MONTEREY PENINSULA AIRPORT DISTRICT

FOR THE FISCAL YEARS ENDED JUNE 30, 2021 AND 2020

ANNUAL FINANCIAL AND
COMPLIANCE REPORT

Focused
on YOU

MONTEREY PENINSULA AIRPORT DISTRICT

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FOR THE FISCAL YEARS ENDED JUNE 30, 2021 AND 2020

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Monterey Peninsula Airport District
Monterey, California

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the Monterey Peninsula Airport District (the District), as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the District, as of June 30, 2021 and 2020, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Other Reporting Responsibilities

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of the District's proportionate share of the net pension liability – miscellaneous & safety risk pools, the schedule of Plan contributions – miscellaneous & safety risk pools, and the schedule of changes in the total OPEB liability and related ratios, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Board of Directors
Monterey Peninsula Airport District
Monterey, California

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2021, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Lance, Soll & Lunghard, LLP

Sacramento, California
October 18, 2021

MONTEREY PENINSULA
AIRPORT DISTRICT

Board of Directors
at June 30, 2021

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

MONTEREY PENINSULA AIRPORT DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Years Ended June 30, 2021 and 2020

The Management Discussion and Analysis (MD&A) is provided by the Monterey Peninsula Airport District (District) in compliance with requirements established by the Governmental Accounting Standards Board, Statement (GASB) No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB Statement No. 34). It is intended to serve as an introduction to the financial statements for the years ended June 30, 2021 (FY21) and 2020 (FY20). The information presented is to be read in conjunction with the financial statements, footnotes and supplementary information found in this report.

Mission Statement

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

Overview of the Monterey Peninsula Airport District

The District was created on March 22, 1941, by the passage of State Senate Bill No. 1300 that authorized an independent public airport district, which would qualify for federal funds. The District's enabling act was revised effective January 1, 2007; the revision updated the archaic language and provisions to allow the District to function more efficiently. The District is governed by five directors elected by voters residing in five voting districts in Monterey, Pacific Grove, Del Monte Forest, Pebble Beach, Carmel-by-the-Sea, greater Carmel, the west end of Carmel Valley, Del Rey Oaks, Sand City, and Seaside. The District employs an Executive Director as its Chief Executive and a Corporate Legal Counsel.

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

During FY21 and FY20, four commercial airlines served the airport with scheduled flights. Alaska, American Airlines, and United Express provided non-stop service to gateway hubs: Dallas, Denver, Los Angeles, Phoenix, San Diego, San Francisco, and Seattle. Allegiant operated non-stop service, two days per week, to Las Vegas and Portland.

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

The District is structured as an enterprise fund. District financial statements are prepared using the accrual basis of accounting; revenues are recognized when earned, and expenses are recognized when incurred. Costs are recovered through airport rents from tenants, landing and fuel fees, and other charges. Capital improvements are funded from three sources: (1) Federal grants from the Federal Aviation Administration's (FAA) Airport Improvement Program (AIP) derived from a 10% tax on the airline tickets; (2) Passenger Facility Charges (PFC) collected for each enplaned passenger at the point of origin and one intermediate stop; and (3) District contributed funds. Capital assets are capitalized and depreciated, except land and construction in progress, over their useful lives. Please refer to the notes to the basic financial statements for a summary of the District's significant accounting policies.

Overview of Fiscal Year 2021 Events

COVID-19 National Health Emergency Extended into FY21

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

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

Over the following months various changes in the commercial and general aviation services emerged. New operating and safety procedures were recommended by health departments and industry specialists, and aviation activities slowly started to improve, and appear to be returning at or near industry wide levels. The financial impact on the District was significant.

For FY21 the District prepared a conservative budget fully recognizing the impact of COVID-19 on the nation, its tenants, their customers and Airport operations. District revenues were expected to be approximately 27% lower than expenses with a projected operating loss $2,213,032. In Fiscal 2020 Coronavirus Aid, Relief, and Economic Security (CARES) Act was passed and the District received a $12,664,024 grant. The CARES Act funds provided coverage for the FY21 planned operating losses and allowed the District to issue abatements to aviation related tenants impacted by the decline in business.

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

CARES and CRRSA Act Grant Draws and Balances

The District received the CARES Act grant award on May 14, 2020. The grant allowed the District to submit reimbursements for expenses back to February 20, 2020. The District submitted expense reimbursement requests totaling $1,279,673 in FY20 and $2,539,459 in FY21. CARES Act grant balance available as of June 30, 2021, is $8,844,892.

The District received the two CRRSA Act grant awards on March 22, 2021. During FY21 the District submitted three reimbursements for expenses totaling $900,968. CRRSA Act grant balance available as of June 30, 2021, is $1,225,253.

Overview of District Financial Statements

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

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

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

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

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

Financial Highlights

✈ The assets and deferred outflows of resources of the District exceed liabilities and deferred inflows of resources by $74,367,781 and $69,054,931 on June 30, 2021 and 2020, respectively.

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

✈ In FY20, the District acquired and placed into service the capital assets listed below:
- Published FAA Disparity Study ($24,363)
- 10R-28L Charted Visual Approach Procedure Development ($24,641)
- Runway 10L-28R Overlay & PAPI installation ($1,858,596)
- RSA Project Mitigation - Years 4 and 5 ($124,897)
- Golden Tee Assets Purchase ($114,479)
- 2801 Monterey Salinas Highway Land Acquisition ($7,545,960)
- ARFF Building Exhaust System Upgrade ($20,497)
- Operations Department Vehicle Purchase ($39,559)
- Performed Terminal Upgrades ($120,606)
- Short-term Lot Pavement Rehab ($110,580)
- Airport Exterior Sign Replacement ($44,770)
- FAA Required Defensible Space Tree Removal ($69,400)
- PG&E Lighting Upgrade Project ($156,226)

✈ The District met its obligations and reduced its taxable pension obligation bonds principal to $371,000 (FY20 $727,000), California Energy Commission Loan principal to $2,497,206 (FY20 $2,650,783) and an increase of the PG&E loan to $160,821 (FY20 $156,043).

✈ In the airport industry, one standard measure of a commercial airport's size is the number of annual enplanements as reported by the airlines, i.e., passengers flying from the airport. Enplaned passengers during the six-fiscal year period, FY16 through FY21, are presented below in Table I.

Financial Highlights (Continued)

Table I

TOTAL ENPLANEMENTS: FISCAL YEARS 2016 - 2021											
FY 2016		FY 2017		FY 2018		FY 2019		FY 2020		FY 2021	
7/15	16,239	7/16	17,679	7/17	18,068	7/18	16,262	7/19	22,109	7/20	5,606
8/15	16,248	8/16	17,589	8/17	16,450	8/18	15,537	8/19	21,823	8/20	5,816
9/15	14,682	9/16	17,304	9/17	16,374	9/18	14,630	9/19	20,961	9/20	6,667
10/15	15,507	10/16	17,856	10/17	17,151	10/18	17,933	10/19	21,245	10/20	7,871
11/15	15,762	11/16	16,444	11/17	15,576	11/18	17,071	11/19	19,507	11/20	7,160
12/15	15,348	12/16	16,275	12/17	15,740	12/18	15,477	12/19	19,350	12/20	6,102
1/16	13,046	1/17	14,802	1/18	13,302	1/19	14,284	1/20	16,088	1/21	3,521
2/16	13,562	2/17	15,102	2/18	13,758	2/19	15,242	2/20	16,222	2/21	5,052
3/16	16,040	3/17	18,986	3/18	15,758	3/19	17,533	3/20	8,726	3/21	9,379
4/16	15,844	4/17	17,677	4/18	16,400	4/19	19,159	4/20	601	4/21	12,618
5/16	17,813	5/17	18,832	5/18	15,622	5/19	20,760	5/20	1,623	5/21	15,434
6/16	17,872	6/17	18,359	6/18	15,857	6/19	21,774	6/20	3,499	6/21	18,083
	187,963		206,905		190,056		205,662		171,754		103,309

