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MONTEREY PENINSULA AIRPORT DISTRICT

FINANCIAL STATEMENTS

FOR THE YEARS ENDED
JUNE 30, 2010 AND 2009

AND INDEPENDENT AUDITORS' REPORT

MONTEREY PENINSULA AIRPORT DISTRICT

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MONTEREY PENINSULA AIRPORT DISTRICT

Board of Directors

June 30, 2010

Name	Office	Term Expires
William J. Sabo	Chairman	December 2012
Robert DeVoe	Director	December 2010
Mary Ann Leffel	Director	December 2012
Carl M. Miller	Director	December 2010
Richard D. Searle	Director	December 2012

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Monterey Peninsula Airport District
Monterey, California

We have audited the accompanying financial statements of the *Monterey Peninsula Airport District (the District)* as of and for the years ended June 30, 2010 and 2009, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the State Controller's *Minimum Audit Requirements for California Special Districts*. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the *Monterey Peninsula Airport District* as of June 30, 2010 and 2009, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our reports dated February 8, 2011 on our consideration of the *District's* internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of the reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. The reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

The Management's Discussion and Analysis on page 4 through 16 is not a required part of the basic financial statements but are supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

1188 Padre Drive, Suite 101 | P.O. Box 1879 | Salinas, CA 93902 | Tel: (831)759-6300 | Fax:(831) 759-6380
26465 Carmel Rancho Boulevard, Suite 1 | Carmel, CA 93923 | Tel: (831)624-5333 | Fax: (831) 626-9113
104 South Vanderhurst Avenue, Suite A | P.O. Box 927 | King City, CA 93930 | Tel: (831) 385-5426 | Fax: (831)385-5156
660 Camino Aguajito, Ste. 300 | Monterey, CA 93940 | Tel: (831) 647-8055 | Fax: (831) 647-8465
1101 Riverside Avenue, Suite C | Paso Robles, CA 93446 | Tel: (805) 226-7375 | Fax: (805) 221-3131

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplemental information listed in the table of contents, the Schedule of Expenditures of Federal Awards and Schedule of Passenger Facility Charges Collected and Expended for the year ended June 30, 2010, which are required by the U.S. Office of Management and Budget Circular A–133, *Audits of States, Local Governments and Non–Profit Organizations* and the Federal Aviation Administration, are presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

February 8, 2011

Hayashi & Wayland

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management Discussion and Analysis (MD&A) is provided by the Monterey Peninsula Airport District (District) in compliance with requirements established by the Government Accounting Standards Board, Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB 34). It is intended to serve as an introduction to the financial statements for the fiscal year ended June 30, 2010 (FY10). The information presented is to be read in conjunction with the financial statements, footnotes and supplementary information found in this report.

Mission Statement

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

Overview of the Monterey Peninsula Airport District

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

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

During this fiscal year, four commercial airlines served the airport. American Eagle, United Express and US Airways Express provided non-stop service to four gateway hubs: Denver, Los Angeles, Phoenix, and San Francisco. Allegiant Airlines operated non-stop service, two days per week to Las Vegas and San Diego.

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

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

Overview of the Financial Statements

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

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

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

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

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

Financial Highlights

- The assets of the District exceed liabilities by $54,064,917 for FY10.
- The District's overall financial position improved as evidenced by the increase in net assets of $6,044,985 for FY10.
- The District purchased and put into service a Fire Rescue / Command Vehicle ($769,850).
- The District completed and capitalized Phases 1 & 2 of the Airfield Pavement Rehabilitation & Improvement Project ($4,272,234).
- The District completed and capitalized the Airfield Lighting & Signage Rehabilitation Project ($957,997).
- The District completed and capitalized the 10R – 28L Runway Overlay Project. This $4,104,327 project was an ARRA Project.
- The District completed and capitalized Phases 12 & 13 of the Residential Soundproofing Insulation Program (RSIP) Project ($3,287,440).
- The District completed and capitalized several other projects that provide critical infrastructure for the terminal and supporting facilities, such as:
  - Improvements to the Snack Bar / Gift Shop in the Secure Holding Area ($143,732), and
  - Improvements to the Baggage Make-Up Belt & Doorway ($45,216).

Financial Highlights (Continued)

- A Quick-Turn-Around (QTA) facility was completed and opened by the rental car operators at the airport ($3,814,882).

- The District has no long-term debt and no outstanding bonds.

- In the airport industry, one standard measure of a commercial airport's size is the number of annual enplanements, i.e., passengers flying from the airport on commercial airlines. Enplaned passengers during the six-year period, FY05 through FY10, are presented below in Table I.

Table I

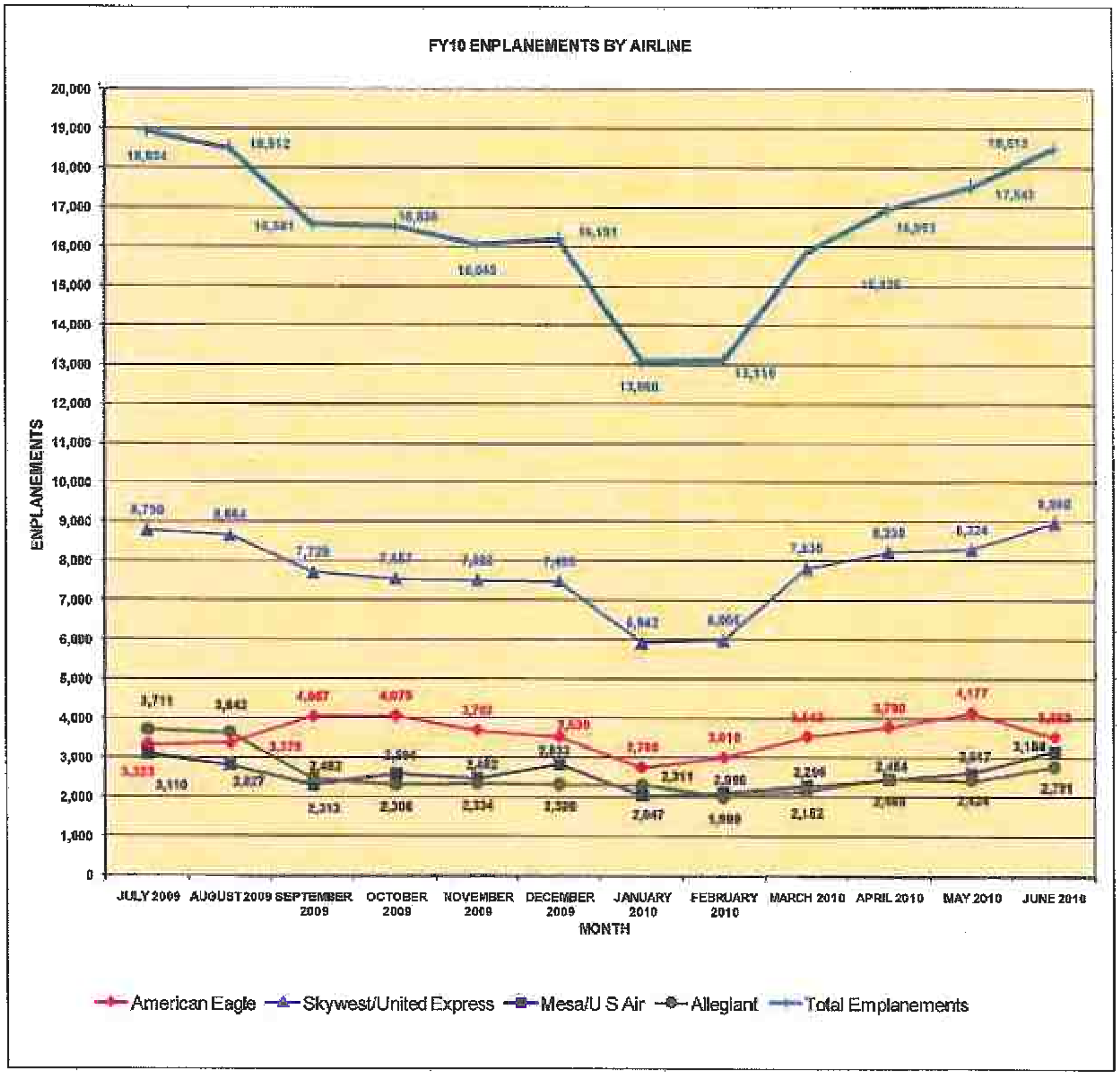
TOTAL ENPLANEMENTS: FISCAL YEARS 2005 - 2010											
FY2005		FY2006		FY2007		FY2008		FY2009		FY2010	
7/04	16,425	7/05	16,750	7/06	17,891	7/07	20,332	7/08	21,540	7/09	18,934
8/04	16,815	8/05	18,176	8/06	18,257	8/07	23,018	8/08	22,285	8/09	18,512
9/04	16,489	9/05	18,798	9/06	17,443	9/07	19,811	9/08	16,501	9/09	16,581
10/04	17,162	10/05	20,308	10/06	18,604	10/07	20,759	10/08	17,464	10/09	16,536
11/04	15,650	11/05	18,033	11/06	17,040	11/07	19,876	11/08	15,134	11/09	16,045
12/04	13,577	12/05	16,402	12/06	15,901	12/07	18,035	12/08	14,930	12/09	16,191
1/05	13,203	1/06	14,248	1/07	14,244	1/08	14,786	1/09	12,112	1/10	13,068
2/05	14,405	2/06	15,972	2/07	15,072	2/08	15,791	2/09	13,205	2/10	13,119
3/05	15,495	3/06	17,696	3/07	16,849	3/08	17,790	3/09	15,147	3/10	15,825
4/05	16,121	4/06	16,863	4/07	16,268	4/08	17,948	4/09	15,628	4/10	16,951
5/05	16,474	5/06	18,206	5/07	18,394	5/08	18,995	5/09	18,185	5/10	17,542
6/05	16,371	6/06	18,133	6/07	19,613	6/08	21,138	6/09	18,191	6/10	18,513
	188,187		209,585		205,576		228,279		200,322		197,817

- FY10 enplanements decreased 1.3% to 197,817, primarily as a direct reflection of current economic conditions.

Financial Highlights (Continued)

Chart A presents the monthly enplanements for FY10, in total and for the scheduled commercial airlines that serve the Airport.

Chart A



✓ American Eagle, a wholly-owned subsidiary of American Airlines, operated non-stop flights on 44-seat Embraer regional jets (ERJ-140) to Los Angeles.

Financial Highlights (Continued)

- ✓ United Express, operated by SkyWest Airlines, offered non-stop flights on 27-seat Brasilia turbo-props to San Francisco. United Express offered all jet non-stop flights on 50-seat Canadair regional jets (CRJ-200) to Los Angeles. It offered first class and coach service on 66-seat Canadair regional jets (CRJ-700) to Denver.

- ✓ US Airways Express, flown by Mesa Airlines, provided non-stop service on 50-seat regional jets (CRJ-200) and 86-seat regional jets (CRJ-900) to Phoenix. Depending on passenger demand, it changed its flight schedule and aircraft flown to Phoenix. The airline occasionally replaced 50-seat CRJ-200 jets with 37-seat DASH-8 turbo-props.

- ✓ Allegiant Air offered scheduled non-stop service two days per week (Thursday - Sunday or Friday - Monday) to Las Vegas and San Diego. It flies 150-seat MD-83 and 130-seat MD-87 jets. Allegiant offers ultra low air fares combined with lodging and entertainment packages.

