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MONTEREY PENINSULA AIRPORT DISTRICT

FINANCIAL STATEMENTS

FOR THE YEARS ENDED
JUNE 30, 2011 AND 2010

AND INDEPENDENT AUDITORS' REPORT

MONTEREY PENINSULA AIRPORT DISTRICT

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MONTEREY PENINSULA AIRPORT DISTRICT

Board of Directors

June 30, 2011

Name	**Office**	**Term Expires**
Richard D. Searle	Chairman	December 2012
Mary Ann Leffel	Director	December 2012
Carl M. Miller	Director	December 2014
Matthew Nelson	Director	December 2014
William J. Sabo	Director	December 2012

HAYASHI & WAYLAND
ACCOUNTING & CONSULTING, LLP

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, 2011 and 2010, 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, 2011 and 2010, 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 January 6, 2012 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.

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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, 2011, 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.

January 6, 2012

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, 2011 (FY11). The information presented is to be read in conjunction with the financial statements, footnotes and supplementary information found in this report.

Mission Statement

The mission of the Monterey Regional Airport is to "provide the region convenient commercial and general aviation access to the national air transportation system, operate the airport in a safe, efficient, and fiscally responsible manner, and develop the airport to meet future needs."

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 Regional Airport (Airport), 498 acres, has two parallel, east-west runways. The primary runway, 10R/28L, is 7,600 feet long and 150 feet wide. It is used by commercial and business aircraft and is equipped for instrument landings with a Category I instrument landing system on runway 10R. The secondary runway, 10L/28R, is 3,500 feet long and 65 feet wide, used solely by general aviation aircraft.

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. It flew to San Diego in 2009-2010 but ended the San Diego on July 30, 2010.

There is a strong general aviation presence on the airfield. Three full service fixed-based operators (Del Monte Aviation, Monterey Bay Aviation and Monterey Jet Center) and other aviation tenants provide aircraft line services, fuel, aircraft storage, maintenance, flight instruction, and aircraft rentals.

The District is structured as an enterprise fund. District financial statements are prepared using the accrual basis of accounting; revenues are recognized when earned, and expenses are recognized when incurred. Costs are recovered through airport rents from tenants, landing and fuel fees, and other charges. Capital improvements are funded from three sources: (1) Federal grants from the Federal Aviation Administration's (FAA) Airport Improvement Program (AIP) derived from a 10% tax on the airline tickets, (2) Passenger Facility Charges (PFC) collected for each enplaned passenger at the point of origin and one intermediate-stop, and (3) District contributed funds. Capital assets are capitalized and depreciated, except land, over their useful lives. The District has not received tax revenue from residents of the District since 1978. Please refer to the notes to the financial statements for a summary of the District's significant accounting policies.

Overview of the Financial Statements

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

The *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 $54,028,557 for FY11.

- In FY 11, the District completed and capitalized projects listed below:

  1. Phase 3 of the Airfield Pavement Rehabilitation & Improvement Project ($2,001,472)
  2. The Flight Information Display System (FIDS) ($577,729)
  3. Airport Access Improvements ($81,649)
  4. A Parking Lot Sealcoat & Striping Project ($121,563).
  5. The North-Side Sewer Line Replacement Project ($108,914).
  6. Phase 2 of the Airport Energy Efficiency Project ($133,735).

- The District completed and capitalized several other projects that provide critical infrastructure for the terminal and supporting facilities, such as:

  1. Airport-Wide Utility Mapping ($12,987),
  2. Airport Land Use Study ($46,956), and
  3. Replacement of Two (2) HVAC Units ($27,176).

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

Financial Highlights (Continued)

✈ In the airport industry, one standard measure of a commercial airport's size is the number of annual enplanements, i.e., passengers flying from the airport on commercial airlines. Enplaned passengers during the six-year period, FY06 through FY11, are presented below in Table I.

Table I

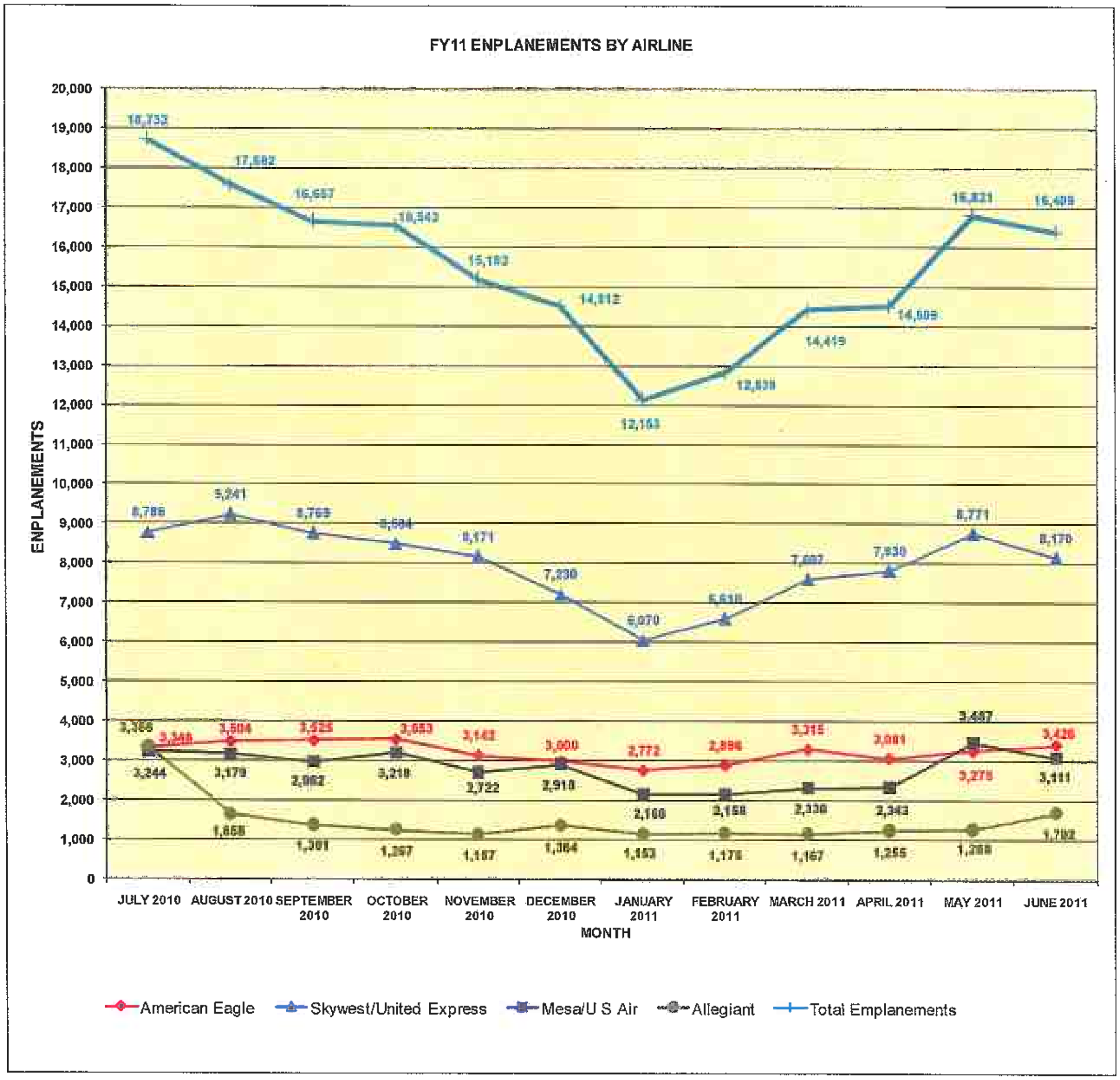
TOTAL ENPLANEMENTS: FISCAL YEARS 2006 - 2011											
FY2006		FY2007		FY2008		FY2009		FY2010		FY2011	
7/05	16,750	7/06	17,891	7/07	20,332	7/08	21,540	7/09	18,934	7/10	18,732
8/05	18,176	8/06	18,257	8/07	23,018	8/08	22,285	8/09	18,512	8/10	17,582
9/05	18,798	9/06	17,443	9/07	19,811	9/08	16,501	9/09	16,581	9/10	16,657
10/05	20,308	10/06	18,604	10/07	20,759	10/08	17,464	10/09	16,536	10/10	16,542
11/05	18,033	11/06	17,040	11/07	19,876	11/08	15,134	11/09	16,045	11/10	15,192
12/05	16,402	12/06	15,901	12/07	18,035	12/08	14,930	12/09	16,191	12/10	14,512
1/06	14,248	1/07	14,244	1/08	14,786	1/09	12,112	1/10	13,068	1/11	12,153
2/06	15,972	2/07	15,072	2/08	15,791	2/09	13,205	2/10	13,119	2/11	12,839
3/06	17,696	3/07	16,849	3/08	17,790	3/09	15,147	3/10	15,825	3/11	14,419
4/06	16,863	4/07	16,268	4/08	17,948	4/09	15,628	4/10	16,951	4/11	14,509
5/06	18,206	5/07	18,394	5/08	18,995	5/09	18,185	5/10	17,542	5/11	16,821
6/06	18,133	6/07	19,613	6/08	21,138	6/09	18,191	6/10	18,513	6/11	16,409
	209,585		205,576		228,279		200,322		197,817		186,367

✈ FY11 enplanements decreased 5.8% to 186,367 due to the contraction of air service by airlines that reflect the current, slow economic conditions.