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

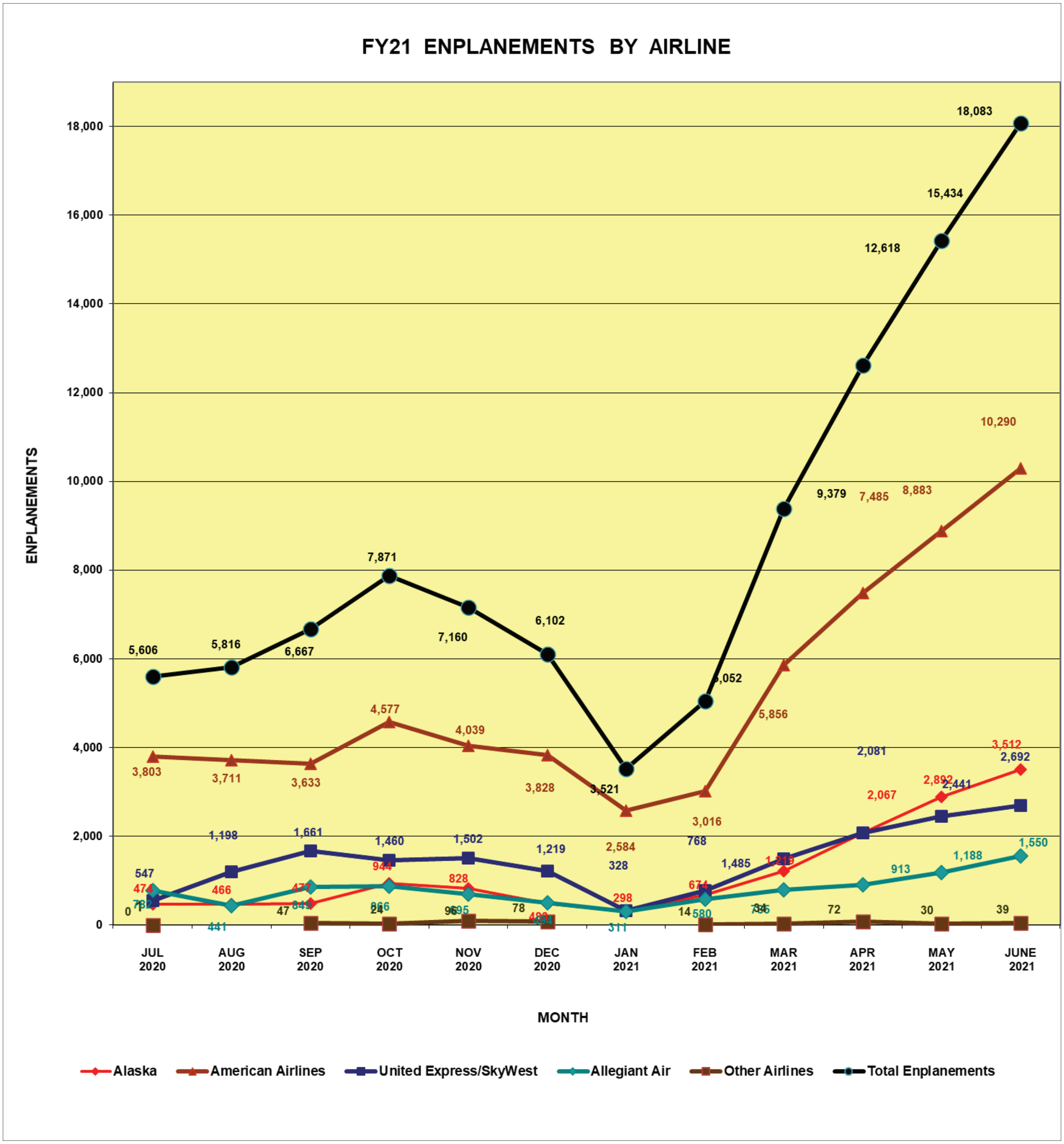
- FY21 enplanements decreased 39.9% compared to FY20 to 103,309 due to the COVID-19 national health emergency. Until March 2021 the District was on track to recognize less than 80,000 enplanements. Fortunately, the COVID-19 emergency began to subside and enplanements for the last 4 months of fiscal year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

- FY20 enplanements decreased 16.5% compared to FY19 to 171,754 due to the COVID-19 national health emergency. Until March 2020 the District was on track to exceed fiscal year enplanements by approximately 30,000. Enplanements for the last 4 months of fiscal year 2020 totaled 14,448.

Financial Highlights (Continued)

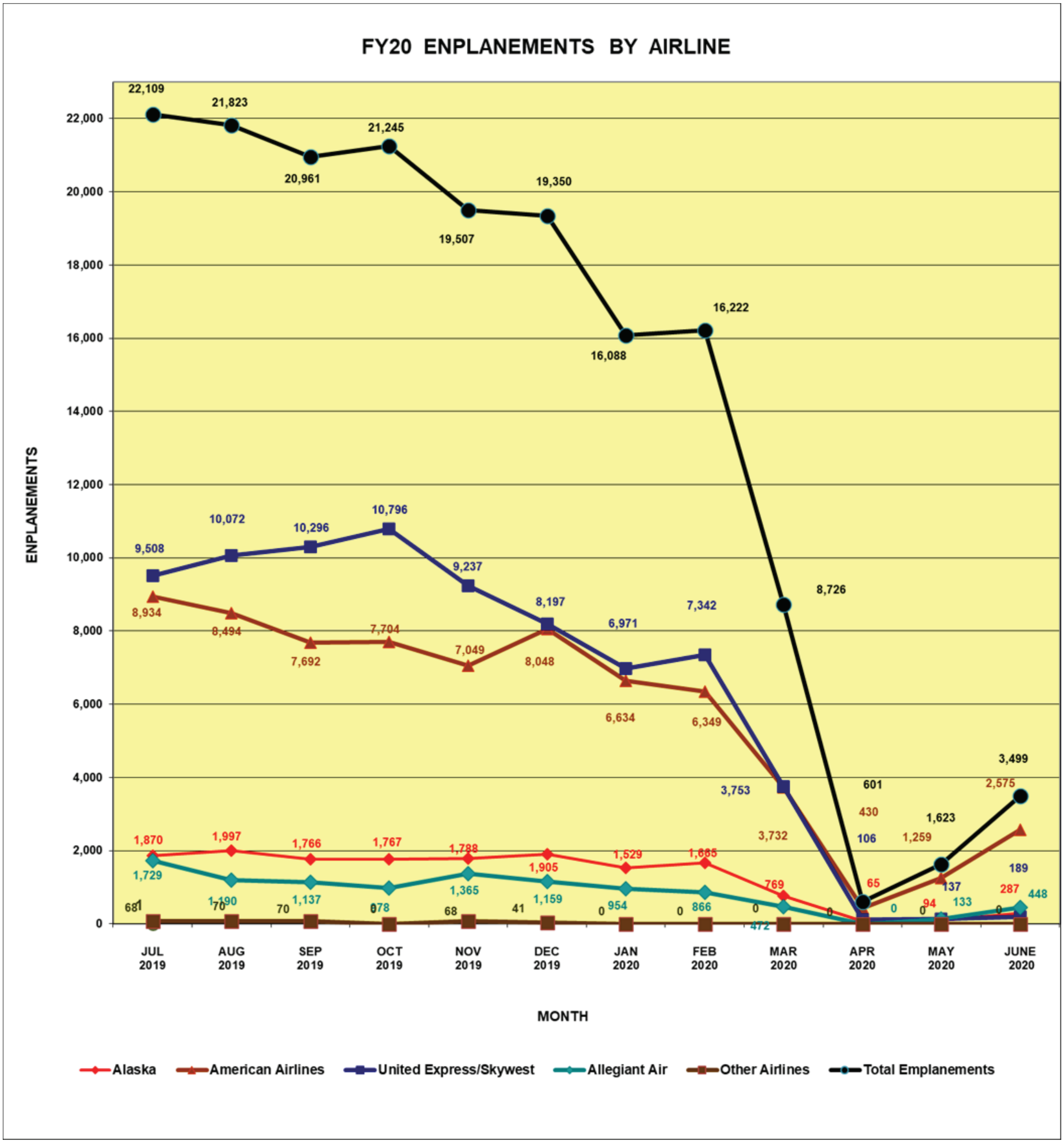
Charts A and B present the monthly enplanements for FY21 and FY20, respectively, in total and for the scheduled commercial airlines that serve the Airport.