- ✓ Allegiant Air also operated as a non-scheduled (charter) airline, flying "gambler specials" to Nevada gaming resorts on 150-seat MD-83 or 130-seat MD-87 jets.

Operating Revenues

An airport functions as a landlord. District income is derived from fees and lease income. Total operating revenues for the year were $7,109,716, an increase of 0.8% from FY09 and a decrease of 2.5% from FY08.

Revenues derived from the activities of commercial airlines and from airline passengers using services offered by the Airport account for 54.4% of FY10 Total Operating Revenue. This is an increase of 0.7% from FY09 and a decrease of 4.9% over FY08 (see Table II, "Subtotal – Commercial Aviation"). In this category are revenues paid by commercial airlines for landing, apron and aircraft overnight parking fees and income received from tenants that rent space in the airport terminal.

The line item, "Terminal Concessions & Leases", includes lease income from many sources: concessions such as *The Golden Tee Restaurant* and the *Gifts and More* gift shop; commercial airlines that rent space: 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; in-terminal advertising; and other vendors. This category of revenue increased 0.8% from FY09 but decreased 6.0% from FY08.

General Aviation activities generated 20.6% of Total Operating Revenue. Corporate aviation and general aviation tenants remit landing fees, fuel fees, and rental income for leased land, hangars, tie-downs, aircraft parking aprons, and offices. This is an increase of 1.5% from FY09 and a decrease of 7.9% from FY08. Non-aviation tenants produced 21.7% of Total Operating Revenues. This is an increase of 0.1% from FY09 and an increase of 2.9% from FY08.

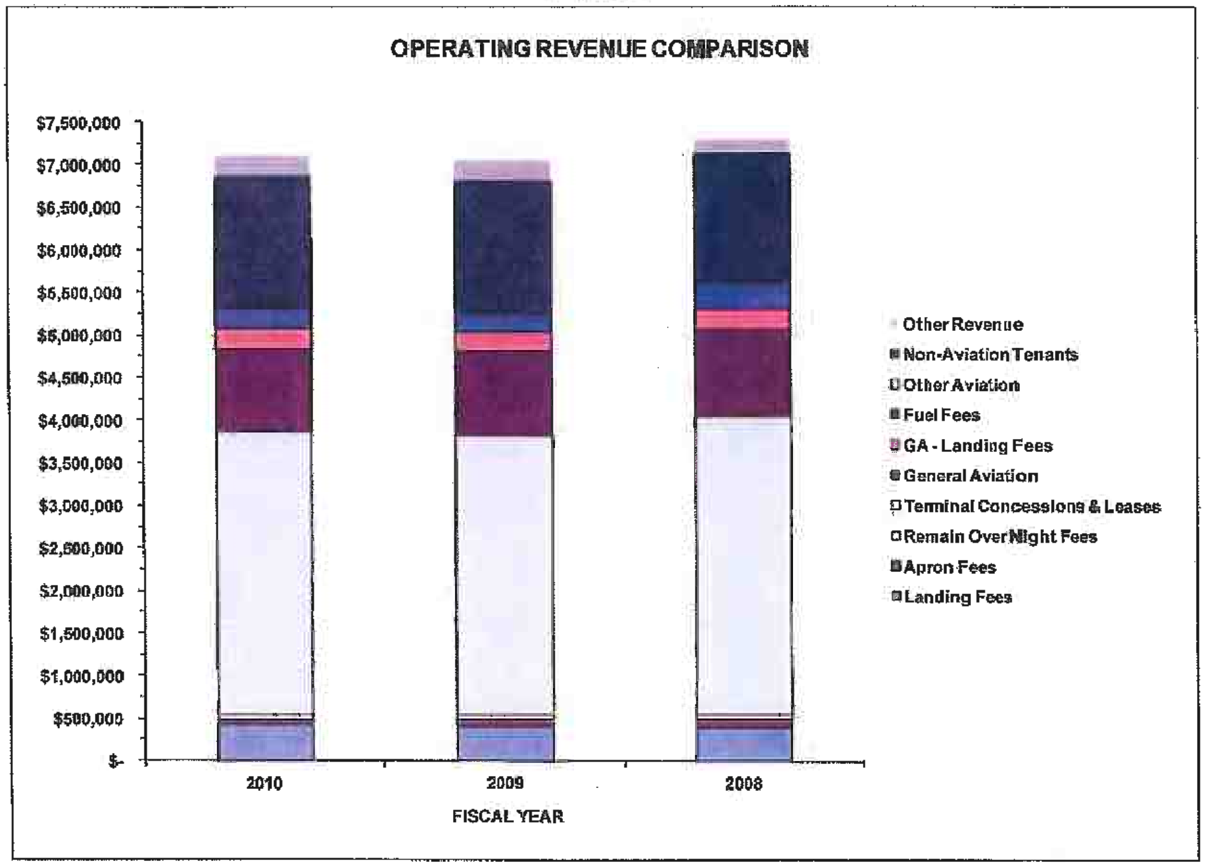
Operating Revenues (Continued)

Table II presents a comparison of operating revenues for FY10 with FY09 and with FY08. Chart C provides a graphic representation of operating revenues.

Table II

FISCAL YEAR 2010, 2009 & 2008 OPERATING REVENUE COMPARISON									
	2010			2009			2008		
Landing Fees	$	434,487	6.1%	$	428,281	6.1%	$	410,241	5.6%
Apron Fees		64,707	0.9%		64,362	0.9%		76,380	1.0%
Remain Over Night Fees		52,575	0.7%		57,300	0.8%		54,637	0.7%
Terminal Concessions & Leases		3,317,146	46.7%		3,291,216	46.7%		3,527,807	48.4%
Subtotal - Commercial Aviation	$	3,868,915	54.4%	$	3,841,159	54.5%	$	4,069,065	55.8%
General Aviation	$	973,279	13.7%	$	993,487	14.1%	$	1,010,287	13.9%
Landing Fees		246,363	3.5%		221,657	3.1%		243,168	3.3%
Fuel Fees		240,746	3.4%		224,227	3.2%		332,937	4.6%
Other Aviation		3,150	0.0%		3,150	0.0%		3,150	0.0%
Subtotal - General Aviation	$	1,463,538	20.6%	$	1,442,521	20.5%	$	1,589,542	21.8%
Non-Aviation Tenants	$	1,539,728	21.7%	$	1,538,193	21.8%	$	1,495,853	20.5%
Other Revenue		237,535	3.3%		230,278	3.3%		139,884	1.9%
Total	$	7,109,716	100%	$	7,052,151	100%	$	7,294,344	100%

Chart C



Operating Expenses

Operating Expenses decreased 5.1% over Fiscal Year 2009 and decreased 2.1% relative to Fiscal Year 2008. Salaries and payroll costs for all airport employees decreased $215,921 or 3.9% to just under $5.4 million; this is 78.4% of total FY10 operating expense.

Table III provides salary and payroll expense by airport department. Salaries and payroll costs increased $196,452 or 3.8% when compared to FY08. As a percentage of total operating expense, salaries and payroll costs were 77.4% in FY09 and 74.0% in FY08. The airport provides a wide variety of services and staffs its own police and fire departments.

Table III

FISCAL YEAR 2010, 2009 & 2008 SALARY & PAYROLL EXPENSE									
	2010			2009			2008		
Finance & Administration	$	916,240	17.1%	$	980,419	17.6%	$	906,225	17.5%
Planning & Development		413,217	7.7%		360,691	6.5%		305,806	5.9%
Maintenance & Custodial Services		835,342	15.6%		843,834	15.1%		777,940	15.0%
Airport Operations		462,895	8.6%		442,145	7.9%		380,922	7.4%
Police Department		1,069,353	19.9%		1,057,495	18.9%		905,540	17.5%
Fire Department		1,673,329	31.2%		1,901,713	34.0%		1,897,491	36.7%
Total	$	5,370,375	100%	$	5,586,296	100%	$	5,173,924	100%

Table IV compares operating expenses for FY10 with FY09 and with FY08. Chart D provides a graphic representation of operating expenses.

Finance & Administration, 30.6% of total FY10 expenses, decreased 11.6% from FY09 and decreased 10.2% from FY08. The decrease was primarily achieved by allowing positions to remain vacant for 9 months. Any expense related to the District's Board of Directors is recognized in this department.

Planning & Development, 6.3% of total FY10 expenses, increased 3.3% from FY09, and increased 23.3% from FY08. The increase relative to FY08 is due to having filled vacant positions.

Maintenance & Custodial Services, which accounted for 16.8% of total FY10 operating expenses, increased only 2.8% from FY09 and 7.8% from FY08. Expenses were controlled by emphasizing preventive maintenance; however, due to the advanced age of many assets, repair costs are increasing.

Airport Operations, 6.7% of total FY10 operating expenses, increased 5.6% from FY09 and 19.0% from FY08. These increases were primarily due to: 1) increasing the level of vigilance in the Airport Operations Area (AOA) and 2) raising the level of customer service provided by the District.

Police Department expenses represent 14.0% of FY10 total operating expenses, an increase of 1.8% from FY09 and an increase of 5.7% from FY08. The department has experienced escalating costs primarily due to mandated requirements of "security level orange" that continue in effect. These increases have been managed through the use of part-time police officers. The District has been awarded a "Law Enforcement Officer (LEO) Reimbursement Grant" from the U. S. Department of Homeland Security.

Operating Expenses (Continued)

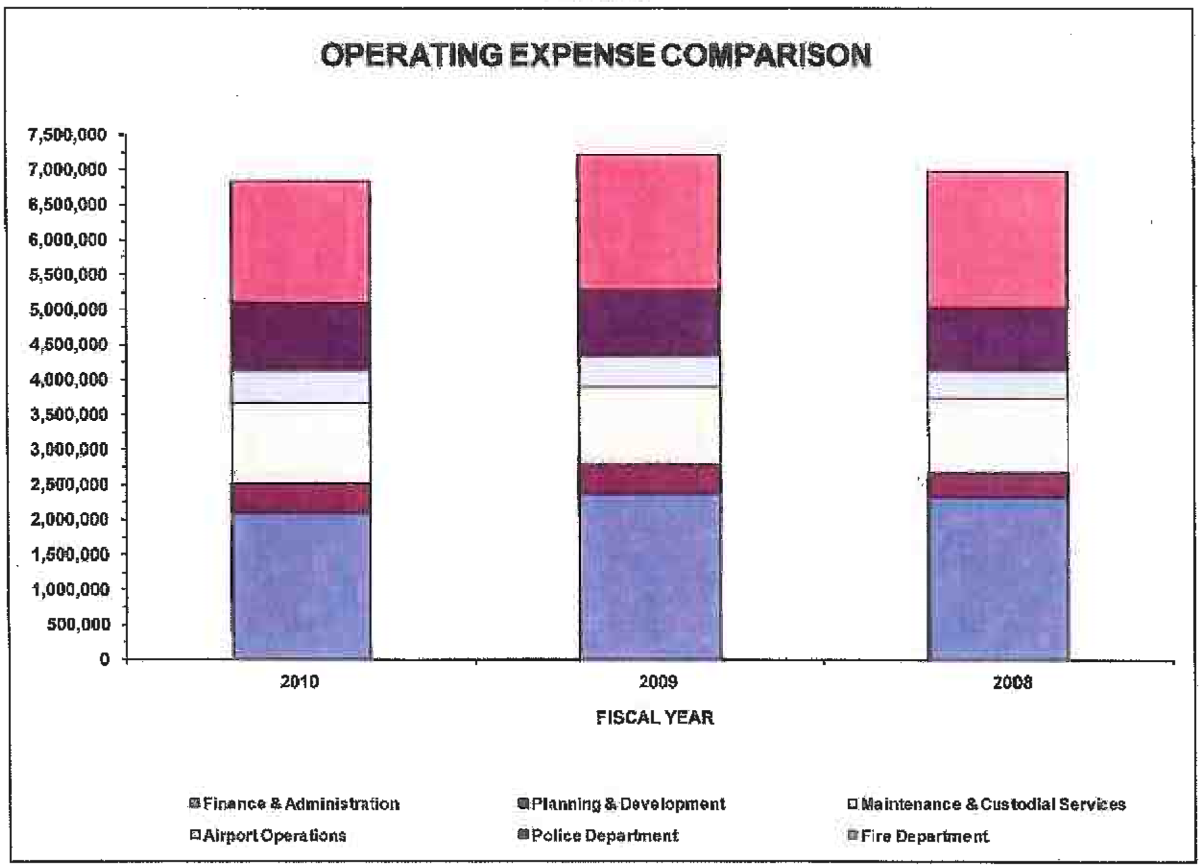
The grant is specifically designed to assist airports affected by increased security requirements mandated by TSA and DHS.