Financial Highlights (Continued)

Chart A presents the monthly enplanements for FY11, in total and for the scheduled commercial airlines that serve the Airport. FY11 enplanements totaled 186,367.

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 (LAX).

Financial Highlights (Continued)

- ✈ United Express, operated by SkyWest Airlines, provided non-stop flights on 27-seat Brasilia turbo-props (EMB-120) to San Francisco (SFO) and all jet, non-stop flights on 50-seat Canadair regional jets (CRJ-200) to LAX. It offered first class and coach service on 66-seat Canadair regional jets (CRJ-700) to Denver (DIA).

- ✈ 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 (PHX). It added a third daily flight to accommodate increased passenger demand during major tourism events in Monterey County. Mesa occasionally substituted a 37-seat DASH-8 turbo-prop for the 50-seat CRJ-200 jet.

- ✈ Allegiant Air offered scheduled non-stop service two days per week (Thursday - Sunday or Friday - Monday) to Las Vegas (LAS) on 150-seat MD-83 and 130-seat MD-87 jets. Allegiant promotes its 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 $7,030,001, an increase of 1.1% from FY10 and a decrease of 0.3% from FY09.

Revenues derived from the activities of commercial airlines and from airline passengers using services offered by the Airport account for 55.0% of FY11 Total Operating Revenue. There was no increase compared to FY10 but an increase of 0.7% over FY09 (see Table II, "Subtotal – Commercial Aviation"). Included 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 0.9% from FY10 and increased 1.7% from FY09.

General Aviation activities generated 20.9% 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. These revenues increased 0.5% from FY10 and 1.9% from FY09.

Non-aviation tenants produced 20.8% of Total Operating Revenues, a decrease of 4.9% from FY10 and a decrease of 4.8% from FY09.

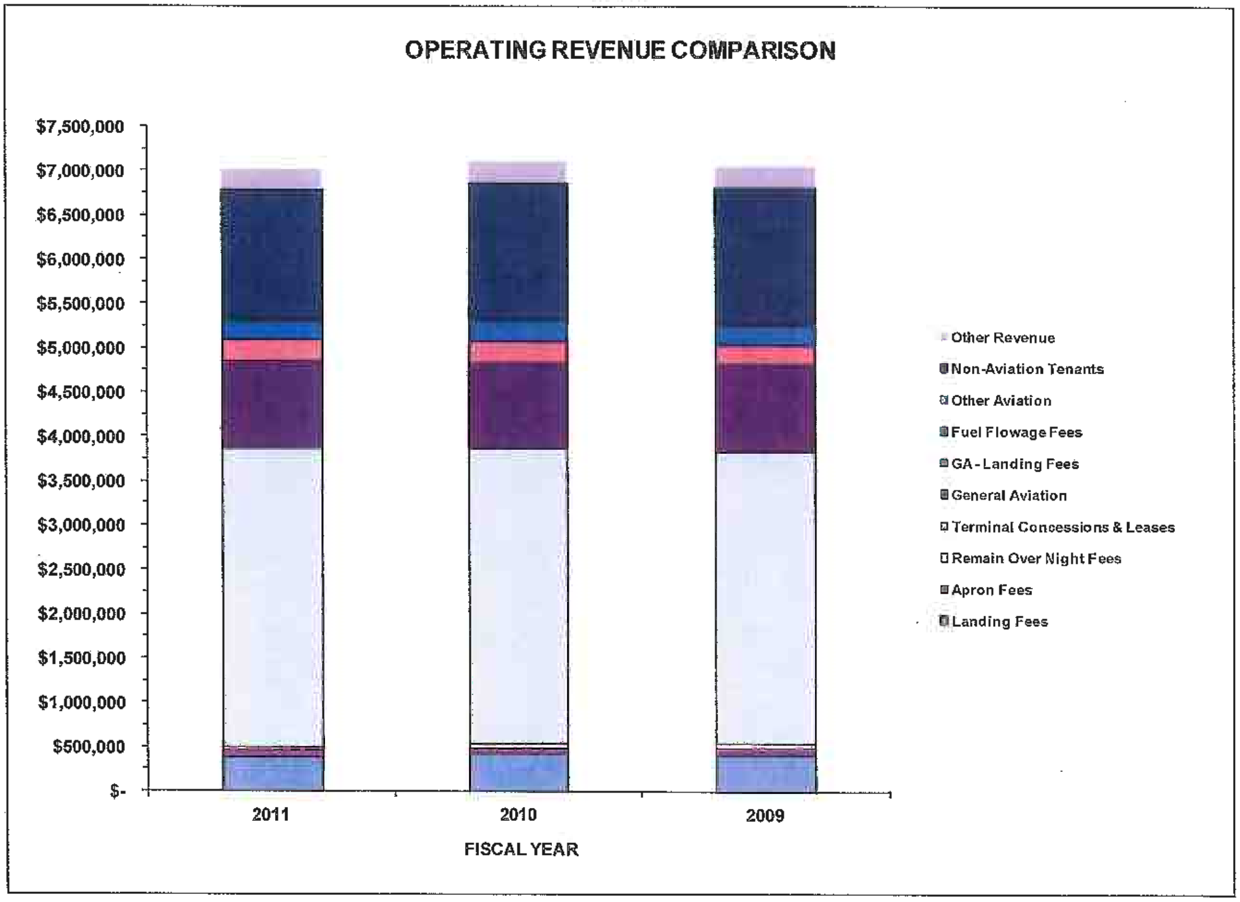
Operating Revenues (Continued)

Table II presents a comparison of operating revenues in FY11, FY10 and FY09. Chart C provides a graphic representation of operating revenues.

Table II

FISCAL YEAR 2011, 2010 & 2009 OPERATING REVENUE COMPARISON								
	2011			2010			2009	
Landing Fees	$	411,265	5.9%	$ 434,487	6.1%	$	428,281	6.1%
Apron Fees	$	57,620	0.8%	$ 64,707	0.9%	$	64,362	0.9%
Remain Over Night Fees		52,218	0.7%	52,575	0.7%		57,300	0.8%
Terminal Concessions & Leases		3,348,103	47.6%	3,317,146	46.7%		3,291,216	46.7%
Subtotal - Commercial Aviation	$	3,869,205	55.0%	$ 3,868,916	54.4%	$	3,841,159	54.5%
General Aviation	$	994,866	14.2%	$ 973,279	13.7%	$	993,487	14.1%
Landing Fees	$	232,557	3.3%	$ 246,363	3.5%	$	221,657	3.1%
Fuel Flowage Fees		239,602	3.4%	240,746	3.4%		224,227	3.2%
Other Aviation		3,150	0.0%	3,150	0.0%		3,150	0.0%
Subtotal - General Aviation	$	1,470,175	20.9%	$ 1,463,538	20.6%	$	1,442,521	20.5%
Non-Aviation Tenants	$	1,464,876	20.8%	$ 1,539,729	21.7%	$	1,538,193	21.8%
Other Revenue		225,745	3.2%	237,538	3.3%		230,278	3.3%
Total	$	7,030,001	100%	$ 7,109,721	100%	$	7,052,151	100%

Chart C



Operating Expenses

Operating Expenses in FY11 increased 7.2% over FY10 and 1.7% over FY09. Salaries and payroll costs for all airport employees increased $237,714 (4.4%) to just over $5.6 million.