Chart A



Financial Highlights (Continued)

Chart B



Summary of Net Position

Implementation of GASB Statement No. 87

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

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

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

The adoption of GASB 87 change in accounting principles impacts the presentation of both FY21 and FY20 financial statements. Included in the following financial statements are leases receivable, deferred inflows of lease revenues and lease interest income. See Note 7 for further detail.

Table II

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

Net Position

	2021	% Change	2020	% Change	2019
Current and other assets	$ 24,908,569	-15.9%	$ 29,616,088	203.8%	$ 9,747,987
Capital assets, net	79,783,310	5.7%	75,511,285	8.0%	69,948,622
Total assets	104,691,879	-0.4%	105,127,373	31.9%	79,696,609
Deferred outflow of resources	2,227,198	1.9%	2,185,393	-2.7%	2,246,837
Debt outstanding	3,029,027	-14.3%	3,533,826	-8.7%	3,870,761
Other liabilities	15,572,428	-1.5%	15,813,508	18.0%	13,402,170
Total liabilities	18,601,455	-3.9%	19,347,334	12.0%	17,272,931
Deferred inflow of resources	13,949,841	-26.2%	18,910,501	1463.5%	1,209,466
Net investment in capital assets	76,355,163	8.2%	70,559,889	5.4%	66,913,811
Restricted - unspent					
Passenger Facilities Charges	1,296,200	-32.2%	1,911,081	-24.4%	2,526,464
Cash Assets	1,268,956		956,469		
Unrestricted	(4,552,538)	4.1%	(4,372,508)	-23.7%	(5,732,267)
Total net position	$ 74,367,781	7.7%	$ 69,054,931	8.4%	$ 63,708,008

Net Position (Continued)

FY 21 Total Net Position of the District increased $5,312,850 from FY20. The District's FY21 Total Net Position increase resulted mostly from AIP funded capital assets ($9.97M) that were offset by depreciation of capital assets ($5.56M). See discussions below for changes in FY20 to FY21 revenues and expenses.

FY 20 Total Net Position of the District increased $5,346,923 from FY19. The District's FY20 Total Net Position increase resulted mostly from AIP funded capital assets ($12.2M) that were offset by depreciation of capital assets ($6.6M). See discussions below for changes in FY19 to FY20 revenues and expenses.

Conforming to requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions,* funds received from operating grants and PFCs are included in the financial statements, referred to as "Other Nonoperating Revenue" and grants restricted for capital purposes are reported as "Capital Contributions." In FY21, the District recognized $12,032,849 from FAA Airport Improvement Program (AIP), $8,475,621, CARES Act grant draws $2,539,459, CRSSA Act grant draws $900,968, TSA Law Enforcement grants $116,800 and $522,134 from PFCs receipts to fund capital project planning, engineering design, and construction costs. In FY20 the District received $11,666,028 from FAA AIP grants $10,268,951, CARES Act grant draws $1,279,637, TSA Law Enforcement grants $117,440 and $722,204 from PFCs to fund airport improvement projects.

Including the impact of GASB 87 FY21 Total Liabilities decreased $745,879 primarily from a decrease in AIP capital project related invoices that were offset by an increase Net Pension Liability.

Operating Revenues

An airport functions as a landlord. District revenue is derived from fees and lease revenues. Total operating revenues for the FY21 are $6,262,423, a decrease of 25.3% or $2,124,870 when compared to FY20 ($8,387,293) and a decrease of 11.5% or $1,087,758 when comparing FY20 to FY19 ($9,475,051).

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

The FY20 operating revenue decrease resulted from loss of commercial, general aviation and concession fees due to COVID-19. In FY20 the District also provided rent and minimum annual guaranteed (MAG) fee abatements to aviation related tenants from May 1, 2020 through June 30, 2020 totaling $355,217.

Revenues derived from commercial airlines activities and from airline passengers using services offered by the Airport account for 40.8% of FY21, 53.6% of FY20 and 55.7% of FY19 total operating revenues. In FY21 the Airport recognized a decrease of 43.4% in airline and related revenues when compared to FY20 and a 14.9% decrease comparing to FY20 to FY19 (see Table III, "Subtotal – Commercial Aviation"). Included in this category are revenues paid by commercial airlines for landing, apron, aircraft overnight parking fees and fuel flowage fees, and income received from tenants that lease space in the airport terminal. Commercial Airline fuel flowage fees were first included in the District's rates and charge schedules beginning August 1, 2018. Commercial Airline Fuel Flowage fees provided revenues of $66,262 in FY21 and $91,398 in FY20.

Operating Revenues (Continued)

Terminal Leases & Concessions includes income from many sources: concessions such as Woody's at the Airport restaurant (formerly Flyaway Café) and Gifts and More gift shop, commercial airlines that rent ticket counters, offices, baggage make-up, hold rooms and baggage claim areas, five rental car companies (Avis, Budget, Enterprise, Hertz, and National), long and short-term parking lots and in-terminal advertising. This category of revenue in FY21 decreased 47.8% or $1,762,484 and in FY20 decreased 16.5% or $728,990 when compared to FY19. The FY21 decrease is fully attributed to the impact of the COVID-19 national health emergency, rent and MAG abatements. The adoption of GASB 87 and the restatement of FY20 Terminal Leases & Concessions revenues had a $8,172 decrease on recognized revenues that were reclassified as Non-Operating Lease Income.

General Aviation activities generated 24.6% of FY21, 20.2% of FY20 and 21.4% of FY19 total operating revenues. Corporate aviation and general aviation tenants remit landing fees, fuel fees, and rental income for leased land, hangars, tie-downs, aircraft parking aprons, and offices. These FY21 revenues decreased 18.8% from FY20 and decreased 8.7% from FY19. The FY21 and FY20 decreases are fully attributed to the impact of the COVID-19 national health emergency. The adoption of GASB 87 and the restatement of FY20 General Aviation revenues had a $49,780 decrease on recognized revenues that were reclassified as Non-Operating Lease Income.

Non-aviation Tenants and Other Revenues produced 35.0% of FY21, 26.1% of FY20, and 22.9% of FY19 total operating revenues. During the COVID-19 national health emergency Non-aviation Tenants and Other Revenues remained relatively stable as the businesses continued to operate with a year-to-year revenue variance of less than $20,000 per year. The adoption of GASB 87 and the restatement of FY20 Non-aviation Tenants and Other revenues had a $361,350 decrease on recognized revenues that were reclassified as Non-Operating Lease Income.