Fire Department, 25.6% of total FY10 operating expenses, decreased $181,394 (9.4%) compared to the prior fiscal year. When compared to FY08, expenses decreased $198,134 (10.2%). The decreases are due to: 1) reduced staffing levels and 2) a severe reduction of overtime (OT) caused by shift coverage and aid agreements.

Table IV

FISCAL YEAR 2010, 2009 & 2008 OPERATING EXPENSE COMPARISON									
	2010			2009			2008		
Finance & Administration	$	2,096,624	30.6%	$	2,371,851	32.9%	$	2,333,682	33.4%
Planning & Development		429,737	6.3%		416,156	5.8%		348,463	5.0%
Maintenance & Custodial Services		1,149,020	16.8%		1,117,654	15.5%		1,065,921	15.2%
Airport Operations		458,712	6.7%		434,227	6.0%		385,361	5.5%
Police Department		961,248	14.0%		944,373	13.1%		909,059	13.0%
Fire Department		1,752,156	25.6%		1,933,553	26.8%		1,950,293	27.9%
Total	$	6,847,497	100%	$	7,217,814	100%	$	6,992,779	100%

Chart D



Actual versus Budget – FY10 Revenues, Expenses and Change in Net Assets

Table V compares actual revenue, expense and change in net assets with the budget for Fiscal Year 2010.

Table V

Operating Revenues	Budget	Actual	Variance
Commercial Aviation - Fees	$ 593,566	$ 551,769	$ (41,797)
General Aviation - Fees	219,031	246,363	27,332
Terminal Concessions and Leases	3,430,497	3,320,296	(110,201)
Heavy General Aviation Tenants	798,585	817,334	18,749
Light General & Other Aviation Tenants	401,004	396,691	(4,313)
Non-Aviation Tenants	1,541,666	1,539,728	(1,938)
Other Operating Revenue	118,746	237,535	118,789
Total Operating Revenues	$ 7,103,095	$ 7,109,716	$ 6,621
Operating Expenses	**Budget**	**Actual**	**Variance**
Finance & Administration	$ 2,227,070	$ 2,096,624	$ 130,446
Planning & Development	404,375	429,737	(25,362)
Maintenance & Custodial Services	1,165,269	1,149,020	16,249
Airport Operations	485,251	458,712	26,539
Police Department	975,036	961,248	13,788
Fire Department	1,823,089	1,752,156	70,933
Total Operating Expenses	$ 7,080,090	$ 6,847,504	$ 232,593
Net Operating Income / (Loss)	23,005	262,219	239,208
Other Revenues (Expenses)	$ 6,740,388	$ 5,782,766	$ (957,622)
Change in Net Assets	$ 6,763,399	$ 6,044,985	$ (718,414)

Actual versus Budget – FY09 Revenues, Expenses and Change in Net Assets

Table VI compares actual revenue, expense and change in net assets with the budget for Fiscal Year 2009.

Table VI

Operating Revenues	Budget	Actual	Variance
Commercial Aviation - Fees	$ 622,633	$ 549,943	$ (72,690)
General Aviation - Fees	266,967	221,657	(45,310)
Terminal Concessions and Leases	3,771,811	3,294,366	(477,445)
Heavy General Aviation Tenants	980,524	791,911	(188,613)
Light General & Other Aviation Tenants	443,280	425,803	(17,477)
Non-Aviation Tenants	1,602,936	1,538,193	(64,743)
Other Operating Revenue	124,643	230,278	105,635
Total Operating Revenues	$ 7,812,794	$ 7,052,151	$ (760,643)
Operating Expenses	**Budget**	**Actual**	**Variance**
Finance & Administration	$ 2,570,673	$ 2,371,851	$ 198,822
Planning & Development	460,430	416,156	44,274
Maintenance & Custodial Services	1,169,630	1,117,654	51,976
Airport Operations	457,940	434,227	23,713
Police Department	1,082,967	944,373	138,594
Fire Department	1,980,294	1,933,553	46,741
Total Operating Expenses	$ 7,721,934	$ 7,217,814	$ 504,120
Net Operating Income / (Loss)	90,860	(165,663)	(256,523)
Other Revenues (Expenses)	$ 4,392,106	$ 2,816,782	$ (1,575,324)
Change in Net Assets	$ 4,482,966	$ 2,651,119	$ (1,831,847)

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

Table VII compares actual revenue, expense and change in net assets with the budget for Fiscal Year 2008.

Table VII

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

Changes in Net Assets

Net assets increased $6,044,985 from FY09 to FY10. Refer to the *Statement of Revenues, Expenses and Changes in Net Assets* presented in this report. Conforming to requirements of GASB 33, *Accounting and Financial Reporting for Nonexchange Transactions,* funds received from grants and PFCs are included within the structure of the financial statements and referred to as "Other Revenue". In FY10, the District received $4.5 million from FAA AIP grants and $743,147 from PFCs to fund architectural design, engineering design, and construction costs. The District also received $4.1 million through the American Recovery and Reinvestment Act (ARRA).

Net assets increased $2,651,119 from FY08 to FY09. The District received $5.3 million from FAA AIP grants and $730,841 from PFCs to fund airport improvement projects during FY09.

Capital and Debt Activity

Total District assets are $55,476,948; total liabilities are $1,412,031. The difference is approximately $54.0 million. The debt-to-equity ratio is extremely favorable because the Airport has no long term debt, an unusual situation for governmental organizations today. The District has efficiently managed its airport capital improvements by collecting FAA grants and fees to fund capital projects. For this fiscal year, net capital assets increased approximately $2.5 million. Capital assets, net of depreciation, and intangibles, net of amortization, are presented below:

	2010	2009	2008
Tangible assets:			
Land	$ 1,683,547	$ 1,683,547	$ 1,683,547
Land improvements	16,160,749	7,566,793	8,198,475
Buildings	13,641,274	14,481,162	15,471,034
Furniture, equipment and vehicles	1,855,526	1,374,109	970,126
Construction in progress	3,268,432	11,042,471	4,921,318
Total	36,609,528	36,148,082	31,244,501
Intangible assets	11,957,232	9,955,522	9,574,855
Total capital assts – net	$ 48,566,759	$ 46,103,604	$ 40,819,356

Future Impacts

Airport revenues are driven primarily by enplanements and are dependent upon use or non-use by the local traveling public. The reduction of airline passengers and general aviation passengers flying to and from Monterey has significant impacts on other revenue generating activities at the airport.

In FY10, the District experienced significant reductions in concession revenues generated by rental car operations, parking and advertising. Concession revenue from other sources, such as restaurant and gift shop sales, also declined slightly. Airline customers have changed their travel and spending habits during the current economic recession. General aviation has also been adversely affected by the current economic conditions.

Future Impacts (Continued)

To date, the Monterey Peninsula Airport District has weathered the restructure and reduction of service to the Monterey market by the airlines. Should airlines reduce service further, significant reductions in staffing levels and customer service would be necessary to counter the loss of revenue.

Looking forward to FY11 and beyond, the airport's commercial success is dependent on the local community's demand for commercial air service and the airlines' ability, capacity, and willingness to meet those needs. The District anticipates continued change and possible reductions in: 1) enplanements, 2) airline passenger-driven concession revenues (i.e. rental car & parking), and 3) general aviation (GA) activities.

Seeking to expand service, the District has and continues to maintain a dialogue with commercial air carriers that service the Monterey market. Through an active air services development campaign, the District actively pursues and encourages other air carriers to enter the market and provide additional service to our area.

In March 2010, in support of efforts already underway, the Department of Transportation (DOT) awarded the District a Small Community Air Service Development (SCASD) grant to develop air service to the Pacific Northwest. The District is targeting non-stop air service to Seattle and the return of air service to San Diego and Salt Lake City.

Requests for Information

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

FINANCIAL STATEMENTS

MONTEREY PENINSULA AIRPORT DISTRICT
STATEMENTS OF NET ASSETS
JUNE 30, 2010 AND 2009

	2010	2009
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 1,013,960	$ 1,071,881
Investments	3,299,579	2,890,868
Accounts receivable – net	929,037	676,856
Note receivable – current portion	7,782	7,291
Interest receivable	21,736	32,450
Prepaid and other current assets	65,856	79,417
Total current assets	5,337,950	4,758,763
CAPITAL ASSETS – net	36,609,528	36,148,082
NONCURRENT ASSETS:		
Cash and cash equivalents – restricted	327,609	382,422
Investments – restricted	621,182	771,087
Note receivable	29,464	37,212
Funds due from others	593,983	–
Intangible assets – net	11,957,232	9,955,522
Total other assets	13,529,470	11,146,243
TOTAL ASSETS	$ 55,476,948	$ 52,053,088
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accrued liabilities	$ 209,712	$ 191,701
Accrued compensated absences	470,289	444,227
Deferred revenue	6,000	7,500
Funds held in trust	–	2,789,410
Total current liabilities	686,001	3,432,838
NONCURRENT LIABILITIES:		
Security deposits	354,187	361,318
Deferred revenue	233,000	239,000
OPEB liability	138,843	–
Total long-term liabilities	726,030	600,318
TOTAL LIABILITIES	1,412,031	4,033,156
NET ASSETS		
Invested in capital assets	48,566,760	46,103,604
Restricted	608,711	662,143
Unrestricted	4,889,446	1,254,185
TOTAL NET ASSETS	54,064,917	48,019,932
TOTAL LIABILITIES AND NET ASSETS	$ 55,476,948	$ 52,053,088

See Notes to Financial Statements.