Table III presents salary and payroll expenses by airport department. The airport provides a wide variety of services and staffs its own police and fire departments. Salaries and payroll costs increased $21,793 or 0.4% when compared to FY09. Salaries and payroll costs, measured as a percentage of total operating expenses, were 78.4% in FY10 and 77.4% in FY09. They declined in FY11 to 76.4%.

Table III

FISCAL YEAR 2011, 2010 & 2009 SALARY & PAYROLL EXPENSE									
	2011			2010			2009		
Finance & Administration	$	996,266	17.8%	$	916,240	17.1%	$	980,419	17.6%
Planning & Development		432,877	7.7%		413,217	7.7%		360,691	6.5%
Maintenance & Custodial Services		885,626	15.8%		835,342	15.6%		843,834	15.1%
Airport Operations		482,623	8.6%		462,895	8.6%		442,145	7.9%
Police Department		1,074,451	19.2%		1,069,353	19.9%		1,057,495	18.9%
Fire Department		1,736,246	31.0%		1,673,329	31.2%		1,901,713	34.0%
Total	$	5,608,089	100%	$	5,370,375	100%	$	5,586,296	100%

Table IV compares operating expenses for FY11, FY10 and FY09. Chart D provides a graphic representation of operating expenses.

<u>Finance & Administration operating expenses</u> (33.6% of total FY11 operating expenses) increased 17.8% from FY10 and 4.1% from FY09. Increases were attributable to the write-off of bad debt, election costs incurred every other fiscal year, and legal expenses. The Board of Directors selected the law firm of Cota Cole, LLP as District Counsel beginning May 1, 2011. Expenses related to the District's Board are recognized in this department.

<u>Planning & Development operating expenses</u> (5.7% of total FY11 operating expenses) decreased 2.7% from FY10 due to nearly eliminating legal expense. They increased 0.5% from FY09.

<u>Maintenance & Custodial Services operating expenses</u> (16.2% of total FY11 operating expenses) increased 3.8% from FY10 and 6.7% from FY09. Expenses were controlled by emphasizing preventive maintenance.

<u>Airport Operations operating expenses</u> (7.1% of total FY11 operating expenses) increased 14.2% from FY10 and 20.6% from FY09. These increases are 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.

<u>Police Department operating expenses</u> (13.3% of FY11 total operating expenses) increased 1.3% from FY10 and 3.1% from FY09. The department has experienced escalating costs primarily due to mandated requirements of "Security Level Orange" that continues in effect. These increases have been managed through the use of four part-time police officers. The District has been awarded a "Law Enforcement Officer (LEO) Reimbursement Grant" from the U. S. Department of Homeland Security (DHS). The grant is specifically designed to assist airports affected by increased security requirements mandated by the Transportation Security Administration (TSA) and DHS.

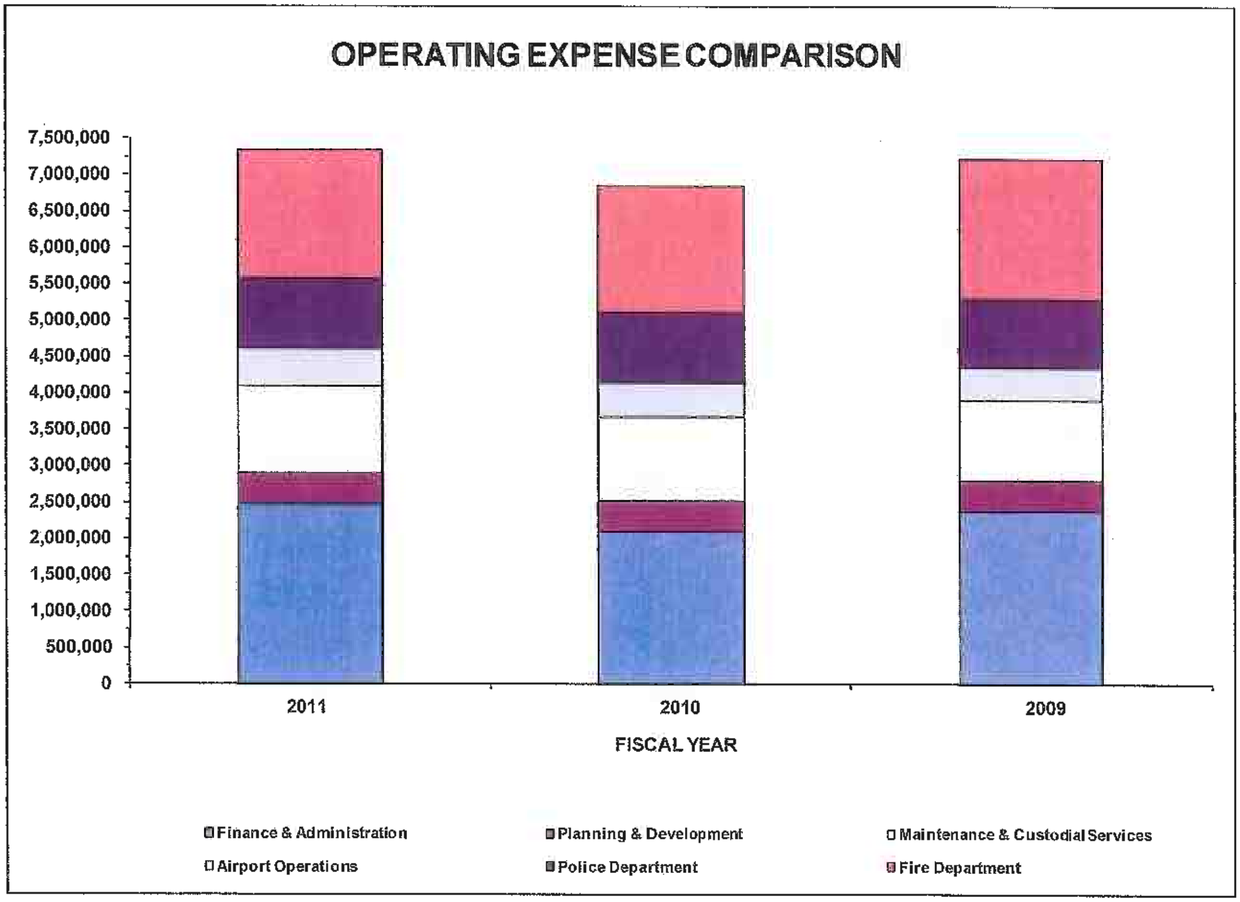
<u>Fire Department operating expenses</u> (24.0% of total FY11 operating expenses) increased 0.7% compared to FY10 and decreased 8.8% compared to FY09. Increases in operating expenses have been mitigated through cooperative agreements with the Cypress Fire Protection District.

Operating Expenses (Continued)

Table IV

FISCAL YEAR 2011, 2010 & 2009 OPERATING EXPENSE COMPARISON						
	2011		2010		2009	
Finance & Administration	$ 2,469,425	33.6%	$ 2,096,622	30.6%	$ 2,371,851	32.9%
Planning & Development	418,193	5.7%	429,738	6.3%	416,156	5.8%
Maintenance & Custodial Services	1,192,565	16.2%	1,149,021	16.8%	1,117,654	15.5%
Airport Operations	523,850	7.1%	458,715	6.7%	434,227	6.0%
Police Department	974,009	13.3%	961,249	14.0%	944,373	13.1%
Fire Department	1,763,613	24.0%	1,752,159	25.6%	1,933,553	26.8%
Total	$ 7,341,655	100%	$ 6,847,504	100%	$ 7,217,814	100%

Chart D



Actual versus Budget – FY11 Revenues, Expenses and Change in Net Assets

Table V compares actual operating revenues, operating expenses, and the change in net assets with the budget for Fiscal Year 2011.