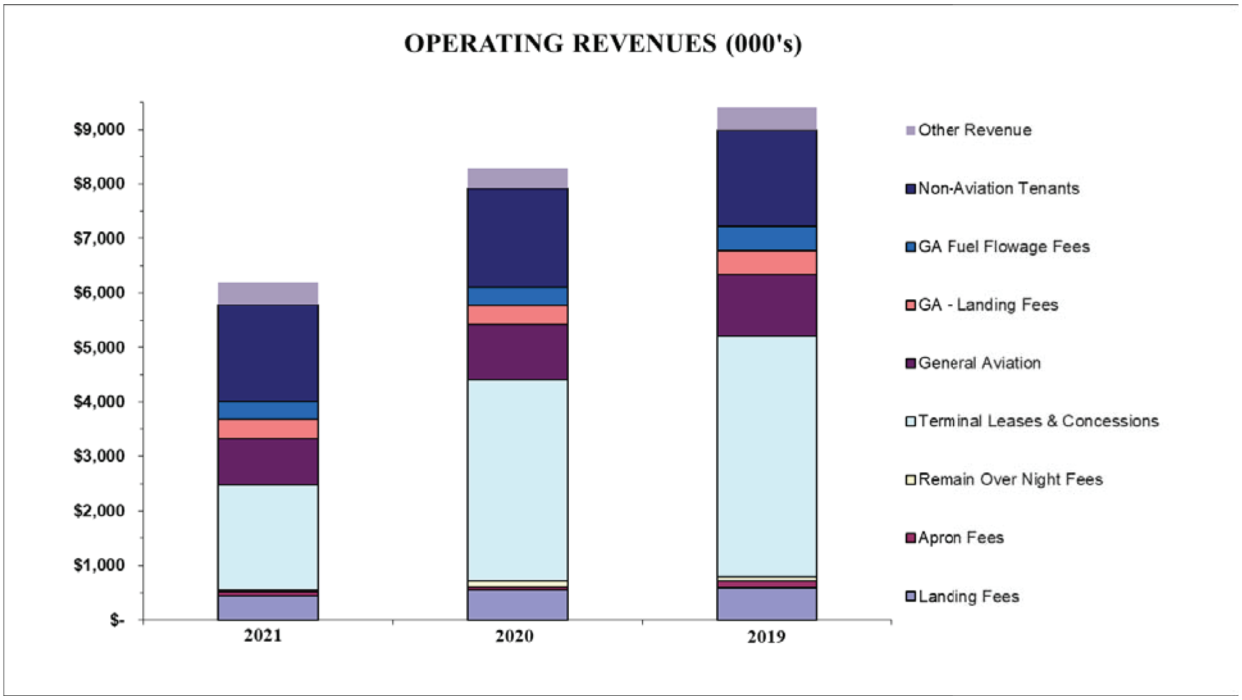
Table III presents a comparison of operating revenues for Fiscal Years 2021, 2020 and 2019. Chart C provides a graphic representation of operating revenues.

Table III

FISCAL YEARS 2021, 2020 & 2019 OPERATING REVENUES						
	2021		2020		2019	
Landing Fees	$ 438,369	7.0%	$ 544,897	6.5%	$ 600,181	6.4%
Apron Fees	75,175	1.2%	69,286	0.8%	$ 108,855	1.1%
Remain Over Night Fees	35,888	0.6%	97,599	1.2%	$ 79,331	0.8%
CA Fuel Flowage Fees	66,262	1.1%	91,398	1.1%	$ 75,108	0.8%
Terminal Leases & Concessions	1,926,170	30.9%	3,688,654	44.0%	$ 4,417,644	46.7%
Subtotal - Commercial Aviation	$ 2,541,865	40.8%	$ 4,491,834	53.6%	$ 5,281,119	55.7%
General Aviation	$ 838,744	13.5%	$ 1,033,490	12.3%	$ 1,132,318	12.0%
Landing Fees	364,303	5.8%	340,734	4.1%	435,218	4.6%
GA Fuel Flowage Fees	330,173	5.3%	332,052	4.0%	454,130	4.8%
Subtotal - General Aviation	$ 1,533,220	24.6%	$ 1,706,276	20.2%	$ 2,021,666	21.4%
Non-Aviation Tenants	$ 1,779,349	28.4%	$ 1,806,795	21.5%	$ 1,756,559	18.5%
Other Revenues	407,990	6.6%	382,388	4.7%	415,707	4.4%
Subtotal - Non-Aviation and Other	$ 2,187,339	35.0%	$ 2,189,183	26.1%	$ 2,172,266	22.9%
Total	$ 6,262,423	100.4%	$ 8,387,293	99.9%	$ 9,475,051	100.0%

Operating Revenues (Continued)

Chart C



Operating Expenses Before Depreciation and Amortization

Operating expense before depreciation and amortization in FY21 ($8,554,946) decreased 6.4% compared to FY20 ($9,283,450) and increased 8.9% when compared to FY19 ($8,526,332) (see Table V, "Fiscal Years 2021, 2020 and 2019 Operating Expenses Before Depreciation and Amortization"). As discussed below, most of the year over year expense decreases and increases are the result of staffing changes, GASB Statement No. 68 and 75 adjustments, CalPERS Unfunded Account Liability expense increases, and other changes to the Districts operations.

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

Total FY21 salaries and payroll costs decreased $311,366 (7.2%) compared to FY20 and increased $320,249 (8.0%) from FY19 to FY20. From FY21 to FY19 salaries, benefits and payroll related expenses, measured as a percentage of total operating expenses before depreciation and amortization have averaged approximately 46%.

Operating Expenses Before Depreciation and Amortization (Continued)

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

Table IV

FISCAL YEARS 2021, 2020 & 2019 SALARY & PAYROLL EXPENSES						
	2021		2020		2019	
Finance & Administration	$ 950,484	23.6%	$ 1,041,530	24.0%	$ 1,030,814	25.7%
Planning & Development	586,076	14.6%	552,528	12.7%	417,311	10.4%
Maintenance & Custodial Services	1,159,363	28.8%	1,218,041	28.1%	1,101,312	27.4%
Airport Operations	410,672	10.2%	448,765	10.3%	348,316	8.7%
Police Department [1]	234,936	5.8%	300,657	6.9%	656,411	16.3%
ARFF / Fire Department	685,179	17.0%	776,557	17.9%	463,664	11.5%
Total	$ 4,026,711	100%	$ 4,338,077	100%	$ 4,017,828	100%

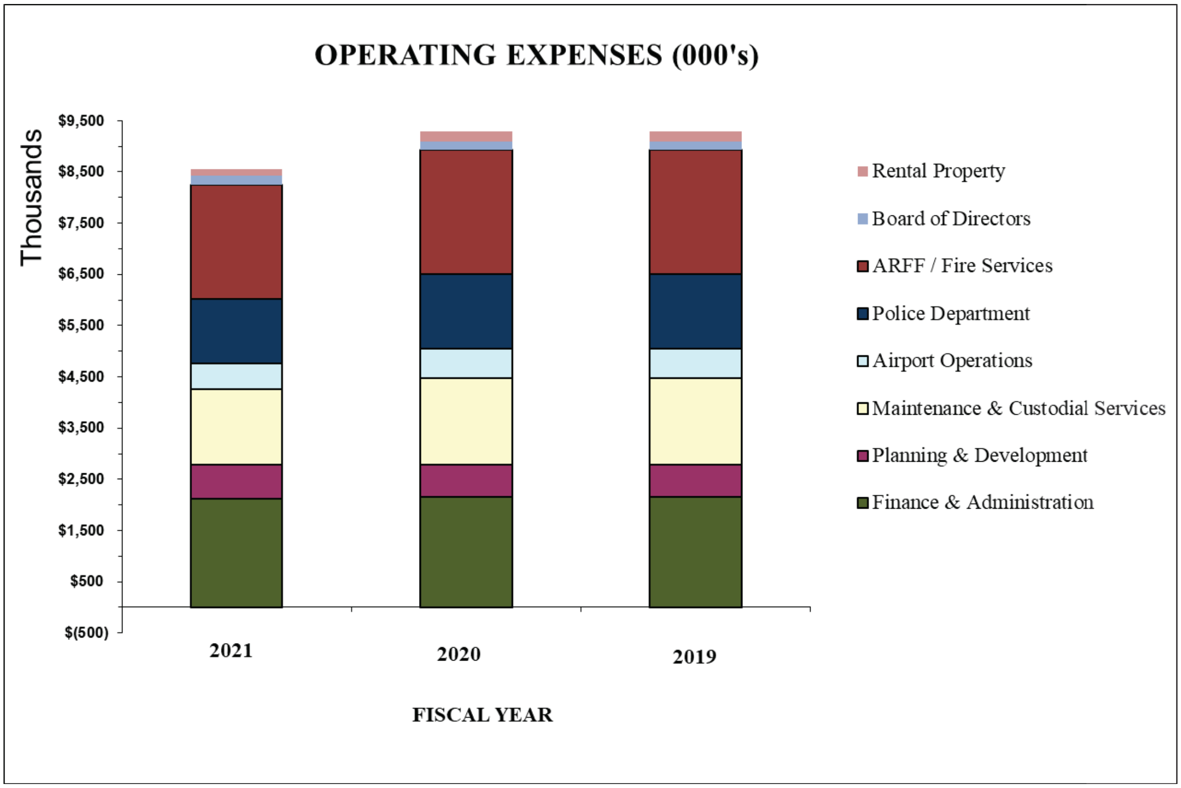
[1] **Leo Grant Special Item is excluded FY 21 ($116,800), FY20 ($117,440) and FY19 ($116,800).**