MONTEREY PENINSULA AIRPORT DISTRICT
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	2010	2009
OPERATING REVENUES:		
Commercial aviation	$ 551,769	$ 549,943
General aviation	246,363	221,657
Terminal leases and concessions	3,320,296	3,294,366
Heavy general aviation tenants	817,334	791,911
Light general aviation and other aviation tenants	396,691	425,803
Non-aviation tenants	1,539,728	1,538,193
Other operating revenue	237,535	230,278
Total operating revenues	7,109,716	7,052,151
OPERATING EXPENSES:		
Finance and administration	2,096,624	2,371,851
Planning and development	429,737	416,156
Maintenance and custodial services	1,149,020	1,117,654
Airport operations	458,712	434,227
Police department	961,248	944,373
Fire department	1,752,156	1,933,553
Total operating expenses	6,847,497	7,217,814
OPERATING INCOME (LOSS) BEFORE DEPRECIATION AND AMORTIZATION	262,219	(165,663)
DEPRECIATION AND AMORTIZATION	3,740,931	3,490,282
OPERATING LOSS	(3,478,712)	(3,655,945)
NONOPERATING REVENUES:		
Grants – FAA	4,552,107	5,300,590
Grants – ARRA	4,104,328	–
Passenger Facility Charges	743,147	730,841
Interest income	126,207	192,692
Unrealized gain (loss) on investments	(3,092)	81,941
Grants – EMS	1,000	1,000
Total nonoperating revenues	9,523,697	6,307,064
CHANGE IN NET ASSETS	6,044,985	2,651,119
NET ASSETS, BEGINNING OF YEAR	48,019,932	45,368,813
NET ASSETS, END OF YEAR	$ 54,064,917	$ 48,019,932

See Notes to Financial Statements.

MONTEREY PENINSULA AIRPORT DISTRICT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	$ 6,605,368	$ 7,093,477
Other receipts	244,792	237,045
Payments to vendors and employees	(10,034,413)	(7,313,898)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(3,184,253)	16,624
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds from grants and PFC charges	9,400,583	6,032,431
Payments for purchases of fixed assets and construction of property – net of disposals	(6,204,085)	(8,774,531)
NET CASH PROVIDED(USED) BY FINANCING ACTIVITIES	3,196,498	(2,742,100)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment income received	133,827	283,631
Proceeds (purchases) from sale of investments	(258,806)	616,481
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(124,979)	900,112
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	(112,734)	(1,825,364)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,454,303	3,279,667
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 1,341,569	$ 1,454,303

MONTEREY PENINSULA AIRPORT DISTRICT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009
(Continued)

	2010	2009
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating loss	$ (3,478,712)	$ (3,655,945)
Adjustments to reconcile net loss to net cash provided (used) by operating activities:		
Depreciation and amortization	3,740,931	3,490,282
(Increase) decrease in:		
Accounts receivable	(252,182)	(205,134)
Note receivable	7,257	6,767
Prepaid and other current assets	13,561	(5,105)
Funds due from others	(593,983)	–
Increase (decrease) in:		
Accrued liabilities	44,073	(90,980)
Deferred revenue	(7,500)	(7,500)
Funds held in trust	(2,789,410)	463,610
Security deposits	(7,131)	20,629
OPEB liability	138,843	–
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	$ (3,184,253)	$ 16,624
CASH AND CASH EQUIVALENTS – Unrestricted	$ 1,013,960	$ 1,071,881
CASH AND CASH EQUIVALENTS – Restricted	327,609	382,422
TOTAL	$ 1,341,569	$ 1,454,303

See Notes to Financial Statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Reporting Entity – The Monterey Peninsulas Airport District (the District) was established under the provisions of Article #133 of the General Law of the State of California on March 22, 1941 for the purpose of operating and maintaining a public airport. Originally, it consisted of 37 acres which were contributed to the District by the City of Monterey. Additional land has been acquired by grants and purchases in subsequent years. As of June 30, 2010, the District's total acreage amounted to approximately 498 acres.

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

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

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

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

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In July 2004, the Governmental Accounting Standards Board (GASB) issued Statement of Governmental Accounting Standards No. 45 *Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions*. In addition to pension, many state and local governmental employers provide other post employment benefits, such as healthcare. This Statement established standards for the measurement, recognition, and display of expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information in the financial reports of the governmental employer. This statement called for a phased implementation based on the size of the government starting with the year ending June 30, 2008. The District implemented the standard in fiscal year ending June 30, 2010.

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

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

Receivables – Receivables from tenants are recorded when the revenues are earned under the accrual method of accounting and accounted for using the allowance method. The allowance at June 30, 2010 and June 30, 2009 was $10,000.

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

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

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

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

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

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements – Effective July 1, 2008, the District adopted ASC 820 Fair Value Measurements. This authoritative guidance defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles (GAAP), and expands disclosures about fair value measurements.

Fair value measurements are determined based on the assumptions—referred to as inputs—that market participants would use in pricing the asset. This principle establishes a fair value hierarchy that distinguishes between market participant assumptions and the District's own assumptions about market participant assumptions. Observable inputs are assumptions based on market data obtained from independent sources, while unobservable inputs are the District's own assumptions about what market participants would assume based on the best information available in the circumstances.

The three levels of the fair value hierarchy are as follows:

Level 1 inputs – A quoted price in an active market for an identical asset or liability that the District has the ability to access at the measurement date is considered to be the most reliable evidence of fair value.

Level 2 inputs – These are observable inputs, either directly or indirectly, other than quoted prices included within Level 1.

Level 3 inputs – These inputs are unobservable and are used to measure fair value only when observable inputs are not available.

	2010	2009
ASSETS	Level 1	Level 1
Cash and cash equivalents	$ 761,297	$ 1,071,881
Investments	$ 4,501,033	$ 2,890,868

Fair value for Level 1 is based upon quoted market price. Inputs are obtained from various sources including market participants, dealers, brokers and financial institutions.

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Revenue – Deferred revenue represents amounts collected before year–end which were not earned as of June 30, 2010 and 2009.

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

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

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

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

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

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

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

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

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

Reclassifications – Certain reclassifications have been made to the 2009 financial statements to conform to the 2010 presentation.

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events – Subsequent events have been evaluated through February 8, 2011, which is the date the financial statements were available to be issued.

NOTE 2. CASH AND INVESTMENTS

Balances in cash and cash equivalents consist of bank accounts insured by the Federal Depository Insurance Corporation (FDIC) and unsecured and uncollateralized deposits in the California State Treasurer's Investment Pool, known as the Local Agencies Investment Fund (LAIF). As of June 30, 2010 and 2009, the bank balances exceeded the FDIC limit by $ –0– and $11,617, respectively. The uninsured amount is, however, collateralized at a rate of 110% by securities which are held for the benefit of the District. Money in LAIF is invested by the State Treasurer to realize the maximum return consistent with prudent treasury management. All earnings of the fund, less a reimbursement of management costs incurred not to exceed one quarter of one percent of earnings, are distributed to the contributing agencies in their relative shares each quarter. The balances of funds in LAIF approximated fair market value as of June 30, 2010 and 2009.

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

Cash, Cash Equivalents, Investments and Restricted Cash – Investments consist of time certificates which have a maturity date greater than three months and money market funds as of June 30, 2010 and 2009. The certificates and money market funds are entirely covered by the FDIC and represent unspent passenger facility charges restricted for airport improvements.

Cash and investments (at market value) consist of the following at June 30, 2010 and 2009:

	2010					
		Restricted				
	Unrestricted	QTAC	Security Deposits	Passenger Facilities Charges	ASA/ EMS	Totals
Cash in bank	$ 433,688	$ 132	$ 245,732	$ 74,675	$ 7,070	$ 761,297
Investments	3,299,579	–	94,216	526,966	–	3,920,761
LAIF	580,272	–	–	–	–	580,272
Total	$ 4,313,539	$ 132	$ 339,948	$ 601,641	$ 7,070	$ 5,262,330

	2009					
		Restricted				
	Unrestricted	QTAC	Security Deposits	Passenger Facilities Charges	ASA/ EMS	Totals
Cash in bank	$ 30,974	$ 46,278	$ 249,900	$ 79,730	$ 6,514	$ 413,396
Investments	2,890,868	101,001	94,188	575,898	–	3,661,955
LAIF	1,040,907	–	–	–	–	1,040,907
Total	$ 3,962,749	$ 147,279	$ 344,088	$ 655,628	$ 6,514	$ 5,116,258

NOTE 2. CASH AND INVESTMENTS (Continued)

Custodial Credit Risk Related to Deposits – Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits might not be recovered. The District does not have a deposit policy for custodial credit risk. As of June 30, 2010 and 2009, $ –0– and $11,617, respectively, of the District's bank balances were exposed to custodial credit risk as follows:

	2010	2009
Uninsured and collateral held by the pledging financial institution's agent but not in the name of the District.	$ –	$ 11,617
Total	$ –	$ 11,617

Custodial Credit Risk Related to Investments – The custodial credit risk for investments is the risk that a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party if the counterparty to the transaction fails. The District does not have an investment policy for custodial credit risk. As of June 30, 2010, none of the District's investments (including those in LAIF) meet the definition of investments that are subject to the above categorization.

Concentration of Credit Risk – While it is the District's policy to limit its investment in time deposits to a maximum of $100,000 to a single issuer, the District places no limit on the amount it may invest in LAIF. As of June 30, 2010 and 2009, approximately 11% and 22% of total investments were held in LAIF.

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

NOTE 3. ACCOUNTS RECEIVABLE – NET

Accounts receivable at June 30 are as follows:

	2010	2009
Accounts receivable	$ 939,037	$ 686,856
Less allowance for doubtful accounts	10,000	10,000
Accounts receivable – net	$ 929,037	$ 676,856

NOTE 4. CAPITAL ASSETS – NET

	2010			
	Balance as of June 30, 2009	Additions Transfers	Disposals Transfers	Balance as of June 30, 2010
Capital assets not being depreciated:				
Land	$ 1,683,547	$ –	$ –	$ 1,683,547
Construction in progress	11,042,471	10,018,969	(17,793,008)	3,268,432
Total capital assets not being depreciated	12,726,018	10,018,969	(17,793,008)	4,951,979
Capital assets being depreciated:				
Land improvements	25,742,010	9,334,561	–	35,076,571
Buildings	21,736,079	188,947	–	21,925,026
Furniture, equipment and vehicles	3,822,691	769,849	–	4,592,540
Total capital assets being depreciated	51,300,780	10,293,357	–	61,594,137
Accumulated depreciation:				
Land improvements	18,175,217	740,605	–	18,915,822
Buildings	7,254,917	1,028,835	–	8,283,752
Furniture, equipment and vehicles	2,448,582	288,432	–	2,737,014
Total accumulated depreciation	27,878,716	2,057,872	–	29,936,588
Total capital assets being depreciated – net	23,422,064	8,235,485	–	31,657,549
Capital assets – net	$ 36,148,082	$ 18,254,454	$(17,793,008)	$ 36,609,528

	2009			
	Balance as of June 30, 2008	Additions Transfers	Disposals Transfers	Balance as of June 30, 2009
Capital assets not being depreciated:				
Land	$ 1,683,547	$ –	$ –	$ 1,683,547
Construction in progress	4,921,318	8,748,268	(2,627,115)	11,042,471
Total capital assets not being depreciated	6,604,865	8,748,268	(2,627,115)	12,726,018
Capital assets being depreciated:				
Land improvements	25,723,673	18,337	–	25,742,010
Buildings	21,701,611	34,468	–	21,736,079
Furniture, equipment and vehicles	3,215,477	607,214	–	3,822,691
Total capital assets being depreciated	50,640,761	660,019	–	51,300,780
Accumulated depreciation:				
Land improvements	17,525,198	650,019	–	18,175,217
Buildings	6,230,577	1,024,340	–	7,254,917
Furniture, equipment and vehicles	2,245,350	203,232	–	2,448,582
Total accumulated depreciation	26,001,125	1,877,591	–	27,878,716
Total capital assets being depreciated – net	24,639,636	(1,217,572)	–	23,422,064
Capital assets – net	$ 31,244,501	$ 7,530,696	$ (2,627,115)	$ 36,148,082

NOTE 5. INTANGIBLE ASSETS – NET

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

	2010	2009
Noise safety study and soundproofing	$ 22,647,907	$ 18,963,138
Master Plan	208,440	208,440
Logo	9,833	9,833
Total	22,866,180	19,181,411
Less accumulated amortization	10,908,948	9,225,889
Intangible assets – net	$ 11,957,232	$ 9,955,522

Total amortization expenses for the years ended June 30, 2010 and 2009 were $1,683,059 and $1,612,690, respectively.