Table V

Operating Revenues	Budget	Actual	Variance
Commercial Aviation - Fees	$ 523,145	$ 521,103	$ (2,042)
General Aviation - Fees	$ 236,044	$ 232,557	(3,487)
Terminal Concessions and Leases	3,435,205	3,351,252	(83,953)
Heavy General Aviation	817,454	835,450	17,996
Light General & Other Aviation Tenants	392,850	399,018	6,168
Non-Aviation Tenants	1,551,072	1,464,876	(86,196)
Other Operating Revenue	184,875	225,745	40,870
Total Operating Revenue	$ 7,140,645	$ 7,030,001	$ (110,644)
Operating Expenses	**Budget**	**Actual**	**Variance**
Finance & Administration	$ 2,397,830	$ 2,469,425	$ (71,595)
Planning & Development	499,626	418,193	81,433
Maintenance & Custodial Services	1,193,807	1,192,565	1,242
Airport Operations	506,397	523,850	(17,453)
Police Department	989,044	974,009	15,035
Fire Department	1,755,026	1,763,613	(8,587)
Total Operating Expenses	$ 7,341,730	$ 7,341,655	$ 75
Net Operating Income / (Loss)	(201,085)	(311,654)	(110,569)
Other Revenues (Expenses)	$ (1,283,950)	$ 275,296	$ 1,559,246
Change in Net Assets	$ (1,485,035)	$ (36,360)	$ 1,448,675

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

Table VI compares actual operating revenues, operating expenses, and the change in net assets with the budget for Fiscal Year 2010.

Table VI

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	798,585	817,334	18,749
Light General & Other Aviation Tenants	401,004	396,691	(4,313)
Non-Aviation Tenants	1,541,672	1,539,728	(1,944)
Other Operating Revenue	118,746	237,535	118,789
Total Operating Revenue	$ 7,103,101	$ 7,109,716	$ 6,615
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	$ 6,847,497	$ 232,593
Net Operating Income / (Loss)	23,011	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 VII compares actual operating revenues, operating expenses, and the change in net assets with the budget for Fiscal Year 2009.

Table VII

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	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 Revenue	$ 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)

Changes in Net Assets

From FY10 to FY11, Net Assets decreased $36,361. (Refer to Table V, Actual versus Budget – FY11 Revenues, Expenses and Change in Net Assets.) 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 FY11, the District received $4,555,284 from FAA AIP grants and $693,752 from PFCs to fund architectural design, engineering design, and construction costs.

From FY09 to FY10, Net Assets increased $6,044,982. (Refer to Table VI, Actual versus Budget – FY10 Revenues, Expenses and Change in Net Assets.) The District received $4,552,107 from FAA AIP grants and $743,147 from PFCs to fund airport improvement projects during FY10.

Capital and Debt Activity

Total District assets are $55,590,626; total liabilities are $1,562,069. The difference is $54.0 million. The debt-to-equity ratio is extremely favorable because the Airport has no long term debt, a most unusual financial position for governmental organizations today. The District has effectively managed its funding of airport capital improvements by aggressively pursuing FAA Airport Improvement Program (AIP) grants to fund capital projects. For FY 11, net capital assets increased $668,786. Capital assets, net of depreciation, and Intangible assets, net of amortization, are presented below:

	2011	2010	2009
Tangible assets			
Land	$ 1,683,547	$ 1,683,547	$ 1,683,547
Land Improvements	17,555,776	16,160,748	7,566,793
Buildings	13,264,308	13,641,273	14,481,162
Furniture, equipment and vehicles	1,561,959	1,855,527	1,374,109
Construction in progress	5,131,214	3,268,432	11,042,471
Total	39,196,804	36,609,527	36,148,082
Intangible assets	10,038,741	11,957,232	9,955,522
Total capital assets - net	$ 49,235,545	$ 48,566,759	$ 46,103,604

Future Impacts

Looking forward to FY12 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 these needs.

Future Impacts (Continued)

It appears that airline related revenues have stabilized. Fifty-five percent (55%) of the Airport's revenues are collected from the airlines that pay user fees to the airport (7.4%) and from airport concessions that provide services to the passengers (47.6%). In FY10, the District experienced a significant reduction in concession revenues generated by rental car operations, the parking lots, and advertising. Concession revenue from the restaurant, gift shop sales, and taxis also declined. Reductions in these commercial airline passenger-driven revenues continued in FY11 with the exception of concession revenues from rental car operators.

Enplanements in FY11 totaled 186,367 (Chart A), the lowest annual number recorded since 2004. The airlines affect enplanements and capacity by the type of aircraft flown and the daily frequency of their flights. During the past three years, the airlines serving MRY have transitioned to regional jets except for United Express' turboprop flights to San Francisco. United Express's enplanements for June were adversely affected by its decision to substitute four 27-seat turboprops for three 50-seat regional jets, that were painted in the new United-Continental livery. This decision removed 1,260 seats from the June market. Inclement weather in San Francisco caused an extraordinary number of cancellations and delays that adversely affected United Express' six daily flights to/from MRY.

Seeking to expand air service, the District continues its dialogue with the airlines now serving the Airport to expand service. United Express flew two Saturday flights to Denver during the summer. The District promotes air carriers to introduce new service to cities in the Midwest, Northwest and Southern California. It offers incentives for new air service that include a contribution to an airlines' start up costs funded by a $500,000 grant from the US Department of Transportation.

The Airport has experienced an increase in the percentage of local passengers choosing to fly from MRY. A Passenger Demand Analysis completed for the Airport in June 2011 revealed that the percentage of local passengers choosing to fly from MRY instead of Bay Area airports has increased from 27% in 2005 to 40% in 2011.

General aviation, adversely affected by the "great recession", appears to have stabilized. General aviation (GA) activity fared better than expected, but GA landing fees were 5.9% less than FY10. Fuel flowage fees were 0.5% less than FY10.

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, 2011 AND 2010

	2011	2010
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 987,786	$ 1,013,960
Investments	3,603,291	3,299,579
Accounts receivable – net	460,371	929,037
Note receivable – current portion	8,344	7,782
Interest receivable	16,948	21,736
Prepaid and other current assets	58,489	65,856
Total current assets	5,135,229	5,337,950
CAPITAL ASSETS – net	39,196,804	36,609,528
NONCURRENT ASSETS:		
Cash and cash equivalents – restricted	414,232	327,609
Investments – restricted	624,237	621,182
Note receivable	21,120	29,464
Funds due from others	160,263	593,983
Intangible assets – net	10,038,741	11,957,232
Total other assets	11,258,593	13,529,470
TOTAL ASSETS	$ 55,590,626	$ 55,476,948
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accrued liabilities	$ 223,181	$ 209,712
Accrued compensated absences	507,542	470,289
Deferred revenue	9,750	6,000
Total current liabilities	740,473	686,001
NONCURRENT LIABILITIES:		
Security deposits	316,913	354,187
Deferred revenue	227,000	233,000
OPEB liability	277,683	138,843
Total long-term liabilities	821,596	726,030
TOTAL LIABILITIES	1,562,069	1,412,031
NET ASSETS		
Invested in capital assets	49,235,545	48,566,760
Restricted	705,288	608,711
Unrestricted	4,087,724	4,889,446
TOTAL NET ASSETS	54,028,557	54,064,917
TOTAL LIABILITIES AND NET ASSETS	$ 55,590,626	$ 55,476,948

See Notes to Financial Statements.

MONTEREY PENINSULA AIRPORT DISTRICT
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	2011	2010
OPERATING REVENUES:		
Commercial aviation	$ 521,103	$ 551,769
General aviation	232,557	246,363
Terminal leases and concessions	3,351,252	3,320,296
Heavy general aviation tenants	835,450	817,334
Light general aviation and other aviation tenants	399,018	396,691
Non-aviation tenants	1,464,876	1,539,728
Other operating revenue	225,745	237,535
Total operating revenues	7,030,001	7,109,716
OPERATING EXPENSES:		
Finance and administration	2,469,425	2,096,624
Planning and development	418,193	429,737
Maintenance and custodial services	1,192,565	1,149,020
Airport operations	523,850	458,712
Police department	974,009	961,248
Fire department	1,763,613	1,752,156
Total operating expenses	7,341,655	6,847,497
OPERATING INCOME (LOSS) BEFORE DEPRECIATION AND AMORTIZATION	(311,654)	262,219
DEPRECIATION AND AMORTIZATION	5,090,025	3,740,931
OPERATING LOSS	(5,401,679)	(3,478,712)
NONOPERATING REVENUES:		
Grants – FAA	4,555,284	4,552,107
Grants – ARRA	–	4,104,328
Passenger Facility Charges	693,752	743,147
Interest income	111,236	126,207
Unrealized gain (loss) on investments	2,547	(3,092)
Grants – EMS	2,500	1,000
Total nonoperating revenues	5,365,319	9,523,697
CHANGE IN NET ASSETS	(36,360)	6,044,985
NET ASSETS, BEGINNING OF YEAR	54,064,917	48,019,932
NET ASSETS, END OF YEAR	$ 54,028,557	$ 54,064,917

See Notes to Financial Statements.