Table V compares operating expenses for Fiscal Years 2021, 2020 and 2019. Chart D provides a graphic representation of operating expenses. All operating department expenses were affected by changes in CalPERS Unfunded Account Liability and offset by lower GASB 68 and GASB 75 OPEB non-cash adjustments. These expenses are recognized as components of the compensation and retirement benefits.

Table V

FISCAL YEARS 2021, 2020 & 2019 OPERATING EXPENSE BEFORE DEPRECIATION AND AMORTIZATION						
	2021		2020		2019	
Finance & Administration	$ 2,121,741	24.8%	$ 2,159,953	23.3%	$ 2,008,686	23.6%
Planning & Development	$ 656,681	7.7%	633,345	6.8%	517,072	6.1%
Maintenance & Custodial Services	$ 1,488,364	17.4%	1,680,160	18.1%	1,545,570	18.1%
Airport Operations	$ 489,273	5.7%	576,327	6.2%	457,588	5.4%
Police Department [1]	$ 1,257,266	14.7%	1,456,201	15.7%	1,525,078	17.9%
ARFF / Fire Services	$ 2,230,804	26.1%	2,430,465	26.2%	2,331,273	27.3%
Board of Directors	$ 181,277	2.1%	153,523	1.7%	141,070	1.7%
Office Space Rentals	$ 129,540	100.0%	193,476	2.1%	-	0.0%
Total	$ 8,554,946	98%	$ 9,283,450	100%	$ 8,526,337	100%

Chart D



<u>Finance & Administration (F&A) operating expenses</u> decreased 1.8% or $38,212 compared to FY20 and increased 7.5% or $151,267 from FY19 to FY20. The FY21 expenses decrease resulted from lower employment related expenses from staffing changes ($165,724) that was offset by an increase in legal expenses from the lawsuit filed by the City of Monterey ($141,107) and lower utilities expenses ($16,436). The FY20 F&A expense increase resulted from legal expenses related to a development of a LAFCO application and memorandum of understanding with the City of Monterey and removal of trees dispute on the 2801 Monterey Salinas Highway office rental properties $109,041. The dispute arose over trees removed as part of the FAA transitional zone height zoning requirements as well as the trees taken out as part of the City of Monterey Fire Department recommendations related to creating a defensible space around the buildings to promote fire safety. Resolution of the dispute is still pending.

<u>Planning & Development (PD) operating expenses</u> increased 3.7% or $23,336 compared to FY20 and an increased 22.5% or $116,272 from FY19 to FY20. The FY21 PD expense increase came from higher Architect & Engineer expense for the Monterey Jet Center remodel project ($50,545). The FY20 PD expense increase came from higher labor liquidations ($24,848), higher GASB 68 expenses ($97,505), higher CalPERS UAL expenses ($51,125) and other small variances ($7,510).

<u>Maintenance & Custodial Services (MCS) operating expenses</u> decreased 11.4% of $191,796 from FY20 and increased 8.7% or $134,590 from FY19 to FY20. The FY21 MCS expense decrease came from a lower employment related expense ($122,006), Airfield/Facilities repair and maintenance expenses ($53,568) and supplies expenses ($12,142). The FY20 MCS expense increased from higher workers comp expenses ($37,133), higher GASB 68 expenses ($110,091) and other expense variances ($3,099).

Operating Expenses Before Depreciation and Amortization (Continued)

Airport Operations (OPS) operating expenses decreased 15.1% or $87,054 compared to FY20 and an increased 8.7% or $118,739 from FY19 to FY20. The FY21 OPS expense decrease came from a lower employment related expense ($58,523), computer/LAN & IT expenses ($24,698) and other contract expenses ($5,726). FY20 OPS expenses included higher salary and benefits related expenses with the addition of an Operations Superintendent ($75,415), higher GASB 68 expenses ($26,179) and higher Computer / LAN & IT expenses ($20,014) that were offset by various net expenses ($2,856).

Police Department operating expenses decreased 13.7% or $198,935 compared to FY20 and decreased 4.5% or $68,877 from FY19 to FY20. In FY21 Police Department expenses decreased from lower Del Rey Oaks direct contract labor expenses ($121,231) and GASB 68 and 75 expenses ($74,575). In FY20 Police Department expenses decreased from the Law Enforcement services contract with the City of Del Rey Oaks direct contract labor expenses ($94,773) but was offset by increases in GASB 68 and 75 expenses ($24,635) and decreases in other expenses ($4,926). Table V excludes the annual LEO Grant reimbursement for FY21 ($116,800), FY20 ($117,440) and FY19 ($116,800) which is reported as Operating Grant revenue.

ARFF / Fire operating expenses decreased 8.2% or $199,661 compared to FY20 and increased 4.3% or $99,192 from FY19 to FY20. In FY14 the District eliminated its Aircraft Rescue and Fire Fighting (ARFF) department staff and contracted with the City of Monterey for fire department staffing services. The City of Monterey absorbed the District's fire department staff through a 5-year contract, which provides the ARFF services. The Airport's ARFF department is subject to CalPERS Pension Unfunded Account Liabilities payments and GASB 68 and 75 expense adjustments for ARFF department staff who worked for the airport before contracting with City of Monterey. The District negotiated a new contract with the City of Monterey to continue services beyond June 30, 2019.

In FY21 ARFF department recognized a decrease in CalPERS UAL, GASB 68 pension expenses ($112,933) and Fire Service Contract ($109,752) and that was offset by an increase in ARFF vehicle repairs and other expenses ($20,505). In FY20 ARFF Department expense increased ($323,047) from changes in CalPERS UAL, GASB 68 and GASB 75 changes but was reduced by lower Fire Service Contract expenses ($156,207) and lower vehicle ARFF truck repairs ($74,359).

Board of Directors (Director) operating expenses increased 18.1% or $27,754 compared to FY20 and an increase of 8.8% or $12,543 from FY19 to FY20. FY21 was an election year for three Directors. Two Directors ran for election uncontested and one Director was reelected resulting in election expenses of $49,324 that was offset by a decrease in seminar, conference and travel expenses ($22,485). FY20 was an off-election year therefore no Director election expenses were incurred. The FY20 Director expense increase came from higher District legal counsel fees ($21,862) that were offset by lower travel and entertainment expenses ($9,409).

Office Space Rental Property (Office Space) In July 2019 the District acquired the 2801 Monterey Salinas Highway commercial properties. The 2801 properties consist of two office buildings with various suites. Building A currently has three tenants that have leased the property through 2028. In FY21 Office Space expenses for property maintenance, repairs, and taxes decreased 33% or $63,936. Most of the expense decrease came from a change in county taxes which switched from property to possessory taxes ($42,892) and HVAC and other repairs ($19,984).

Table VI compares actual Operating Revenues, Operating Expenses, and the change in Net Position for Fiscal Years 2021, 2020 & 2019.