NOTE 6. OPERATING LEASES

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

Future minimum rentals on noncancelable leases as of June 30, 2010 are as follows:

2011	$ 1,385,802
2012	1,377,792
2013	1,377,792
2014	1,377,792
2015	1,341,948
2016 and thereafter	30,936,156
Total	$ 37,797,282

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

NOTE 7. DEFERRED REVENUE

Deferred revenue at June 30 consists of the following:

	2010	2009
Art program grant received in advance	$ –	$ 1,500
Advance rents received from DBO Development	239,000	245,000
Total	$ 239,000	$ 246,500

NOTE 8. FUNDS DUE FROM OTHERS

Funds due from others represents monies due to the District from various rental car companies resulting from the District advancing funds to assist in the completion of a facility for car rentals and car wash on the Airport's grounds in addition to the $10 for each care rental that the companies remit towards completion. The District classifies these funds due from others as a non-current asset as the advanced funds are not expected to be recovered within the next year.

NOTE 9. RESTRICTED NET ASSETS

Restricted net assets at June 30 consists of the following:

		2010		2009
Unspent passenger facility charges	$	601,641	$	655,628
Emergency Medical Supplies		4,005		3,457
Asset Seizure Account		3,065		3,058
Total	$	608,711	$	662,143

NOTE 10. PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS)

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

Funding Policy – Participants are required to contribute approximately 7% – 9% of their annual covered salary. For the fiscal year ended June 30, 2010, the employer contribution rates were 41.696% for the safety fire plan participants, 30.258% for the safety police plan participants and 10.116% for the miscellaneous plan participants. The District is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The District's contributions to CalPERS for the years ending June 30, 2010, 2009 and 2008 were $717,401, $784,228 and $715,740, respectively, equal to the required contributions for each year.

NOTE 11. COMMITMENTS AND CONTINGENCIES

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

NOTE 11. COMMITMENTS AND CONTINGENCIES (Continued)

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

NOTE 12. BUDGETARY REPORTING BASIS

The District adopts an annual budget that has been prepared on a basis consistent with accounting principles generally accepted in the United States of America.

NOTE 13. POSTEMPLOYMENT HEALTHCARE BENEFITS (OPEB)

PLAN DESCRIPTION

The District provides a defined benefit healthcare plan (the "Retiree Health Plan"). The Retiree Health Plan provides healthcare insurance for eligible retirees through the CalPERS Health Benefit Program, which covers both active and qualified retired members for life. Benefit provisions are established by the Board of Directors.

FUNDING POLICY

The District's Board of Directors will not be funding the plan in the current year. The Board will review the funding requirements and policy annually.

ANNUAL OPEB COST AND NET OPEB OBLIGATION

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC). The District has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement No. 45 for employers in plans with fewer than one hundred total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over the remaining period of 29 years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in its net OPEB obligation to the Retiree Health Plan:

NOTE 13. POSTEMPLOYMENT HEALTHCARE BENEFITS (OPEB) (Continued)

	Police	Fire	Misc	Total
ARC	$ 48,943	$ 24,815	$ 75,967	$ 149,725
Interest on net OPEB obligation	–	–	–	–
Adjustment to ARC	–	–	–	–
Annual OPEB cost (expense)	48,943	24,815	75,967	149,725
Contributions made	4,799	5,049	1,034	10,882
Increase in net OPEB obligation	44,144	19,766	74,933	138,843
Net OPEB obligation–beginning of year	–	–	–	–
Net OPEB obligation-end of year	$ 44,144	$ 19,766	$ 74,933	$ 138,843

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for the current fiscal year is as follows:

Fiscal Year End	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	$149,725	7%	$138,843

FUNDING STATUS AND FUNDING PROGRESS

As of June 30, 2010, the actuarial accrued liability (AAL) for benefits was $1,135,375, all of which is unfunded.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrences of events far into the future. Examples include assumptions about future employment, mortality and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer as subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presents multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

METHODS AND ASSUMPTIONS

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

SUPPLEMENTAL INFORMATION

MONTEREY PENINSULA AIRPORT DISTRICT
SCHEDULE OF CONSTRUCTION–IN–PROGRESS
FOR THE YEAR ENDED JUNE 30, 2010

Projects No.	Projects Title	Balance at June 30, 2009	Additions	Completed/ Transferred to Capital Assets	Balance at June 30, 2010
AIP T–25	Service Road to Runway 28L	$ 254,068	$ –	$ (254,068)	$ –
MPAD 114	Quick Turn Around (QTA) Area	3,377,633	437,249	(3,814,882)	–
AIP 45	Residential Soundproofing, Phase 12	745,667	1,185,190	(1,930,857)	–
AIP 46A	Fire Rescue/Command Vehicle	763,098	6,750	(769,848)	–
AIP 47A	Airfield Pavement Rehab/Improvement	2,310,150	–	(2,310,150)	–
AIP 47B	Airfield Lighting/Signage Rehabilitation	781,524	176,473	(957,997)	–
2008–10	Airfield Pavement Rehabilitation, Phase 2	1,705,392	256,694	(1,962,086)	–
2008–06	Snack Bar/Gift Shop – Security	95,357	48,375	(143,732)	–
2008–07	Airport Terminal Signage Rehabilitation	24,017	–	–	24,017
2009–01	Residential Soundproofing, Phase 13	123,178	1,233,406	(1,356,584)	–
2009–03	RSA Environmental – Phase 1	515,732	144,559	–	660,291
2009–04	Airfield Pavement – Phase 3A	191,118	458,854	–	649,972
2009–05	Airfield Pavement – Phase 3B	82	831,970	–	832,052
2009–07	Airport Energy Efficient Project	10,000	17,866	–	27,866
2009–08	10R–28L Runway Overlay	2,194	4,102,133	(4,104,327)	–
2009–09	RSA Environmental – Phase 2	–	600,891	–	600,891
2010–01	Wildlife Hazard Assessment/Mitigation	–	38,673	–	38,673
2010–02	Terminal Baggage Belt and Doorway Rehabilitation	–	45,216	(45,216)	–
2010–03	Flight Information Display System	–	385,218	–	385,218
2010–04	Airport Access Improvements – Phase 1	–	49,452	–	49,452
	PFC Funded Projects:				
PFC BB	EIR Roadway Circulation Projects – PFC	100,178	–	(100,178)	–
PFC EE	Airport Biological Assessment	43,083	–	(43,083)	–
	TOTAL	$ 11,042,471	$ 10,018,969	$(17,793,008)	$ 3,268,432

NOTE 13. POSTEMPLOYMENT HEALTHCARE BENEFITS (OPEB) (Continued)

The following simplifying assumptions were made:

Retirement age for active employees – Based on the historical average retirement age for the covered group, active plan members were assumed to retire at age 60, or at the first subsequent year in which the member would qualify for benefits.

Marital status – Marital status of members at the calculation date was assumed to continue throughout retirement.

Mortality – Life expectancies at the calculation date are based on the most recent mortality tables published by the National Center for Health Statistics website (www.cdc.gov). The calculation of OPEB liability for each year is based on the assumption that all participants will live until their expected age as displayed in the mortality tables.

Turnover – The probability that an employee will remain employed until the assumed retirement age was determined using non-group-specific age-based turnover data provided in Table 1 in paragraph 35 of GASB Statement No. 45. In addition the expected future working lifetimes of employees were determined using Table 2 in paragraph 35c of GASB Statement No. 45.

Healthcare cost trend rate – The expected rate of increase in healthcare insurance premiums is based on the most recent projections made by the Office of Actuary at the Centers for Medicare and Medicaid Services as published in National Health Care Expenditures Projections: 2004-2019. For 2011 and beyond the initial trend rate is 5.20% fluctuating over the next 8 years until the ultimate rate of 6.60% is reached.

Health insurance premiums – 2010 health insurance premiums for retirees were used as a basis for calculation of the present value of total benefits to be paid.

Medicare coordination – Medicare was assumed as the primary payer for current and future retirees at age 65.

Payroll increase – Changes in the payroll for current employees are expected to increase at a rate of approximately 3.0% annually.

Discount rate – The calculation uses an annual discount rate of 3%. This is based on the assumed long-term return on plan assets or employer assets.

Actuarial cost method – The entry age actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at July 1, 2009, was thirty years.

The calculation of the District's other postemployment benefits cost is calculated as follows:

- Medical benefits for Police employees is $1,260 plus 3% per year of service up to 90% of the remaining premium annually.
- Medical benefits for Fire and Miscellaneous employees is $1,260 annually.

NOTE 13. POSTEMPLOYMENT HEALTHCARE BENEFITS (OPEB) (Continued)

The number of retirees annually drawing these benefits is determined as follows:

- Current retirees drawing benefits, plus potential retirees (assuming a retirement age of 60).
- Capped at life expectancy based on mortality tables published by the National Center for Health Statistics.
- Annual discount rate of 5%.

PLAN FOR FUNDING

On an ongoing basis, the District will be reviewing its assumptions, comparing them against actual experience and recalculating the needed funding with the goal of paying for postemployment benefits out of interest earned on designated funds.

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Accrued Liability (AAL) (a)	Actuarial Value of Assets (b)	Unfunded Liability (UAAL) (a-b)	Funded Status (b/a)	Annual Covered Payroll (c)	UAAL as a % of payroll ([a-b]/c)
7/1/2009	$ 1,135,375	-	$ 1,135,375	0%	$ 3,108,482	36.5%

MONTEREY PENINSULA AIRPORT DISTRICT
SCHEDULE OF CONSTRUCTION–IN–PROGRESS
FOR THE YEAR ENDED JUNE 30, 2009

Projects No.	Title	Balance at June 30, 2008	Additions	Completed/ Transferred to Capital Assets	Balance at June 30, 2009
AIP 42	Residential Soundproofing, Phase 11	$ 1,803,008	$ 190,348	$ (1,993,356)	$ –
AIP T–25	Service Road to Runway 28L	252,895	1,173	–	254,068
MPAD 114	Quick Turn Around (OTA) Area	350,725	3,026,909	–	3,377,634
AIP 45	Residential Soundproofing, Phase 12	11,992	733,675	–	745,667
AIP 46A	Fire Rescue/Command Vehicle	20,289	742,810	–	763,099
AIP 46B	ARRF Support/Structure Vehicle	18,165	562,786	(580,951)	–
AIP 47A	Airfield Pavement Rehab/Improvement	2,030,540	279,609	–	2,310,149
AIP 47B	Airfield Lighting/Signage Rehabilitation	188,976	592,548	–	781,524
2008–10	Airfield Pavement Rehabilitation, Phase 2	71,680	1,633,712	–	1,705,392
2008–06	Snack Bar/Gift Shop – Security	22,803	72,554	–	95,357
2008–07	Airport Terminal Signage Rehabilitation	6,985	17,031	–	24,016
2008–11	Ramp Parking & Gate Layout	–	18,340	(18,340)	–
2009–01	Residential Soundproofing, Phase 13	–	123,178	–	123,178
2009–02	FD Exhaust System Retrofit	–	34,468	(34,468)	–
2009–03	RSA Environmental – Phase 1	–	515,732	–	515,732
2009–04	Airfield Pavement – Phase 3A	–	191,118	–	191,118
2009–05	Airfield Pavement – Phase 3B	–	83	–	83
2009–07	Airport Energy Efficient Project	–	10,000	–	10,000
2009–08	10R–28L Runway Overlay	–	2,194	–	2,194
	PFC Funded Projects:				
PFC BB	EIR Roadway Circulation Projects – PFC	100,178	–	–	100,178
PFC EE	Airport Biological Assessment	43,082	–	–	43,082
	TOTAL	$ 4,921,318	$ 8,748,268	$ (2,627,115)	$ 11,042,471