MONTEREY PENINSULA AIRPORT DISTRICT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	$ 7,233,399	$ 6,605,368
Other receipts	233,527	244,792
Payments to vendors and employees	(6,711,004)	(10,034,413)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	755,922	(3,184,253)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds from grants and PFC charges	5,251,536	9,400,583
Payments for purchases of fixed assets and construction of property – net of disposals	(5,758,812)	(6,204,085)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	(507,276)	3,196,498
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment income received	118,571	133,827
Proceeds (purchases) from sale of investments	(306,768)	(258,806)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(188,197)	(124,979)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	60,449	(112,734)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,341,569	1,454,303
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 1,402,018	$ 1,341,569

MONTEREY PENINSULA AIRPORT DISTRICT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010
(Continued)

	2011	2010
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating loss	$ (5,401,679)	$ (3,478,712)
Adjustments to reconcile net loss to net cash provided (used) by operating activities:		
Depreciation and amortization	5,090,025	3,740,931
(Increase) decrease in:		
Accounts receivable	468,667	(252,182)
Note receivable	7,782	7,257
Prepaid and other current assets	7,367	13,561
Funds due from others	433,720	(593,983)
Increase (decrease) in:		
Accrued liabilities	50,724	44,073
Deferred revenue	(2,250)	(7,500)
Funds held in trust	–	(2,789,410)
Security deposits	(37,274)	(7,131)
OPEB liability	138,840	138,843
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	$ 755,922	$ (3,184,253)
CASH AND CASH EQUIVALENTS – Unrestricted	$ 987,786	$ 1,013,960
CASH AND CASH EQUIVALENTS – Restricted	414,232	327,609
TOTAL	$ 1,402,018	$ 1,341,569

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, 2011, 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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Receivables – Receivables from tenants are recorded when the revenues are earned under the accrual method of accounting and accounted for using the allowance method. The allowance at June 30, 2011 and June 30, 2010 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. Capital assets are defined by the District as assets with an estimated useful life in excess of one year and an initial individual cost of more than $1,000 for equipment and $5,000 for land, facilities, and improvements.

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 – The District measures its assets and liabilities at fair value in accordance with the Fair Value Measurements and Disclosures Topic of the FASB Accounting Standards Codification. This guidance defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and establishes a framework for measuring fair value.

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.

	2011	2010
ASSETS	Level 1	Level 1
Cash and cash equivalents	$ 1,018,681	$ 761,297
Investments	$ 4,610,866	$ 4,501,033

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, 2011 and 2010.

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

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.

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 2010 financial statements to conform to the 2011 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 January 6, 2012, 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, 2011 and 2010, the bank balances did not exceed the FDIC limit. 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, 2011 and 2010.

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, 2011 and 2010. 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, 2011 and 2010:

	2011					
		Restricted				
	Unrestricted	QTAC	Security Deposits	Passenger Facilities Charges	ASA/ EMS	Totals
Cash in bank	$ 604,449	$ 41,510	$ 200,497	$ 166,369	$ 5,856	$ 1,018,681
Investments	3,603,291	–	91,174	533,063	–	4,227,528
LAIF	383,337	–	–	–	–	383,337
Total	$ 4,591,077	$ 41,510	$ 291,671	$ 699,432	$ 5,856	$ 5,629,546

	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

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's policy for uninsured deposits is that they are collateralized at a rate of 110% by securities which are held for the benefit of the District. As of June 30, 2011 and 2010, the District's bank balances were not exposed to custodial credit risk.

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, 2011, 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, 2011 and 2010, approximately 7% and 11% 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:

	2011	2010
Accounts receivable	$ 470,371	$ 939,037
Less allowance for doubtful accounts	10,000	10,000
Accounts receivable – net	$ 460,371	$ 929,037

NOTE 4. CAPITAL ASSETS – NET

	2011			
	Balance as of June 30, 2010	Additions Transfers	Disposals Transfers	Balance as of June 30, 2011
Capital assets not being depreciated:				
Land	$ 1,683,547	$ –	$ –	$ 1,683,547
Construction in progress	3,268,432	5,758,810	(3,896,028)	5,131,214
Total capital assets not being depreciated	4,951,979	5,758,810	(3,896,028)	6,814,761
Capital assets being depreciated:				
Land improvements	35,076,571	3,166,009	(9,631,572)	28,611,008
Buildings	21,925,026	683,062	(2,017,600)	20,590,488
Furniture, equipment and vehicles	4,592,540	–	(1,123,351)	3,469,189
Total capital assets being depreciated	61,594,137	3,849,071	(12,772,523)	52,670,685

NOTE 4. CAPITAL ASSETS – NET (Continued)

	2011			
	Balance as of June 30, 2010	Additions Transfers	Disposals Transfers	Balance as of June 30, 2011
Accumulated depreciation:				
Land improvements	18,915,822	1,774,461	(9,635,053)	11,055,230
Buildings	8,283,752	1,064,245	(2,021,818)	7,326,179
Furniture, equipment and vehicles	2,737,014	297,286	(1,127,067)	1,907,233
Total accumulated depreciation	29,936,588	3,135,992	(12,783,938)	20,288,642
Total capital assets being depreciated – net	31,657,549	713,079	11,415	32,382,043
Capital assets – net	$ 36,609,528	$ 6,471,889	$ (3,884,613)	$ 39,196,804

	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

NOTE 5. INTANGIBLE ASSETS – NET

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

	2011	2010
Noise safety study and soundproofing	$ 21,549,356	$ 22,647,907
Master Plan	208,440	208,440
Logo	9,833	9,833
Total	21,767,629	22,866,180
Less accumulated amortization	11,728,888	10,908,948
Intangible assets – net	$ 10,038,741	$ 11,957,232

Total amortization expenses for the years ended June 30, 2011 and 2010 were $1,965,610 and $1,683,059, 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, 2011 are as follows:

2012	$ 1,377,792
2013	1,377,792
2014	1,377,792
2015	1,341,948
2016	1,341,948
2017 and thereafter	29,594,208
Total	$ 36,411,480

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:

	2011	2010
Art program grant received in advance	$ 3,750	$ –
Advance rents received from DBO Development	233,000	239,000
Total	$ 236,750	$ 239,000

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 District'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 consist of the following:

	2011	2010
Unspent passenger facility charges	$ 699,432	$ 601,641
Emergency Medical Supplies	2,789	4,005
Asset Seizure Account	3,067	3,065
Total	$ 705,288	$ 608,711

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, 2011, the employer contribution rates were 43.02% for the safety fire plan participants, 28.16% for the safety police plan participants and 10.313% 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, 2011, 2010 and 2009 were $742,405, $717,401 and $784,228, 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. 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 12. 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	4,800	5,050	1,035	10,885
Increase in net OPEB obligation	44,143	19,765	74,932	138,840
Net OPEB obligation–beginning of year	44,144	19,766	74,933	138,843
Net OPEB obligation-end of year	$ 88,287	$ 39,531	$ 149,865	$ 277,683

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, 2011	$149,725	7%	$138,843

FUNDING STATUS AND FUNDING PROGRESS

As of June 30, 2011, 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 value of assets, consistent with the long-term prospective of the calculations.

NOTE 12. 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 – 2011 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 3.0%. 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 12. 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%

SUPPLEMENTAL INFORMATION

MONTEREY PENINSULA AIRPORT DISTRICT
SCHEDULE OF CONSTRUCTION–IN–PROGRESS
FOR THE YEAR ENDED JUNE 30, 2011

Projects No.	Title	Balance at June 30, 2010	Additions	Completed/ Transferred to Capital Assets	Balance at June 30, 2011
2008–07	Airport Terminal Signage Rehabilitation	$ 24,017	$ 23,307	$ (47,324)	$ –
2009–03	RSA Environmental – Phase 1	660,291	45,399	(705,690)	–
2009–04	Airfield Pavement – Phase 3A	649,972	1	(649,973)	–
2009–05	Airfield Pavement – Phase 3B	832,052	503,911	(1,335,963)	–
2009–06	Airport Land Use Study	–	46,956	(46,956)	–
2009–07	Airport Energy Efficiency Project – Lighting	27,866	2,968	(30,834)	–
2009–09	RSA Environmental – Phase 2	600,891	329,551	–	930,442
2010–01	Wildlife Hazard Assessment/Mitigation	38,673	46,216	–	84,889
2010–03	F.I.D.S. Flight Information Display System	385,218	192,511	(577,729)	–
2010–04	Airport Access Improvements – Phase 1	49,452	32,197	(81,649)	–
2011–01	RSA Design – Phase 3	–	2,376,711	–	2,376,711
2011–02	Airport Energy Efficient Project – Phase 2	–	133,735	(133,735)	–
2011–03	Airport-Wide Utility Mapping	–	12,987	(12,987)	–
2011–04	Parking Lot Seal & Stripe	–	121,563	(121,563)	–
2011–05	HVAC Unit (2 ea) Replacement	–	27,176	(27,176)	–
2011–06	Airfield Pavement – Phase 3C	–	15,536	(15,536)	–
2011–07	North Side Sewer Line Replacement	–	108,914	(108,914)	–
2011–08	RSA Design & Reimbursement Agreement – Phase 4	–	1,739,172	–	1,739,172
	TOTAL	$ 3,268,432	$ 5,758,811	$ (3,896,029)	$ 5,131,214