Table VI

	FY 2021 Actual	FY 2020 Actual	FY 2019 Actual
Operating Revenues			
Commercial Aviation - Fees	$ 615,694	$ 803,180	$ 863,475
General Aviation - Fees	364,303	340,734	435,218
Terminal Concessions and Leases	1,926,170	3,688,654	4,417,644
Heavy General Aviation	805,676	967,317	1,132,318
Light General & Other Aviation Tenants	363,241	398,225	454,130
Non-Aviation Tenants	1,779,349	1,806,795	1,756,559
Other Operating Revenues	407,990	382,388	415,707
Total Operating Revenues	6,262,423	8,387,293	9,475,051
Operating Expenses			
Finance & Administration	2,121,741	2,159,953	2,008,686
Planning & Development	656,681	633,345	517,072
Maintenance & Custodial Services	1,488,364	1,680,160	1,545,570
Airport Operations	489,273	576,327	457,588
Police Department	1,257,266	1,456,201	1,525,078
ARFF Services	2,230,804	2,430,465	2,331,273
Board of Directors	181,277	153,523	141,070
Office Space Rentals	129,540	193,476	-
Total Operating Expenses	8,554,946	9,283,450	8,526,337
Operating Income before Depreciation	(2,292,523)	(896,157)	948,714
Depreciation & Amortization Expense	5,562,803	6,641,491	6,552,360
Net Operating Income / (Loss)	(7,855,326)	(7,537,648)	(5,603,646)
Other Revenue (Expense), net	13,168,176	12,884,571	2,970,096
Change in Net Position	$ 5,312,850	$ 5,346,923	$ (2,633,550)
Net Position Beginning of Year	69,054,931	63,708,008	66,341,558
Net Position End of Year	74,367,781	69,054,931	63,708,008

Capital Assets and Debt Activity

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

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

Table VII

	2021	2020	2019
Tangible assets, net			
Land	$ 4,206,755	$ 4,206,755	$ 1,784,717
Land improvements	46,640,474	50,471,802	53,163,237
Buildings	8,718,758	9,928,091	5,419,808
Furniture, equipment and vehicles	2,692,279	2,985,860	3,284,266
Construction in progress	16,250,965	6,463,007	4,513,426
Total	78,509,230	74,055,515	68,165,454
Intangible assets, net	1,274,080	1,455,770	1,783,168
Total capital assets - net	$ 79,783,310	$ 75,511,285	$ 69,948,622

Contractual Commitments

The District approved capital expenditures for fiscal years 2021 and 2020 and authorized contracts for the construction of various capital assets. By June 30, 2021 and June 30, 2020, the District had approved construction in progress (CIP) projects totaling $9,968,455 and $12,204,155 respectively. As presented in the financial statements notes, work completed on these approved CIP projects on June 30, 2021 totaled $46,870 and on June 30, 2020 totaled $10,254,574. Remaining approved CIP expenditures and contracts for subsequent years beginning July 1, 2021 are $16,250,965 and July 1, 2020 are $6,463,007. Most of these commitments will be funded by AIP grants and PFCs when work is complete.

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

Debt

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

Debt (continued)

On May 22, 2017, the Monterey Peninsula Airport District received approval for a $3,000,000, 1% and 16.1-year California Energy Commission (CEC) construction and term loan to finance development of a 1.51M kWh Solar Panel Array on airport property. The District made draws on the CEC construction loan totaling $2,931,320 through completion of the project in November 2017. The CEC loan will be repaid through the Airport's electricity savings from power generated by the Solar Panel Array. The Solar Panel Array power generation is expected to meet the power requirements of the District. The CEC loan principal balance on June 30, 2021 is $2,497,206.

In April 2019 the Association of Monterey Bay Area Governments (AMBAG) contacted the District about no interest loans offered by Pacific Gas and Electric to upgrade lighting to newer LED technologies. The new lighting would be installed by Lumenature a PG&E authorized contractor. On November 15, 2019 District approved two Pacific Gas and Electric no interest loans for upgrading parking lot and terminal lighting to newer LED fixtures and lights. On June 3, 2020 Loan TIF 010101 with a balance of $145,762, payment terms of 45 months with monthly payments of $3,239 was signed and project work was scheduled to be complete in July 2020. On June 9, 2020 Loan TIF 010598 with a balance of $10,464, payment terms of 57 with monthly payments of $184 per month was signed and the project was completed in June 2020. On August 26, 2020, the District signed a third Pacific Gas and Electric no interest loan application to upgrade lighting in the Rental Space/Offices at 2801 Monterey Salinas Highway. On April 27, 2021, the final Loan TIF 011474 was signed with a balance of $46,870 payment terms of 64 months and payments of $1,019per month. During FY21 the District paid $42,092 on all three loans. The PG&E loans have been combined in the financial statements with a total balance of $160,821 on June 30, 2021.

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

Fiscal Year 2021 District Actions Impacting Future Operations

District and Management Focus

The District's FY21 operational and financial performance were a direct result of actions and changes implemented by the District's Board of Directors and Executive Management of the Airport. In FY21 the District continued to navigate the COVID-19 impact on Airport's operations and tenants. Staff monitored changes in the Airline industry and adjusted safety protocols as necessary. Throughout FY21 the District prepared for the reduction of COVID-19 restrictions and the return of Airline services.

With the decline in COVID-19 restrictions in March 2021 and increased flight schedules, the District approved its FY22 financial plans which can be re reviewed at https://montereyairport.specialdistrict.org/fiscal-administration.

In the following paragraphs are indicators of how the District changed its FY22 revenue and expense projections. Additionally, the District's annual financial plans do not include GASB 68, GASB 75 and GASB 87 adjustments, but the following audited financial statements do include these GASB adjustments. See the Notes to the audited financial statements for additional information on the impact of GASB adjustments.

Fiscal Year 2021 District Actions Impacting Future Operations (Continued)

Airport Master Plan

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

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

Commercial Air Service and Concessions

During FY21, the airlines continued to realign flights and adjust schedules to adapt to the impact of COVID-19 on Airport passenger traffic. CARES and CRRSA Act funding allowed some airlines to maintain flight schedules at reduced enplanement levels while customers and businesses prepared to reenter the travel market.

In March 2021 COVID-19 restrictions declined and Airlines began to post increased flight schedules and enplanements began to improve. Airlines made the following changes: United returned a nonstop flight to Denver and made plans for Los Angeles and San Francisco flights, American's nonstop flights to Dallas and Phoenix increased, Alaska added a flight to Seattle, Allegiant made plans to add a seasonal flight to Portland.

In FY21 the District prepared a FY22 budget with improved airlines schedules and related concession revenues to 80% or 90% of pre COVID-19 pandemic levels. The District still has CARES and CRRSA Act funds available to manage potential changes in airline and customer traffic.

General Aviation

Combined FY21 Heavy and Light general aviation revenues decreased 10.6% from FY20 and decreased 15.6% from FY19 to FY20 for a $488,446 revenue reduction over two years. Like Airlines heavy general aviation operations and charters saw an upward trend in March 2021 which is expected to continue in FY22.

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

Fiscal Year 2021 District Actions Impacting Future Operations (Continued)

<u>Operating Expenses</u>

FY22 operating expenses are budgeted to remain about the same as FY20 at $8,511,577. Included in the FY22 operating expenses are savings from the service contracts with the Cities of Monterey and Del Rey Oaks discussed below.

<u>Service Contracts</u>

Airport Rescue and Fire Fighting Services – As previously mentioned in FY14 the District eliminated its fire department staff and contracted with the City of Monterey for fire department staffing services. The City of Monterey absorbed the District's fire department staff through a 5-year contract, which provides the airport with Aircraft Rescue and Fire Fighting (ARFF) services. That contract expired on June 30, 2019. The District negotiated a new five-year ARFF contract with the City of Monterey that commenced July 1, 2019. In contrast to the previous contract the new five-year agreement includes a decreasing fee structure that recognized the benefits the City of Monterey receives from using the Districts ARFF station for both Airport and City fire and protection services. The decrease in ARFF fees is $158,604 from FY 21 to FY22.