MONTEREY PENINSULA AIRPORT DISTRICT
STATEMENT OF REVENUES AND EXPENSES – BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010

	Budget	Actual	Variance Favorable (Unfavorable)
OPERATING REVENUES:			
Commercial aviation:			
Landing fees	$ 466,899	$ 434,487	$ (32,412)
RON fees	54,492	52,575	(1,917)
Apron fees	72,175	64,707	(7,468)
Total commercial aviation	593,566	551,769	(41,797)
General aviation –			
Landing fees	219,031	246,363	27,332
Total general aviation	219,031	246,363	27,332
Terminal leases and concessions:			
Gate usage fees	4,381	6,530	2,149
Terminal space rent	1,504,801	1,522,888	18,087
Terminal concessions	220,080	194,978	(25,102)
Rental car concessions	1,000,000	942,143	(57,857)
Parking concession	698,085	650,607	(47,478)
Tower lease	3,150	3,150	–
Total terminal leases and concessions	3,430,497	3,320,296	(110,201)
Heavy general aviation tenants:			
FBO rents	576,576	576,588	12
Fuel flowage fees	222,009	240,746	18,737
Total heavy aviation tenants	798,585	817,334	18,749
Light general and other aviation tenants:			
Facility/space rents	169,080	179,810	10,730
Hangar rents	223,668	208,900	(14,768)
Tiedown fees	8,256	7,981	(275)
Total light general and other aviation tenants	401,004	396,691	(4,313)
Non–aviation tenants:			
Facility/space rents	1,010,922	1,009,537	(1,385)
Outside storage	211,548	208,418	(3,130)
RV storage	113,196	108,433	(4,763)
Self–Storage Concessions	200,000	178,835	(21,165)
Miscellaneous non–aviation revenue	6,000	34,505	28,505
Total non–aviation tenants	$ 1,541,666	$ 1,539,728	$ (1,938)

MONTEREY PENINSULA AIRPORT DISTRICT
STATEMENT OF REVENUES AND EXPENSES – BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010
(Continued)

	Budget	Actual	Variance Favorable (Unfavorable)
OPERATING REVENUES (Continued):			
Other operating revenue:			
Utility charges	$ 84,046	$ 88,032	$ 3,986
Late fees and interest	7,500	23,146	15,646
Bail and traffic fines	4,200	3,089	(1,111)
Decals and badges	23,000	22,372	(628)
Banner (advertising) revenue	–	150	150
Tenant plan reviews, checks and inspections	–	89,308	89,308
Miscellaneous other operating revenue	–	11,438	11,438
Total other operating revenue	118,746	237,535	118,789
TOTAL OPERATING REVENUES	7,103,095	7,109,716	6,621
OPERATING EXPENSES:			
Finance and administration:			
Salaries and wages	729,170	676,213	52,957
Salary and wage reimbursement – AIR and billing	–	2,974	(2,974)
Employer SSI	40,400	34,920	5,480
Employer MC	10,573	9,299	1,274
Employer SDI	5,416	5,697	(281)
Workers' compensation insurance	16,826	15,563	1,263
ADP processing	2,112	1,668	444
CalPERS retirement	73,762	64,933	8,829
CalPERS health insurance	95,376	61,799	33,577
Flexible spending account	10,176	8,860	1,316
Dental insurance	10,444	8,160	2,284
Vision insurance	1,962	1,438	524
Retiree health insurance	1,296	24,091	(22,795)
Life insurance	702	626	76
Personnel recruitment and pre-employment expense	500	108	392
Temporary personnel	57,000	32,073	24,927
Dues and subscriptions	20,000	24,590	(4,590)
Seminars and conferences	4,000	3,534	466
Professional development and education	6,000	2,497	3,503
Travel and business entertainment	12,500	11,204	1,296
Board of Directors – stipends	13,000	12,700	300
Board of Directors – seminars and conferences	5,000	3,354	1,646
Board of Directors – travel and business entertainment	9,000	1,646	7,354
Board of Directors – miscellaneous	8,800	9,218	(418)
Subtotal – forward	$ 1,134,015	$ 1,017,165	$ 116,850

MONTEREY PENINSULA AIRPORT DISTRICT
STATEMENT OF REVENUES AND EXPENSES – BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010
(Continued)

	Budget	Actual	Variance Favorable (Unfavorable)
Subtotal – forward	$ 1,134,015	$ 1,017,165	$ 116,850
OPERATING EXPENSES (Continued):			
Finance and administration:			
Public notices	1,200	680	520
LAFCO expense	14,305	14,301	4
Umbrella liability insurance expense	222,000	210,227	11,773
Administrative meetings/employee relations	5,600	5,794	(194)
Telephone	32,000	34,953	(2,953)
Postage and courier services	5,300	4,746	554
Bank fees and finance charges	4,200	6,752	(2,552)
Telecommunications	4,200	4,774	(574)
General supplies and materials	1,200	1,905	(705)
Office supplies and materials	20,000	30,833	(10,833)
District vehicle supplies and materials	50	55	(5)
District vehicle fuel	3,000	2,506	494
Office equipment repair and equipment	6,300	7,391	(1,091)
General repairs and equipment	250	–	250
District vehicle repair and maintenance	4,250	2,428	1,822
Other services	1,500	5,319	(3,819)
Tenant services	17,500	–	17,500
Art program	15,000	15,242	(242)
Annual audit/accounting	46,000	39,921	6,079
District legal counsel	135,000	127,386	7,614
Administration and finance	10,000	9,135	865
Human resources	20,000	19,785	215
Other legal services	10,000	40,171	(30,171)
Marketing	75,000	57,513	17,487
Public relations	12,000	17,699	(5,699)
Air service development	30,000	25,112	4,888
Utilities – miscellaneous	2,500	2,919	(419)
Utilities – electricity	216,000	232,328	(16,328)
Utilities – natural gas	71,000	64,145	6,855
Utilities – water	70,000	52,858	17,142
Utilities – sewage/waste water	20,300	18,360	1,940
Utilities – solid waste disposal	12,400	11,975	425
Bad debt expense	5,000	12,246	(7,246)
Total finance and administration	$ 2,227,070	$ 2,096,624	$ 130,446

MONTEREY PENINSULA AIRPORT DISTRICT
STATEMENT OF REVENUES AND EXPENSES – BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010
(Continued)

	Budget	Actual	Variance Favorable (Unfavorable)
OPERATING EXPENSES (Continued):			
Planning and development:			
Salaries and wages	$ 286,139	$ 286,082	$ 57
Salary and wage reimbursement – AIP and billing	(139,814)	(165,332)	25,518
Employer SSI	16,672	16,746	(74)
Employer MC	4,148	4,134	14
Employer SDI	2,348	2,781	(433)
Workers' compensation insurance	19,279	14,869	4,410
ADP processing	1,056	962	94
CalPERS retirement	28,944	28,440	504
CalPERS health insurance	55,224	39,714	15,510
Flexible spending account	3,816	3,816	–
Dental insurance	4,524	3,248	1,276
Vision insurance	738	179	559
Life insurance	266	262	4
Retiree health insurance	–	11,528	(11,528)
Dues and subscriptions	1,315	975	340
Seminars and conferences	6,000	2,460	3,540
Professional development and education	4,000	–	4,000
Travel and business entertainment	3,000	3,227	(227)
Public notices	2,000	186	1,814
Administrative meetings/employee relations	1,000	46	954
Telephone	540	294	246
Telecommunications	2,100	3,562	(1,462)
Postage and courier services	685	198	487
General supplies and materials	–	18	(18)
Office supplies and materials	2,000	3,955	(1,955)
District vehicle supplies and materials	50	–	50
District vehicle fuel	2,800	1,764	1,036
Office equipment repair and maintenance	2,700	2,355	345
District vehicle repair and maintenance	1,600	453	1,147
Other services	1,200	241	959
Architect and engineer	6,000	18,689	(12,689)
District legal counsel	25,000	97,838	(72,838)
Public relations	1,000	–	1,000
Computer/LAN and IT	43,045	45,593	(2,548)
Environmental	5,000	–	5,000
Overtime pay	–	454	(454)
Other professional services	10,000	–	10,000
Total planning and development	$ 404,375	$ 429,737	$ (25,362)

MONTEREY PENINSULA AIRPORT DISTRICT
STATEMENT OF REVENUES AND EXPENSES – BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010
(Continued)

	Budget	Actual	Variance Favorable (Unfavorable)
OPERATING EXPENSES (Continued):			
Maintenance and custodial services:			
Salaries and wages	$ 496,885	$ 495,196	$ 1,689
Salary and wage reimbursement – AIP and billing	–	(12,529)	12,529
Pager pay	10,980	10,490	490
Overtime pay	7,070	2,183	4,887
Holiday pay	4,238	1,833	2,405
Employer SSI	32,188	31,585	603
Employer MC	7,527	7,387	140
Employer SDI	4,935	5,602	(667)
Workers' compensation insurance	41,114	39,238	1,876
ADP processing	3,168	2,640	528
CalPERS retirement	52,083	50,475	1,608
CalPERS health insurance	156,840	125,468	31,372
Flexible spending account	13,992	13,748	244
Dental insurance	18,790	15,643	3,147
Vision insurance	2,700	1,191	1,509
Life insurance	968	961	7
Retiree health insurance	1,296	31,702	(30,406)
Personnel recruitment and pre-employment expense	1,000	–	1,000
Dues and subscriptions	300	–	300
Seminars and conferences	1,500	–	1,500
Professional development and education	1,200	–	1,200
Travel and business entertainment	1,000	–	1,000
Administrative meetings/employee relations	275	–	275
Telephone	300	241	59
Telecommunications	1,000	359	641
Postage and courier services	600	40	560
Custodial supplies and materials	75,000	73,498	1,502
General supplies and materials	1,620	1,267	353
Maintenance supplies and materials	10,000	4,370	5,630
Office supplies and materials	650	448	202
District vehicle supplies and materials	500	514	(14)
District vehicle fuel	14,000	10,406	3,594
District vehicle repair and maintenance	14,000	20,033	(6,033)
Airfield repair and maintenance	29,000	9,384	19,616
Terminal repair and maintenance	68,000	96,537	(28,537)
Rental space repair and maintenance	18,000	15,095	2,905
Landscape and grounds repair and maintenance	21,300	22,488	(1,188)
Subtotal – forward	$ 1,114,019	$ 1,077,493	$ 36,526

MONTEREY PENINSULA AIRPORT DISTRICT
STATEMENT OF REVENUES AND EXPENSES – BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010
(Continued)