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

MONTEREY PENINSULA AIRPORT DISTRICT
SCHEDULE OF REVENUES AND EXPENSES – BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2011

	Budget	Actual	Variance Favorable (Unfavorable)
OPERATING REVENUES:			
Commercial aviation:			
Landing fees	$ 412,404	$ 411,265	$ (1,139)
RON fees	52,854	52,218	(636)
Apron fees	57,887	57,620	(267)
Total commercial aviation	523,145	521,103	(2,042)
General aviation –			
Landing fees	236,044	232,557	(3,487)
Total general aviation	236,044	232,557	(3,487)
Terminal leases and concessions:			
Gate usage fees	5,505	6,734	1,229
Terminal space rent	1,552,932	1,567,907	14,975
Terminal concessions	196,843	186,479	(10,364)
Rental car concessions	976,926	945,121	(31,805)
Parking concession	699,849	641,861	(57,988)
Tower lease	3,150	3,150	–
Total terminal leases and concessions	3,435,205	3,351,252	(83,953)
Heavy general aviation tenants:			
FBO rents	586,452	595,848	9,396
Fuel flowage fees	231,002	239,602	8,600
Total heavy general aviation tenants	817,454	835,450	17,996
Light general and other aviation tenants:			
Facility/space rents	177,312	183,312	6,000
Hangar rents	208,026	208,674	648
Tiedown fees	7,512	7,032	(480)
Total light general and other aviation tenants	392,850	399,018	6,168
Non–aviation tenants:			
Facility/space rents	1,038,732	993,324	(45,408)
Outside storage	213,636	188,036	(25,600)
RV storage	110,076	100,193	(9,883)
Monterey Highway Self–Storage	182,628	175,765	(6,863)
Miscellaneous non–aviation revenue	6,000	7,558	1,558
Total non–aviation tenants	$ 1,551,072	$ 1,464,876	$ (86,196)

MONTEREY PENINSULA AIRPORT DISTRICT
SCHEDULE OF REVENUES AND EXPENSES – BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2011
(Continued)

	Budget	Actual	Variance Favorable (Unfavorable)
OPERATING REVENUES (Continued):			
Other operating revenue:			
Utility charges	$ 87,075	$ 88,401	$ 1,326
Late fees and interest	18,000	11,996	(6,004)
Bail and traffic fines	2,100	(1,053)	(3,153)
Decals and badges	22,700	26,164	3,464
Tenant plan reviews, checks and inspections	–	18,893	18,893
Miscellaneous other operating revenue	55,000	81,344	26,344
Total other operating revenue	184,875	225,745	40,870
TOTAL OPERATING REVENUES	7,140,645	7,030,001	(110,644)
OPERATING EXPENSES:			
Finance and administration:			
Salaries and wages	711,617	737,603	(25,986)
Salary and wage reimbursement – AIR and billing	–	(8,943)	8,943
Employer SSI	39,331	38,641	690
Employer MC	10,319	10,334	(15)
Workers' compensation insurance	13,871	13,861	10
ADP processing	2,112	1,926	186
CalPERS retirement	73,386	74,560	(1,174)
CalPERS health insurance	86,610	81,813	4,797
Flexible spending account	10,176	10,180	(4)
Dental insurance	11,012	9,729	1,283
Vision insurance	2,048	1,535	513
Retiree health insurance	1,278	24,330	(23,052)
Life insurance	700	699	1
Dues and subscriptions	24,000	22,291	1,709
Seminars and conferences	3,000	6,494	(3,494)
Professional development and education	4,000	2,341	1,659
Travel and business entertainment	10,000	13,929	(3,929)
Board of Directors – stipends	13,500	14,200	(700)
Board of Directors – seminars and conferences	3,000	3,630	(630)
Board of Directors – travel and business entertainment	4,600	5,931	(1,331)
Board of Directors – elections	135,000	95,866	39,134
Board of Directors – miscellaneous	33,500	33,548	(48)
Subtotal – forward	$ 1,193,060	$ 1,194,498	$ (1,438)

MONTEREY PENINSULA AIRPORT DISTRICT
SCHEDULE OF REVENUES AND EXPENSES – BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2011
(Continued)

	Budget	Actual	Variance Favorable (Unfavorable)
Subtotal – forward	$ 1,193,060	$ 1,194,498	$ (1,438)
OPERATING EXPENSES (Continued):			
Finance and administration:			
Public notices	1,200	4,896	(3,696)
LAFCO expense	13,690	13,688	2
Umbrella liability insurance expense	210,000	185,667	24,333
Administrative meetings/employee relations	5,600	7,951	(2,351)
Telephone	32,000	35,478	(3,478)
Postage and courier services	5,000	3,847	1,153
Bank fees and finance charges	5,000	7,034	(2,034)
Telecommunications	4,675	4,854	(179)
General supplies and materials	1,200	2,752	(1,552)
Office supplies and materials	16,500	19,377	(2,877)
District vehicle supplies and materials	25	10	15
District vehicle fuel	2,700	2,668	32
Office equipment repair and equipment	8,000	6,703	1,297
General repairs and equipment	250	–	250
District vehicle repair and maintenance	3,000	6,376	(3,376)
Other services	1,600	8,068	(6,468)
Tenant services	15,000	3,574	11,426
Art program	15,000	14,950	50
Annual audit/accounting	41,500	41,500	–
District legal counsel	105,000	183,866	(78,866)
Administration and finance	9,000	8,809	191
Human resources	12,000	–	12,000
Other legal services	9,500	20,563	(11,063)
Marketing	77,000	81,907	(4,907)
Public relations	12,000	14,760	(2,760)
Air service development	30,000	21,181	8,819
Other professional services	–	7,019	(7,019)
Utilities – miscellaneous	3,120	3,094	26
Utilities – electricity	235,000	242,974	(7,974)
Utilities – natural gas	61,000	60,571	429
Utilities – water	59,000	48,623	10,377
Utilities – sewage/waste water	19,300	17,435	1,865
Utilities – solid waste disposal	11,910	15,713	(3,803)
Bad debt expense	179,000	179,019	(19)
Total finance and administration	$ 2,397,830	$ 2,469,425	$ (71,595)

MONTEREY PENINSULA AIRPORT DISTRICT
SCHEDULE OF REVENUES AND EXPENSES – BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2011
(Continued)

	Budget	Actual	Variance Favorable (Unfavorable)
OPERATING EXPENSES (Continued):			
Planning and development:			
Salaries and wages	$ 298,031	$ 301,966	$ (3,935)
Salary and wage reimbursement – AIP and billing	(47,636)	(101,737)	54,101
Employer SSI	17,397	17,376	21
Employer MC	4,320	4,311	9
Workers' compensation insurance	13,296	12,733	563
ADP processing	1,056	972	84
CalPERS retirement	30,737	30,877	(140)
CalPERS health insurance	46,542	44,728	1,814
Flexible spending account	3,816	3,820	(4)
Dental insurance	4,770	3,665	1,105
Vision insurance	768	611	157
Life insurance	264	262	2
Retiree health insurance	–	11,532	(11,532)
Personnel recruitment and pre-employment expense	1,785	–	1,785
Dues and subscriptions	1,125	1,202	(77)
Seminars and conferences	4,055	2,855	1,200
Professional development and education	4,000	1,960	2,040
Travel and business entertainment	3,000	6,630	(3,630)
Public notices	2,000	719	1,281
Administrative meetings/employee relations	650	276	374
Telephone	540	314	226
Telecommunications	2,320	3,310	(990)
Postage and courier services	480	396	84
Office supplies and materials	2,700	3,274	(574)
District vehicle supplies and materials	50	–	50
District vehicle fuel	2,400	1,786	614
Office equipment repair and maintenance	2,700	2,651	49
District vehicle repair and maintenance	1,600	327	1,273
Other services	1,200	47	1,153
Architect and engineer	25,000	13,107	11,893
District legal counsel	25,000	5,598	19,402
Public relations	1,000	74	926
Computer/LAN and IT	37,160	36,677	483
Environmental	2,500	5,850	(3,350)
Overtime pay	–	24	(24)
Other professional services	5,000	–	5,000
Total planning and development	$ 499,626	$ 418,193	$ 81,433