Police Department Law Enforcement Service Agreement – In October 2018, the District implemented a five-year contract for Law Enforcement Services with the City of Del Rey Oaks (DRO). The District's goals were to reduced management overhead while maintaining the needed services and improved flexibility in staffing with a larger pool of qualified officers. For FY21 DRO planned an increase in FY22 Law Enforcement Services. The increase in District law enforcement expenses including CalPERS UAL is $179,872.

<u>Airport Infrastructure</u>

To improve the Airport Infrastructure, the District pursued grants and other financing to make capital investments. In FY20 and FY21. The follow is a summary of three significant capital projects.

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

- In FY20, the District submitted AIP 3-06-0159-072 (2020-13) Northeast Vehicle Service Road Improvements Project total $2,139,811. The Vehicle Service Road Improvement (VSR) will allow for the relocation of the 44 GA tenants from the current southeast side of the Airport. The VSR improvements will build on an approximately 24-foot-wide, 1,600-footlong paved airport vehicle service road (northeast service road improvement) from the existing east vehicle service road to the terminus of Airport Road at the north GA apron. The construction includes installation of utilities

Fiscal Year 2021 District Actions Impacting Future Operations (Continued)

- (electrical, water, sewer, data, storm drain) fencing, access gate, fire hydrant, street lighting and required mitigation. In FY21 the Northeast Vehicle Service Road Improvements Project started and construction is expected to be completed in mid FY22.

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

- In FY21, the District submitted AIP 3-06-0159-076 (2021-04) for the Safety Enhancement Program (SEP) Phase A1 Commercial Apron Design total $2,985,092. Commercial Apron Design will consist of design in order to allow for procuring bids for construction of a new commercial ramp/apron and reconstruction of Taxiway J and elimination of Taxiway K to accommodate the relocated terminal building which will improve separation standards to the main runway 1 0R-28L by the relocated 1,600-foot section of Taxiway A. This Commercial Apron Design will enhance airport safety through the ability to relocate the current terminal building so as to improve operational safety of Runway 1 0R-28L taxiway system. This design will provide for bids to construct the Commercial Apron. This grant was awarded and executed on July 30, 2021. Design is scheduled to be completed in the fourth quarter of FY22.

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

In FY19 the District implemented a Customer Facility Charge (CFC) and is tracking these funds as Funds held in Trust. CFCs are a user fee imposed by the District on each rental car contract, collected by rental car companies and deposited with the District. CFCs are regulated at the state level instead of the federal level. The District's CFC is charged at $10.00 per rental contract. The CFC funds held in trust on June 30, 2021 total $814,031 and on June 30, 2020 total $626,199.

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

<u>Pension Obligation Bonds Debt Covenants Forbearance</u>

In 2012 the District issued Taxable Pension Obligation Bonds (POB) to pay off specific CalPERS retirement accounts. The POB includes debt covenants that require the District to maintain various operating ratios until the bonds are paid in full. Covenant 5.09(b) requires that the District maintain an annual operating income of 125% of the annual debt service. Below is the language of Covenant 5.09(b).

Fiscal Year 2021 District Actions Impacting Future Operations (Continued)

"Covenant 5.09(b) cause itself and its affiliates and subsidiaries to maintain (using GAAP and GASB 33 & 34 consistently applied and used consistently with prior practices except to the extent modified by the definitions herein) a ratio of aggregate Gross Operating Revenues less aggregate Gross Operating Expenses to aggregate Annual Debt Service for such Fiscal Year of not less than 1.25 to 1.00, calculated annually commencing with the Fiscal Year ending June 30, 2013."

Due to the national health emergency and abatements provided to tenants District staff recognized that the FY 2020 and FY 2021 operating income would probably fall below the 5.09(b) covenant ratio. In May 2020 District Staff proactively communicated with the bond holder, Umpqua Bank, about the expected shortfall in operating income and requested information on how to apply for a forbearance. On October 28, 2020 Umpqua Bank granted the District's request for the forbearance of Covenant 5.09(b).

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

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

The City of Monterey is contesting the District's Addendum to the FEIR with minor changes and modifications and filed a lawsuit with the Superior Court of the State of California County of Monterey on September 10, 2020. The Hearing on the Merits of the Petition was presented at the Monterey County Superior Court on August 4, 2021 and the Case is pending a ruling from the Court.

Requests for Information

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

MONTEREY PENINSULA AIPRORT DISTRICT

STATEMENTS OF NET POSITION
JUNE 30, 2021 AND 2020

	2021	2020
Assets:		
Current Assets:		
Unrestricted:		
Cash (Note 2)	$ 2,318,773	$ 1,644,038
Investments (Note 2)	4,838,415	4,012,537
Accounts receivable, net	940,531	313,744
Accrued interest receivable	8,625	11,981
Leases receivable (Note 7)	12,647,126	13,489,746
Grants receivable	1,232,285	2,899,604
Prepaid costs and other assets	269,414	239,335
Total unrestricted current assets	22,255,169	22,610,985
Restricted:		
Cash (Note 2)	2,040,928	2,412,090
Investments (Note 2)	612,472	779,820
Total restricted current assets	2,653,400	3,191,910
Total Current Assets	**24,908,569**	**25,802,895**
Noncurrent Assets:		
Capital assets (Note 3)		
Non depreciable capital assets	20,457,720	10,669,762
Depreciable capital assets, net	59,325,590	64,841,523
Total Noncurrent Assets	**79,783,310**	**75,511,285**
Total Assets	**104,691,879**	**101,314,180**
Deferred Outflows of Resources:		
Deferred outflows related to pensions (Note 8)	2,067,951	2,052,098
Deferred outflows related to OPEB (Note 9)	159,247	133,295
Total Deferred Outflows of Resources	**2,227,198**	**2,185,393**
Liabilities:		
Current liabilities:		
Accrued liabilities (Note 4)	1,180,029	2,551,756
Unearned revenues	112,987	29,780
Accrued compensated absences (Note 5)	23,520	33,432
Due to the City of Monterey (Note 6 & 11)	19,966	19,966
Pension obligation bonds payable, current portion (Note 6)	371,000	356,000
Loans payable, current portion (Note 6)	208,417	194,650
Funds held in trust	867,372	651,888
Total Current Liabilities	**2,783,291**	**3,837,472**
Long-term liabilities:		
Security deposits	444,339	451,891
Unearned revenues - rent received in advance from tenants	238,921	247,798
Accrued compensated absences, net of current portion (Note 5)	162,382	141,918
Due to the City of Monterey, net of current portion (Note 6 & 11)	19,966	39,932
Pension obligation bonds payable, net of current portion (Note 6)	-	371,000
Loans payable, net of current portion (Note 6)	2,449,610	2,612,176
Net pension liability (Note 8)	10,399,097	9,592,973
Total OPEB liability (Note 9)	2,103,849	2,052,174
Total Long-Term Liabilities	**15,818,164**	**15,509,862**
Total Liabilities	**18,601,455**	**19,347,334**
Deferred Inflows of Resources:		
Deferred inflows related to pensions (Note 8)	744,689	901,741
Deferred inflows related to OPEB (Note 9)	558,026	705,821
Deferred inflows related to leases (Note 7)	12,647,126	13,489,746
Total Deferred Inflows of Resources	**13,949,841**	**15,097,308**
Net Position:		
Net investment in capital assets	76,355,163	70,559,889
Restricted - unspent Passenger Facilities Charges	1,296,200	1,911,081
Restricted - cash assets	1,268,956	956,469
Unrestricted	(4,552,538)	(4,372,508)
Total Net Position	**$ 74,367,781**	**$ 69,054,931**