	Budget	Actual	Variance Favorable (Unfavorable)
Subtotal – forward	$ 1,114,019	$ 1,077,493	$ 36,526
OPERATING EXPENSES (Continued):			
Maintenance and custodial services:			
Office equipment repair and equipment	250	–	250
General repair and equipment	3,000	9,088	(6,088)
Other services	48,000	62,439	(14,439)
Total maintenance and custodial services	1,165,269	1,149,020	16,249
Airport operations:			
Salaries and wages	293,513	290,988	2,525
Salary and wage reimbursement – AIP and billing	–	(23,238)	23,238
Overtime pay	625	–	625
Employer SSI	17,801	17,443	358
Employer MC	4,265	4,189	76
Employer SDI	2,002	2,917	(915)
Workers' compensation insurance	20,034	19,382	652
ADP processing	1,056	962	94
CalPERS retirement	53,899	52,413	1,486
CalPERS health insurance	53,304	48,277	5,027
Flexible spending account	5,088	5,088	–
Retiree health insurance	–	14,952	(14,952)
Life insurance	352	349	3
Vision insurance	978	625	353
Dental insurance	6,464	5,307	1,157
Dues and subscriptions	870	776	94
Seminars and conferences	1,200	1,165	35
Professional development and education	400	150	250
Travel and business entertainment	1,350	983	367
Telephone	300	37	263
Telecommunications	1,200	1,461	(261)
Postage and courier services	70	42	28
General supplies and materials	3,300	1,266	2,034
Office supplies and materials	2,400	2,706	(306)
District vehicle supplies and materials	300	45	255
District vehicle fuel	2,400	2,005	395
Subtotal – forward	$ 473,171	$ 450,290	$ 22,881

MONTEREY PENINSULA AIRPORT DISTRICT
STATEMENT OF REVENUES AND EXPENSES – BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010
(Continued)

	Budget	Actual	Variance Favorable (Unfavorable)
Subtotal – forward	$ 473,171	$ 450,290	$ 22,881
OPERATING EXPENSES (Continued):			
Airport operations:			
District vehicle repair and maintenance	1,100	676	424
General repairs and maintenance	1,000	1,178	(178)
Other services	3,600	–	3,600
Office equipment repair and maintenance	180	235	(55)
Administrative meetings/Employee relations	–	41	(41)
Environmental	6,200	6,292	(92)
Total airport operations	485,251	458,712	26,539
Police department:			
Salaries and wages	585,632	597,366	(11,734)
Salary and wage reimbursement – AIP and billing	(155,927)	(161,059)	5,132
Overtime pay	54,441	51,046	3,395
Holiday pay	14,148	13,082	1,066
Training pay	900	900	–
Uniform allowance	3,600	3,600	–
Employer SSI	40,840	40,220	620
Employer MC	9,550	9,583	(33)
Employer SDI	6,408	6,880	(472)
Workers' compensation insurance	52,166	49,648	2,518
ADP processing	2,640	2,312	328
CalPERS retirement	174,365	163,391	10,974
CalPERS health insurance	86,292	69,908	16,384
Flexible spending account	7,632	7,632	–
Dental insurance	10,334	9,819	515
Vision insurance	1,470	805	665
Life insurance	532	524	8
Retiree health insurance	6,678	42,637	(35,959)
Personnel recruitment and pre-employment expense	6,000	2,090	3,910
Dues and subscriptions	1,500	1,002	498
Seminars and conferences	–	730	(730)
Professional development and education	4,000	798	3,202
Public notices	–	319	(319)
Travel and business entertainment	3,000	3,132	(132)
Telephone	3,300	3,352	(52)
Telecommunications	14,300	6,117	8,813
Postage and courier services	600	65	535
Subtotal – forward	$ 934,401	$ 925,899	$ 8,502

MONTEREY PENINSULA AIRPORT DISTRICT
STATEMENT OF REVENUES AND EXPENSES – BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010
(Continued)

	Budget	Actual	Variance Favorable (Unfavorable)
Subtotal – forward	$ 934,401	$ 925,899	$ 8,502
OPERATING EXPENSES (Continued):			
Police department:			
General supplies and materials	13,000	11,255	1,745
Office supplies and materials	3,000	1,004	1,996
District vehicle supplies and materials	250	19	231
District vehicle fuel	9,235	7,128	2,107
Office equipment repair and maintenance	1,200	488	712
General repairs and maintenance	5,000	3,633	1,367
District vehicle repair and maintenance	6,000	8,749	(2,749)
Police services	–	14	(14)
Other services	1,200	2,499	(1,299)
District legal counsel	1,750	560	1,190
Total police department	975,036	961,248	13,788
Fire department:			
Salaries and wages	849,363	826,026	23,337
Salary and wage reimbursement – AIP and billing	–	(38,220)	38,220
LC 4850 wages	–	15,672	(15,672)
Overtime pay	74,293	88,525	(14,232)
Holiday pay	26,370	20,894	5,476
Uniform allowance	5,760	5,560	200
Employer SSI	59,259	59,220	39
Employer MC	13,859	13,850	9
Employer SDI	9,069	10,283	(1,214)
Workers' compensation insurance	75,690	71,229	4,461
ADP processing	3,168	2,855	313
CalPERS retirement	398,525	357,749	40,776
CalPERS health insurance	159,528	141,600	17,928
Flexible spending account	15,264	14,614	650
Dental insurance	20,778	17,627	3,151
Vision insurance	2,946	1,791	1,155
Life insurance	1,058	1,019	39
Retiree health insurance	5,184	24,815	(19,631)
Personnel recruitment and pre-employment expense	2,000	1,000	1,000
Dues and subscriptions	2,000	2,224	(224)
Seminars and conferences	–	450	(450)
Subtotal – forward	$ 1,724,114	$ 1,638,783	$ 85,331

MONTEREY PENINSULA AIRPORT DISTRICT
STATEMENT OF REVENUES AND EXPENSES – BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010
(Continued)

	Budget	Actual	Variance Favorable (Unfavorable)
Subtotal – forward	$ 1,724,114	$ 1,638,783	$ 85,331
OPERATING EXPENSES (Continued):			
Fire Department:			
Professional development and education	12,600	13,165	(565)
Travel and business entertainment	9,500	4,142	5,358
Telephone	2,500	2,493	7
Telecommunications	15,500	14,437	1,063
Postage and courier services	125	40	85
Custodial supplies and materials	300	–	300
General supplies and materials	12,500	23,679	(11,179)
Maintenance supplies and materials	300	550	(250)
Office supplies and materials	2,000	3,989	(1,989)
District vehicle supplies and materials	4,000	739	3,261
District vehicle fuel	8,000	6,792	1,208
Office equipment repair and maintenance	5,000	6,156	(1,156)
General repairs and maintenance	6,000	20,132	(14,132)
District vehicle repair and maintenance	11,500	16,007	(4,507)
Other services	9,150	436	8,714
District legal counsel	–	616	(616)
Total fire department	1,823,089	1,752,156	70,933
TOTAL OPERATING EXPENSES	7,080,090	6,847,497	232,593
OPERATING INCOME (LOSS) BEFORE DEPRECIATION AND AMORTIZATION	23,005	262,219	239,208
DEPRECIATION AND AMORTIZATION	4,344,556	3,740,931	603,625
OPERATING INCOME (LOSS)	(4,321,551)	(3,478,712)	842,833
NONOPERATING REVENUES (EXPENSES):			
Grants – FAA	5,928,149	4,552,107	(1,376,042)
Grants – ARRA	4,265,485	4,104,328	(161,157)
Passenger Facility Charges	729,950	743,147	13,197
Passenger Facility Charges – interest income	8,200	8,783	583
Subtotal – forward	$ 10,931,784	$ 9,408,365	$(1,523,419)

MONTEREY PENINSULA AIRPORT DISTRICT
STATEMENT OF REVENUES AND EXPENSES – BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010
(Continued)

	Budget	Actual	Variance Favorable (Unfavorable)
Subtotal – forward	$ 10,931,784	$ 9,408,365	$(1,523,419)
NONOPERATING REVENUES (EXPENSES) (Continued):			
PFC – unrealized gain/(loss) on investments	–	(76)	(76)
Grants – EMS	1,000	1,000	–
Interest income – banks	3,100	2,467	(633)
Interest income – L.A.I.F.	39,500	6,166	(33,334)
Interest income – notes receivable	2,910	2,883	(27)
Interest income – MPAD investments	122,000	105,830	(16,170)
MPAD – unrealized gain/(loss) on investments	(18,500)	(3,016)	15,484
Interest income – QTAC investments	3,150	78	(3,072)
TOTAL NONOPERATING REVENUE	11,084,944	9,523,697	(1,561,247)
CHANGE IN NET ASSETS	$ 6,763,393	$ 6,044,985	$ (718,414)

REPORTS REQUIRED BY

GOVERNMENT AUDITING STANDARDS

HAYASHI
& WAYLAND
ACCOUNTING & CONSULTING, LLP

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 the financial statements of *Monterey Peninsula Airport District* (the *District)* as of and for the year ended June 30, 2010, and have issued our report thereon dated February 8, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A *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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

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

1188 Padre Drive, Suite 101 | P.O. Box 1879 | Salinas, CA 93902 | Tel: (831)759-6300 | Fax:(831) 759-6380
26465 Carmel Rancho Boulevard, Suite 1 | Carmel, CA 93923 | Tel: (831)624-5333 | Fax: (831) 626-9113
104 South Vanderhurst Avenue, Suite A | P.O. Box 927 | King City, CA 93930 | Tel: (831) 385-5426 | Fax: (831)385-5156
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1101 Riverside Avenue, Suite C | Paso Robles, CA 93446 | Tel: (805) 226-7375 | Fax: (805) 221-3131

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

February 8, 2011

Hayashi & Wayland

REPORTS REQUIRED BY

OMB CIRCULAR A-133 AND THE FAA

HAYASHI
& WAYLAND
ACCOUNTING & CONSULTING, LLP

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Directors
Monterey Peninsula Airport District
Monterey, California

Compliance

We have audited the compliance of *Monterey Peninsula Airport District (*the *District)* with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. The *District's* major federal program is identified in the summary of auditor's results section of the accompanying *Schedule of Findings and Questioned Costs*. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal programs is the responsibility of the *District's* management. Our responsibility is to express an opinion on the *District's* compliance based on our audit.

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

In our opinion, the *District* complied, in all material respects, with the 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, 2010.

Internal Control Over Compliance

Management of the *District* is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the *District's* internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the *District's* internal control over compliance.

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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 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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of the *District* as of and for the year ended June 30, 2010, and have issued our report thereon dated February 8, 2011. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

February 8, 2011

Hayashi & Wayland

MONTEREY PENINSULA AIRPORT DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2010

FEDERAL GRANTOR/PASS–THROUGH GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	EXPENDITURES
Federal Aviation Administration:			
Airport Improvement Program	20.106*	Various	$ 4,552,107
American Recovery & Rehabilitation Act	20.106*	Various	4,104,328
Transportation Security Administration:			
Law Enforcement Officer Reimbursement Program	97.090	HSTS0208–HSLR329	167,249
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 8,823,684

* Denotes a Type A major program under OMB A-133. The dollar threshold used to distinguish between Type A and Type B programs is $300,000. This schedule of expenditures of federal awards is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirement of OMB Circular A-133. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used, in the preparation of the financial statements.

