTRICT
PASSENGER FACILITY CHARGE (PFC)

SCHEDULE OF PASSENGER FACILITY CHARGE (PFC) REVENUES AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	PFC Revenues	Interest Earned	Total Revenues	Expenditures on approved projects	Under (over) Expenditures on approved projects
Balance to date as of June 30, 2021	$ 19,443,636	$ 388,693	$ 19,832,325	$ 18,536,125	$ 1,296,200
Fiscal year 2021-2022 transactions:					
Quarter ended September 30, 2021	235,559	3,040	238,598	353,862	
Quarter ended December 31, 2021	214,329	3,612	217,941	128,860	
Quarter ended March 31, 2022	243,392	2,749	246,142	56,461	
Quarter ended June 30, 2022	242,079	3,613	245,692	137,009	
Total fiscal year 2021-2022 transactions	935,359	13,013	948,372	676,193	272,179
Balance to date as of June 30, 2022	$ 20,378,995	$ 401,707	$ 20,780,698	$ 19,212,318	$ 1,568,379

See Notes to Schedule of Passenger Facility Charge (PFC) Revenues and Expenditures.

NOTES TO SCHEDULE OF PASSENGER FACILITY CHARGE (PFC) REVENUES AND EXPENDITURES FOR THE FISCAL YEAR ENDED JUNE 30, 2022

Note 1: General

The Schedule of Passenger Facility Charge Revenues and Expenditures presents only the activity of the Passenger Facility Charge (PFC program of the Monterey Peninsula Airport District (District).

The Aviation Safety and Capacity Expansion Act of 1990 (Public Law 101-508, Title II, Subtitle B) authorized the imposition of PFCs and use of the resulting revenue on Federal Aviation Administration (FAA) approved projects. PFCs are fees imposed on enplaned passengers by the District for the purpose of generating revenue for District projects that increase capacity, increase safety, mitigate noise impact, and enhance competition between and among air carriers in accordance with FAA approvals.

Note 2: Basis of Presentation

The accompanying schedule is presented using the accrual basis of accounting as described in Note 1 to the District's basis financial statements.

Note 3: Relationship to Federal Financial Reports

Amounts reported in the Schedule of Passenger Facility Charge Revenues and Expenditures agree to or can be reconciled with the amounts reported to the FAA on the Passenger Facility Charge Quarterly Status Reports.

Note 4: PFC Approved Projects and Expenditures

The general description of the approved projects and cumulative expenditures to date as of June 30, 2022 are as follows:

Passenger Facility Charge Project Number/Description	Identifying Number	Passenger Facility Charge Approved Amount	Expenditures
Improve RSA 10R-28L Phase 4	14-19-C-00-MRY	$ 875,000	$ 1,490,379
Improve RSA 10R-28L Phase 4	14-19-C-01-MRY	111,000	-
Improve RSA 10R-28L Phase 4	14-19-C-02-MRY	950,000	-
Acquire one standard police vehicle	14-19-C-00-MRY	50,000	40,118
EA Infield Rehabilitation Project	16-21-C-00-MRY	35,000	31,770
Acquire Airport Sweeper	16-21-C-00-MRY	26,000	374
EA proposed Safety Enhancement Project	16-21-C-00-MRY	251,000	286,068
Infield Rehabilitation-Design & Construction	16-21-U-00-MRY	650,000	787,623
Runway 10R/28L Airfield Lighting Replacement	18-22-U-00-MRY	160,000	159,045
Conduct DBE Disparity Report	18-22-U-00-MRY	5,000	2,206
Runway 10L/28R Overlay and PAPI	18-22-U-00-MRY	185,000	235,172
Land Acquisition Part A	18-22-U-00-MRY	310,000	804,168
Safety Enhance Project Phase 1	21-25-U-00-MRY	5,775,000	950,943
Terminal Rehab to Preserve ADA Compliance	20-24-C-00-MRY	375,000	244,157
Install Security Cameras in the Terminal Bldg	20-24-C-00-MRY	100,000	-
Runway Safety Area Mitigation Ph 6-7	20-24-C-00-MRY	100,000	95,866
Terminal Enhancement for ADA	20-24-C-00-MRY	45,000	47,900
Total Passenger Facility Charge Projects		$ 10,003,000	$ 5,175,788

Note 5: Excess Project Expenditures

The expenditure of the Improve Runway 10L/28R Overlay projects, Environmental Assessment Safety Enhancement Project, Infield Rehabilitation-Design & Construction, Land Acquisition Part A, and Terminal Enhancement for ADA were in excess of the authorized PFC application line item amount. However, in accordance with FAA guidelines, if the approved PFC application total is not exceeded the public agency application and revenue collections are considered in compliance with §158.37 (a) of Title 14 Code of Federal Regulations (CFR) 158.

PASSENGER FACILITY CHARGE COMPLIANCE FINDINGS

No matters were reported.