MONTEREY PENINSULA AIRPORT DISTRICT
SCHEDULE OF REVENUES AND EXPENSES – BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2011
(Continued)

	Budget	Actual	Variance Favorable (Unfavorable)
OPERATING EXPENSES (Continued):			
Maintenance and custodial services:			
Salaries and wages	$ 526,865	$ 527,215	$ (350)
Salary and wage reimbursement – AIP and billing	–	(493)	493
Pager pay	10,980	10,590	390
Overtime pay	7,094	2,652	4,442
Holiday pay	4,115	1,176	2,939
Employer SSI	34,043	32,871	1,172
Employer MC	7,961	7,687	274
Workers' compensation insurance	36,593	34,125	2,468
ADP processing	2,904	2,585	319
CalPERS retirement	55,488	55,108	380
CalPERS health insurance	141,792	146,822	(5,030)
Flexible spending account	13,992	13,859	133
Dental insurance	19,814	16,802	3,012
Vision insurance	2,820	1,962	858
Life insurance	964	961	3
Retiree health insurance	–	31,704	(31,704)
Personnel recruitment and pre-employment expense	1,785	–	1,785
Dues and subscriptions	300	–	300
Seminars and conferences	1,500	–	1,500
Professional development and education	1,200	70	1,130
Travel and business entertainment	1,500	68	1,432
Administrative meetings/employee relations	250	–	250
Telephone	300	331	(31)
Telecommunications	767	423	344
Postage and courier services	360	–	360
Custodial supplies and materials	75,000	74,013	987
General supplies and materials	1,620	1,597	23
Maintenance supplies and materials	10,000	5,875	4,125
Office supplies and materials	650	586	64
District vehicle supplies and materials	500	361	139
District vehicle fuel	14,000	12,404	1,596
District vehicle repair and maintenance	13,000	6,276	6,724
Airfield repair and maintenance	28,900	9,196	19,704
Terminal repair and maintenance	74,200	72,065	2,135
Rental space repair and maintenance	18,000	33,341	(15,341)
Landscape and grounds repair and maintenance	21,300	19,257	2,043
Subtotal – forward	$ 1,130,557	$ 1,121,489	$ 9,068

MONTEREY PENINSULA AIRPORT DISTRICT
SCHEDULE OF REVENUES AND EXPENSES – BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2011
(Continued)

	Budget	Actual	Variance Favorable (Unfavorable)
Subtotal – forward	$ 1,130,557	$ 1,121,489	$ 9,068
OPERATING EXPENSES (Continued):			
Maintenance and custodial services:			
Office equipment repair and equipment	250	191	59
General repair and equipment	3,000	4,515	(1,515)
Other services	60,000	66,370	(6,370)
Total maintenance and custodial services	1,193,807	1,192,565	1,242
Airport operations:			
Salaries and wages	309,867	310,989	(1,122)
Salary and wage reimbursement – AIP and billing	–	(5,958)	5,958
Overtime pay	727	–	727
Employer SSI	18,809	18,246	563
Employer MC	4,504	4,432	72
Workers' compensation insurance	17,544	16,681	863
ADP processing	1,056	1,028	28
CalPERS retirement	53,778	53,828	(50)
CalPERS health insurance	49,524	50,890	(1,366)
Flexible spending account	5,088	5,093	(5)
Retiree health insurance	–	14,952	(14,952)
Life insurance	350	349	1
Vision insurance	1,020	612	408
Dental insurance	6,810	5,523	1,287
Dues and subscriptions	870	739	131
Seminars and conferences	1,400	790	610
Professional development and education	500	700	(200)
Travel and business entertainment	1,200	233	967
Telephone	120	80	40
Telecommunications	1,200	2,410	(1,210)
Postage and courier services	70	111	(41)
General supplies and materials	4,700	5,007	(307)
Office supplies and materials	1,500	271	1,229
District vehicle supplies and materials	200	66	134
District vehicle fuel	2,400	2,799	(399)
Subtotal – forward	$ 483,237	$ 489,871	$ (6,634)

MONTEREY PENINSULA AIRPORT DISTRICT
SCHEDULE OF REVENUES AND EXPENSES – BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2011
(Continued)

	Budget	Actual	Variance Favorable (Unfavorable)
Subtotal – forward	$ 483,237	$ 489,871	$ (6,634)
OPERATING EXPENSES (Continued):			
Airport operations:			
District vehicle repair and maintenance	1,000	709	291
General repairs and maintenance	3,500	18,783	(15,283)
Other services	12,000	1,180	10,820
Office equipment repair and maintenance	160	250	(90)
Architect & Engineer	–	7,915	(7,915)
Administrative meetings/Employee relations	–	47	(47)
Environmental	6,500	5,095	1,405
Total airport operations	506,397	523,850	(17,453)
Police department:			
Salaries and wages	653,361	633,233	20,128
Salary and wage reimbursement – AIP and billing	(155,927)	(155,928)	1
Overtime pay	39,955	38,512	1,443
Holiday pay	12,396	13,035	(639)
Training pay	900	900	–
Uniform allowance	5,040	5,760	(720)
Employer SSI	44,122	40,547	3,575
Employer MC	10,318	9,522	796
Workers' compensation insurance	47,430	40,556	6,874
ADP processing	2,640	2,289	351
CalPERS retirement	161,062	157,408	3,654
CalPERS health insurance	69,096	70,743	(1,647)
Flexible spending account	7,632	7,639	(7)
Dental insurance	10,892	10,103	789
Vision insurance	1,536	800	736
Life insurance	530	524	6
Retiree health insurance	6,576	42,880	(36,304)
Personnel recruitment and pre-employment expense	3,000	–	3,000
Dues and subscriptions	1,700	1,070	630
Seminars and conferences	–	550	(550)
Professional development and education	3,000	1,125	1,875
Travel and business entertainment	3,000	1,916	1,084
Telephone	3,300	3,348	(48)
Telecommunications	11,200	9,071	2,129
Postage and courier services	600	206	394
Subtotal – forward	$ 943,359	$ 935,809	$ 7,550

MONTEREY PENINSULA AIRPORT DISTRICT
SCHEDULE OF REVENUES AND EXPENSES – BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2011
(Continued)

	Budget	Actual	Variance Favorable (Unfavorable)
Subtotal – forward	$ 943,359	$ 935,809	$ 7,550
OPERATING EXPENSES (Continued):			
Police department:			
General supplies and materials	13,000	13,253	(253)
Office supplies and materials	3,000	1,360	1,640
District vehicle supplies and materials	250	431	(181)
District vehicle fuel	9,235	9,165	70
Office equipment repair and maintenance	1,200	329	871
General repairs and maintenance	5,000	1,308	3,692
District vehicle repair and maintenance	10,000	8,244	1,756
Other services	2,500	3,998	(1,498)
District legal counsel	1,500	112	1,388
Total police department	989,044	974,009	15,035
Fire department:			
Salaries and wages	850,749	859,085	(8,336)
Salary and wage reimbursement – AIP and billing	–	(75,283)	75,283
Overtime pay	70,260	134,162	(63,902)
Holiday pay	25,014	26,405	(1,391)
Uniform allowance	7,920	8,120	(200)
Employer SSI	59,144	62,668	(3,524)
Employer MC	13,832	14,656	(824)
Workers' compensation insurance	63,577	60,631	2,946
ADP processing	3,168	3,007	161
CalPERS retirement	370,393	370,624	(231)
CalPERS health insurance	136,848	141,972	(5,124)
Flexible spending account	13,992	13,859	133
Dental insurance	19,830	17,090	2,740
Vision insurance	2,820	1,930	890
Life insurance	964	961	3
Retiree health insurance	6,390	24,876	(18,486)
Dues and subscriptions	1,500	1,831	(331)
Seminars and conferences	–	750	(750)
Subtotal – forward	$ 1,646,401	$ 1,667,344	$ (20,943)