MONTEREY PENINSULA AIRPORT DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010

I. SUMMARY OF INDEPENDENT AUDITORS' RESULTS

A. Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? ___ Yes _X_ No

B. Federal Awards

Internal control over the program:

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

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

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

C. Identification of Major Programs

CFDA Number(s)	Name of Federal Program or Cluster
20.106	Airport Improvement Program
20.106	American Recovery & Rehabilitation Act

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

Auditee qualified as low–risk auditee? ___ Yes _X_ No

II. FINANCIAL STATEMENT FINDINGS

A. Internal Control Deficiencies

There are no reportable conditions in internal control.

B. Compliance Findings

There are no compliance findings.

MONTEREY PENINSULA AIRPORT DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010 (Continued)

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

There were no findings and/or questioned costs for the year ending June 30, 2010.

MONTEREY PENINSULA AIRPORT DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2010

There were no findings and/or questioned costs for the year ending June 30, 2009.

MONTEREY PENINSULA AIRPORT DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2010

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

HAYASHI & WAYLAND
ACCOUNTING & CONSULTING, LLP

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

Board of Directors
Monterey Peninsula Airport District
Monterey, California

Compliance

We have audited the compliance of *Monterey Peninsula Airport District (*the *District)* with the types of compliance requirements described in the Passenger Facility Charge Audit Guide for Public Agencies, issued by the Federal Aviation Administration (the Guide), for its passenger facility charge program for the year ended June 30, 2010. Compliance with the requirements of laws and regulations applicable to its passenger facility charges is the responsibility of the *District's* management. Our responsibility is to express an opinion on the *District's* compliance based on our audit.

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

In our opinion, the *District* complied, in all material respects, with the compliance requirements referred to above that are applicable to its passenger facility charge program for the year ended June 30, 2010.

Internal Control Over Compliance

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

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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 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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Passenger Facility Charges Collected and Expended

We have audited the basic financial statements of the *District* as of and for the year ended June 30, 2010, and have issued our report thereon dated February 8, 2011. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of passenger facility charges collected and expended is presented for purposes of additional analysis as required by the Guide and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

February 8, 2011

Hayashi & Wayland

MONTEREY PENINSULA AIRPORT DISTRICT
SCHEDULE OF PASSENGER FACILITY CHARGES COLLECTED AND EXPENDED
FOR THE YEAR ENDED JUNE 30, 2010

COLLECTIONS

Cumulative charges collected, June 30, 2009	$ 10,557,782
Charges collected for the quarter ended:	
September 30, 2009	198,167
December 31, 2009	157,182
March 31, 2010	186,461
June 30, 2010	201,336
Total charges collected for the fiscal year ended June 30, 2010	743,146
Cumulative charges collected, June 30, 2010	$ 11,300,928

DISBURSEMENTS

Projects No.	Projects Title	Cumulative Expenditures June 30, 2009	Expenditures for the Year Ended June 30, 2010	Adjustments for the Year Ended June 30, 2010	Cumulative Expenditures June 30, 2010
AIP 12	Security Access System	$ 44,315	$ -	$ -	$ 44,315
AIP 13	E/A–W/S Access Garden Road	8,088	-	-	8,088
AIP 14	Storm Drain Rehabilitation	27,291	-	-	27,291
AIP 14	Taxiway/Apron Rehabilitation	45,617	-	-	45,617
AIP 14	Airport Signage System	37,121	-	-	37,121
AIP 14	Slurry Seal at S/E Hangars	4,293	-	-	4,293
AIP 14	Extend Water Main Northside	6,327	-	-	6,327
AIP 15 & 18	Residential Soundproofing Phase 2 & 3	425,327	-	-	425,327
AIP 16A	Extend Storm Drain to Pond	15,244	-	-	15,244
AIP 16B	Airfield Lighting Improvements	27,748	-	-	27,748
AIP 16C	Concrete Repair at SS Ramp	8,730	-	-	8,730
AIP 16E	Install Halotron in ARFF Vehicle	1,000	-	-	1,000
AIP 17	Holding Apron for Taxiway	52,518	-	-	52,518
AIP 19	E/A New Northside	24,691	-	-	24,691
AIP 20	Skypark Drive	87,728	-	-	87,728
AIP 21A	Extend Water Main Northside	83,211	-	-	83,211
AIP 21A	Old Northside Road Relocation	48,646	-	-	48,646
AIP 21A	Realign Portion of Skypark Drive	3,082	-	-	3,082
AIP 21A	Reconstruct S/E Entrance	13,216	-	-	13,216
AIP 21B	Slurry Seal Runway	5,934	-	-	5,934
AIP 21B	Slurry Seal Taxiway	6,555	-	-	6,555
AIP 22A	Blast Pad at Holding Area	10,615	-	-	10,615
AIP 22B	Terminal Area Security Fencing	2,388	-	-	2,388
AIP 22C	Acquire ARFF Equipment	1,375	-	-	1,375
AIP 22D	Modify ARFF Vehicle Cooling	1,335	-	-	1,335
AIP 22E	Lower Obstruction to Runway 10R	1,257	-	-	1,257
AIP 22F	Reconstruct Portion of Entrance Road to Northside	658	-	-	658
AIP 23	Residential Soundproofing Phase 4	137,560	-	-	137,560
AIP 24A	New Northside Road Relocation	163,576	-	-	163,576
AIP 24B	Terminal Fire Protection	17,500	-	-	17,500
AIP 24C	PCC Joint Sealant Replacement	15,087	-	-	15,087
AIP 24D	Terminal Storm Drain Rehab	10,000	-	-	10,000
AIP 24E	Pavement Maintenance Management Program	1,000	-	-	1,000
AIP 24F	Reconstruct S/E Hangar Area Pavement, Phase 3	3,060	-	-	3,060
AIP 24G	Road and Storm Drain Improvement	5,088	-	-	5,088
AIP 26C	Purchase Runway Sweeper	84,708	-	-	84,708
AIP 26D	Reconstruct S/E Hangar Pavement, Phase 2	8,371	-	-	8,371
AIP 27	Residential Soundproofing, Phase 5	261,434	-	-	261,434
AIP 28A	Southeast Water Main Extension	1,601	-	-	1,601
AIP 28B	South Ramp Storm Drain Extension	3,422	-	-	3,422
AIP 28C	Taxiway D Reconstruction	33,750	-	-	33,750
AIP 28D	Northside Perimeter Fence Extension	10,958	-	-	10,958
AIP 28E	Upgrade Airfield Lighting Systems	29,925	-	-	29,925
	Subtotal - forward	$ 1,781,350	$ -	$ -	$ 1,781,350

MONTEREY PENINSULA AIRPORT DISTRICT
SCHEDULE OF PASSENGER FACILITY CHARGES COLLECTED AND EXPENDED
FOR THE YEAR ENDED JUNE 30, 2010
(Continued)

	Subtotal - forward	$ 1,781,350	$ -	$ -	$ 1,781,350
AIP 29	Residential Soundproofing, Phase 6	100,493	-	-	100,493
AIP 30A	EIR 28L/Service Road	24,959	-	-	24,959
AIP 30B	EIR Airport Road Extension, Phase 2 & 3	29,375	-	-	29,375
AIP 31A	Skypark Drive Storm Drain Detention Facility, Phase 1	19,800	-	-	19,800
AIP 31B	Terminal Fire Door Replacement	4,000	-	-	4,000
AIP 31C	Generator Power to Del Monte East (DME) Security Gates	900	-	-	900
AIP 32	Soundproofing, Phase 7	222,222	-	-	222,222
AIP 33	EIR/EA for Skypark Extension to Northside	754	-	-	754
AIP 35A	Generator Power to DME Security Gate, Phase 2	1,788	-	-	1,788
AIP 35B	Terminal Door Replacement	4,700	-	-	4,700
AIP 35C	Extension of Fire Alarm System to Safety Building	1,148	-	-	1,148
AIP 35D	Acquisition of Eden Property/Airport Property Map	101,629	-	-	101,629
AIP 35E	Access Security Control	48,880	-	-	48,880
AIP 35F	Passback Security System	14,793	-	-	14,793
AIP 35G	Terminal Improvements and Modifications	129,999	-	-	129,999
AIP 36A	Airfield Markings	57,662	-	-	57,662
AIP 36B	Security Access Control, Phase 2	62,288	-	-	62,288
AIP 36C	Terminal Modernization Improvements	219,927	-	-	219,927
AIP 37	Residential Soundproofing, Phase 8	210,563	-	-	210,563
AIP 38A	Residential Soundproofing, Phase 9	85,734	-	-	85,734
AIP 38B	Residential Soundproofing, Phase 10 Design	17,384	-	-	17,384
AIP 39A	Purchase of ARFF Equipment – Index B	30,726	-	-	30,726
AIP 39B	Terminal Passenger Circulation and Auto Bag System	775,065	-	-	775,065
AIP 40	Residential Soundproofing Phase 10 Construction	97,680	-	-	97,680
AIP 41	Terminal Infrastructure Upgrade	1,709,214	-	-	1,709,214
AIP 42	Residential Soundproofing, Phase 11	99,467	-	-	99,467
AIP 43	Noise Exposure Map Update	15,000	-	-	15,000
AIP 44	Runway Safety	9,950	-	-	9,950
PFC BB	EIR Roadway Circulation Projects	104,000	-	-	104,000
PFC EE	Airport Biological Assessment	98,144	-	-	98,144
PFC H 1, 2, 5–8, 10–13	Terminal Renovation Improvement	2,683,579	-	-	2,683,579
PFC H–3	Terminal Door Replacement	91,873	-	-	91,873
PFC H–4	Terminal Roof Replacement	159,030	-	-	159,030
PFC H–14	Update Noise Exposure Map	150,130	-	-	150,130
PFC T	Electrical Service to North Ramp area	6,087	-	-	6,087
PFC Y	Terminal Elevator	327,625	-	-	327,625
PFC Z	Fire Apparatus Pump Upgrade	15,540	-	-	15,540
MPAD	MPAD Projects – Terminal Expansion	290,597	-	-	290,597
2008-01	Residential Soundproofing Insulation Program (RSIP) Phase 12	37,283	59,257	-	96,540
2008-02	Fire Rescue / Command Vehicle	92,952	-	-	92,952
2008-03	ARFF Support / Structural Vehicle	29,047	-	-	29,047
2008-04	Airfield Pavement Rehabilitation & Improvements Phase 1	115,496	-	-	115,496
2008-05	Airfield Lighting & Signage Rehabilitation	39,076	75,544	-	114,620
2008-10	Airfield Pavement Rehabilitation & Improvements Phase 2	3,393	94,711	-	98,104
2009-01	Residential Soundproofing Insulation Program (RSIP) Phase 13	2,401	67,198	-	69,599
2009-03	RSA Environmental - Phase 1	1,221	31,795	-	33,016
2009-04	Airfield Pavement - Phase 3A	235	32,262	-	32,497
2009-05	Airfield Pavement - Phase 3B	-	41,603	-	41,603
2009-09	RSA Preliminary Design & Environmental - Phase 2	-	26,801	-	26,801
2010-03	Flight Information Display System	-	385,219	-	385,219
	TOTAL	$ 10,125,159	$ 814,390	$ -	$ 10,939,549

MONTEREY PENINSULA AIRPORT DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS –
PASSENGER FACILITY CHARGE PROGRAM
FOR THE YEAR ENDED JUNE 30, 2010

There were no findings and/or questioned costs for the year ended June 30, 2010.

MONTEREY PENINSULA AIRPORT DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS -
PASSENGER FACILITY CHARGE PROGRAM
FOR THE YEAR ENDED JUNE 30, 2010

There were no findings and/or questioned costs for the year ended June 30, 2009.