MONTEREY PENINSULA AIRPORT DISTRICT
SCHEDULE OF REVENUES AND EXPENSES – BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2011
(Continued)

	Budget	Actual	Variance Favorable (Unfavorable)
Subtotal – forward	$ 1,646,401	$ 1,667,344	$ (20,943)
OPERATING EXPENSES (Continued):			
Fire Department:			
Professional development and education	12,600	14,340	(1,740)
Travel and business entertainment	9,000	8,221	779
Telephone	2,400	2,512	(112)
Telecommunications	16,800	20,868	(4,068)
Postage and courier services	100	87	13
Custodial supplies and materials	300	–	300
General supplies and materials	12,000	16,807	(4,807)
Maintenance supplies and materials	600	77	523
Office supplies and materials	2,225	2,361	(136)
District vehicle supplies and materials	1,600	872	728
District vehicle fuel	8,000	7,908	92
Office equipment repair and maintenance	6,000	3,915	2,085
General repairs and maintenance	21,000	15,250	5,750
District vehicle repair and maintenance	12,000	2,759	9,241
Administrative Meetings / Employee Relations	–	40	(40)
Other services	4,000	252	3,748
Total fire department	1,755,026	1,763,613	(8,587)
TOTAL OPERATING EXPENSES	7,341,730	7,341,655	75
OPERATING INCOME (LOSS) BEFORE DEPRECIATION AND AMORTIZATION	(201,085)	(311,654)	(110,569)
DEPRECIATION AND AMORTIZATION	5,173,821	5,090,025	83,796
OPERATING INCOME (LOSS)	(5,374,906)	(5,401,679)	(26,773)
NONOPERATING REVENUES (EXPENSES):			
Grants – FAA	3,001,409	4,555,284	1,553,875
Passenger Facility Charges	752,925	693,752	(59,173)
Passenger Facility Charges – interest income	5,100	5,257	157
Subtotal – forward	$ 3,759,434	$ 5,254,293	$ 1,494,859

MONTEREY PENINSULA AIRPORT DISTRICT
SCHEDULE OF REVENUES AND EXPENSES – BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2011
(Continued)

	Budget	Actual	Variance Favorable (Unfavorable)
Subtotal – forward	$ 3,759,434	$ 5,254,293	$ 1,494,859
NONOPERATING REVENUES (EXPENSES) (Continued):			
PFC – unrealized gain/(loss) on investments	350	868	518
Grants – EMS	–	2,500	2,500
Interest income – banks	1,625	3,680	2,055
Interest income – L.A.I.F.	4,600	2,707	(1,893)
Interest income – notes receivable	2,442	2,358	(84)
Interest income – MPAD investments	109,000	97,234	(11,766)
MPAD – unrealized gain/(loss) on investments	12,400	1,679	(10,721)
Interest income – QTAC investments	20	–	(20)
TOTAL NONOPERATING REVENUE	3,889,871	5,365,319	1,475,448
CHANGE IN NET ASSETS	$ (1,485,035)	$ (36,360)	$ 1,448,675

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* as of and for the year ended June 30, 2011, and have issued our report thereon dated January 6, 2012. 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

Management of the *District* is responsible for establishing and maintaining effective 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

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which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

This report is intended solely for the information and use of 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.

January 6, 2012

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, 2011. 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, 2011.

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.

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.

January 6, 2012

Hayashi & Wayland

MONTEREY PENINSULA AIRPORT DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

FEDERAL GRANTOR/PASS–THROUGH GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	EXPENDITURES
Federal Aviation Administration – Airport Improvement Program	20.106*	Various	$ 4,555,284
Transportation Security Administration: Law Enforcement Officer Reimbursement Program	97.090	HSTS0208–HSLR329	155,928
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 4,711,212

See Notes to Schedule of Expenditures of Federal Awards.

NOTE 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Organization and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organization." Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. There were no noncash awards or loans outstanding.

MONTEREY PENINSULA AIRPORT DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011

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

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.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

There were no findings and/or questioned costs for the year ending June 30, 2011.

MONTEREY PENINSULA AIRPORT DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011

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

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, 2011. 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, 2011.

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.

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.

January 6, 2012

Hayashi & Wayland

MONTEREY PENINSULA AIRPORT DISTRICT
SCHEDULE OF PASSENGER FACILITY CHARGES COLLECTED AND EXPENDED
FOR THE YEAR ENDED JUNE 30, 2011

COLLECTIONS

Cumulative charges collected, June 30, 2010	$11,300,928
Charges collected for the quarter ended:	
September 30, 2010	197,112
December 31, 2010	148,256
March 31, 2011	170,764
June 30, 2011	177,617
Total charges collected for the fiscal year ended June 30, 2011	693,749
Cumulative charges collected, June 30, 2011	$11,994,677

DISBURSEMENTS

Projects No.	Title	Cumulative Expenditures June 30, 2010	Expenditures for the Year Ended June 30, 2011	Adjustments for the Year Ended June 30, 2011	Cumulative Expenditures June 30, 2011
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
	Subtotal - forward	$ 1,339,033	$ -	$ -	$ 1,339,033

MONTEREY PENINSULA AIRPORT DISTRICT
SCHEDULE OF PASSENGER FACILITY CHARGES COLLECTED AND EXPENDED
FOR THE YEAR ENDED JUNE 30, 2011
(Continued)

Projects No.	Projects Title	Cumulative Expenditures June 30, 2010	Expenditures for the Year Ended June 30, 2011	Adjustments for the Year Ended June 30, 2011	Cumulative Expenditures June 30, 2011
	Subtotal - forward	$ 1,339,033	$ -	$ -	$ 1,339,033
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
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
	Subtotal - forward	$ 9,170,293	$ -	$ -	$ 9,170,293

MONTEREY PENINSULA AIRPORT DISTRICT
SCHEDULE OF PASSENGER FACILITY CHARGES COLLECTED AND EXPENDED
FOR THE YEAR ENDED JUNE 30, 2011
(Continued)

Projects		Cumulative Expenditures June 30, 2010	Expenditures for the Year Ended June 30, 2011	Adjustments for the Year Ended June 30, 2011	Cumulative Expenditures June 30, 2011
No.	Title				
	Subtotal - forward	$ 9,170,293	$ -	$ -	$ 9,170,293
PFC Y	Terminal Elevator	327,625	-	-	327,625
PFC Z	Fire Apparatus Pump Upgrade	15,540	-	-	15,540
MPAD	MPAD Projects – Terminal Expansion	272,596	-	-	272,596
MPAD 114	Quick Turn Around (QTA) Area	18,001	-	-	18,001
2008-01	Residential Soundproofing Insulation Program (RSIP) Phase 12	96,540	-	-	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	114,620	-	-	114,620
2008-10	Airfield Pavement Rehabilitation & Improvements Phase 2	98,104	-	-	98,104
2009-01	Residential Soundproofing Insulation Program (RSIP) Phase 13	69,599	-	-	69,599
2009-03	RSA Environmental - Phase 1	33,016	2,270	-	35,286
2009-04	Airfield Pavement - Phase 3A	32,497	-	-	32,497
2009-05	Airfield Pavement - Phase 3B	41,603	71,119	-	112,722
2009-09	RSA Prelim Design & Environmental - Phase 2	26,801	20,757	-	47,558
2010-01	Wildlife Hazard Assessment / Mitigation	-	4,245	-	4,245
2010-03	Flight Information Display System	385,219	178,292	-	563,511
2010-04	Airport Access Improvements - Phase 1	-	81,649	-	81,649
2011-01	RSA Design - Phase 3	-	162,079	-	162,079
2011-06	Airfield Pavement - Phase 3C	-	15,536	-	15,536
2011-08	RSA Design & Reimbursable Agreement - Phase 4	-	86,959	-	86,959
	TOTAL	$10,939,549	$ 622,906	$ -	$11,562,455

See Notes to Financial Statements.

MONTEREY PENINSULA AIRPORT DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS –
PASSENGER FACILITY CHARGE PROGRAM
FOR THE YEAR ENDED JUNE 30, 2011

There were no findings and/or questioned costs for the year ended June 30, 2011.

MONTEREY PENINSULA AIRPORT DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS -
PASSENGER FACILITY CHARGE PROGRAM
FOR THE YEAR ENDED JUNE 30, 2011

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

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