See Notes to Financial Statements

MONTEREY PENINSULA AIPRORT DISTRICT

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE FISCAL YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
Operating Revenues:		
Commercial aviation	$ 615,694	$ 803,180
General aviation	364,303	340,734
Terminal leases and concessions	1,926,170	3,688,654
Heavy general aviation	805,676	967,317
Light general aviation and other aviation tenants	363,241	398,225
Non-aviation tenants	1,779,349	1,806,795
Other operating revenue	407,990	382,388
Total Operating Revenues	**6,262,423**	**8,387,293**
Operating Expenses:		
Finance and administration	2,121,741	2,159,953
Planning and development	656,681	633,345
Maintenance and custodial services	1,488,364	1,680,160
Airport operations	489,273	576,327
Police department	1,257,266	1,456,201
Fire department	2,230,804	2,430,465
Board of directors	181,277	153,523
Rental property	129,540	193,476
Total Operating Expenses Before Depreciation	**8,554,946**	**9,283,450**
Depreciation and amortization	5,562,803	6,641,491
Total Operating Expenses	**14,117,749**	**15,924,941**
Operating Loss	(7,855,326)	(7,537,648)
Nonoperating Revenues (Expenses):		
Passenger Facility Charges	504,785	743,448
Operating grants	3,885,001	1,397,077
Customer Facility Charges	76,559	-
Investment income	20,589	126,679
Lease interest	393,439	419,302
Interest expense	(54,191)	(70,885)
Loss on disposal of construction-in-progress	(133,627)	-
Net Nonoperating Revenues (Expenses)	**4,692,555**	**2,615,621**
Loss Before Contributed Capital	(3,162,771)	(4,922,027)
Capital Contributions		
Grants from government agencies	8,475,621	10,268,950
Net Position:		
Beginning of Fiscal Year	69,054,931	63,708,008
End of Fiscal Year	**$ 74,367,781**	**$ 69,054,931**

See Notes to Financial Statements

MONTEREY PENINSULA AIPRORT DISTRICT

STATEMENTS OF CASH FLOWS
FOR THE FISCAL YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
Cash Flows from Operating Activities:		
Receipts from customers	$ 5,702,414	$ 8,851,527
Payments to vendors for goods and services	(7,509,629)	(6,196,970)
Payments for employees pension and OPEB benefits	(852,725)	(796,496)
Payments to employees for services	(1,862,785)	(1,833,109)
Net Cash Provided (Used) by Operating Activities	**(4,522,725)**	**24,952**
Cash Flows from Non-Capital Financing Activities:		
Interest paid on pension obligation bond	(28,072)	(43,230)
Principal payments on pension obligation bond	(356,000)	(341,000)
Proceeds from operating grants	2,652,716	421,841
Lease interest income received	393,439	419,302
Net Cash Provided by Non-Capital Financing Activities	**2,662,083**	**456,913**
Cash Flows from Capital and Related Financing Activities:		
Proceeds from capital grants and Passenger Facility Charges	11,880,010	9,066,786
Proceeds from funds held in trust	292,043	452,155
Acquisition and construction of capital assets	(9,198,335)	(10,059,584)
Interest paid on loans	(26,119)	(27,655)
Principal paid on loans	(195,669)	(152,162)
Proceeds from loans	46,870	156,227
Net Cash Provided (Used) by Capital and Related Financing Activities	**2,798,800**	**(564,233)**
Cash Flows from Investing Activities:		
Investment income received	27,254	56,283
Investments matured (purchased)	(661,839)	593,237
Net Cash Provided (Used) by Investing Activities	**(634,585)**	**649,520**
Net Change in Cash and Cash Equivalents	**303,573**	**567,152**
Cash and Cash Equivalents at Beginning of Year	4,056,128	3,488,976
Cash and Cash Equivalents at End of Year	**4,359,701**	**4,056,128**
Reconciliation of Cash and Cash Equivalents to Amounts Reported on the Statement of Net Position		
Unrestricted cash and equivalents	2,318,773	1,644,038
Restricted cash and equivalents	2,040,928	2,412,090
	4,359,701	**4,056,128**
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:		
Operating loss	(7,855,326)	(7,537,648)
Adjustments to reconcile operating loss net cash provided (used) by operating activities:		
Depreciation and Amortization	5,562,803	6,641,491
(Increase) decrease in accounts receivable	(626,787)	485,405
(Increase) decrease in prepaid costs and other assets	(30,079)	(85,408)
(Increase) decrease in lease receivables	842,620	921,329
Increase (decrease) in accrued liabilities	(2,141,847)	(260,315)
Increase (decrease) in due to the City of Monterey	(19,966)	(19,966)
Increase (decrease) in security deposits	(7,552)	8,485
Increase (decrease) in unearned revenue	74,330	(29,656)
Increase (decrease) in compensated absences	10,552	28,373
Increase (decrease) in pension related items	633,219	832,571
Increase (decrease) in OPEB related items	(122,072)	(38,380)
Increase (decrease) in deferred inflows related to leases	(842,620)	(921,329)
Total Adjustments	**3,332,601**	**7,562,600**
Net Cash Provided (Used) by Operating Activities	**$ (4,522,725)**	**$ 24,952**
Non-Cash Capital and Related Financing Activities:		
Acquisition and construction of capital assets in accrued liabilities	$ 770,120	$ 2,144,570
Accrued interest on CEC loan	586	591
Loss on disposal of construction-in-progress	(133,627)	-

See Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies

a. Description of the Reporting Entity

The Monterey Peninsula Airport District (District) was established under the provisions of Article 133 of the General Law of the State of California on March 22, 1941, for the purpose of operating and maintaining a public airport. Originally, it consisted of 37 acres, which were contributed to the District by the City of Monterey. The District has acquired additional land through grants and purchases in subsequent years and now totals 507 acres. For financial reporting purposes, the District's basic financial statements include all financial activities that are controlled or are dependent upon actions taken by the District's Board of Directors. There are no component units considered for inclusion in the District's financial reporting entity.

b. Measurement Focus and Basis of Accounting

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

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

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

c. Cash and Cash Equivalents

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

d. Investments

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

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

Note 1: Summary of Significant Accounting Policies (Continued)

e. Receivables

Receivables from tenants are recorded when the revenues are earned under the accrual method of accounting and accounted for using the allowance method. The allowance is estimated using historical collection experience as well as management's judgment about collectability of individual receivables. The allowance at both June 30, 2021 and 2020 was $10,000 and $32,000, respectively.

f. Prepaid Expenses

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

g. Capital Assets

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

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

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

Intangible assets include the District's logo, noise study, master plan update and easements related to soundproofing of neighboring residences. These have been amortized on the straight-line basis over the estimated useful lives of the assets, which are 10 – 40 years. Depreciation is not provided on construction in progress until construction is complete and the asset is placed in service.

h. Employee Benefits

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

i. Accrued Compensated Absences

The District's personnel policy provides full-time employees with vacation and sick leave in varying amounts, and at termination or retirement, employees are paid for accumulated (vested) vacation. Employees are paid up to a maximum of one month's salary for accumulated sick leave upon retirement; employees separated under circumstances other than retirement are not paid for accumulated sick leave. Accordingly, compensation for vacation and sick leave is charged to expense as earned by the employee, and accumulated, unpaid vacation and sick leave, which is payable upon an employee's termination or retirement, is recorded as a liability.

Note 1: Summary of Significant Accounting Policies (Continued)

j. Unearned Revenues

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

k. Deferred Outflows and Inflows of Resources

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

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

l. Net Position

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

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

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

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

Note 1: Summary of Significant Accounting Policies (Continued)

m. Passenger Facility Charges

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

The District was granted permission to begin collection of a $3.00 PFC effective January 1, 1994. The charges, less an administrative fee charged by the airlines for processing, are collected by the airlines and remitted on a monthly basis to the District. Effective July 27, 2001, the District received approval from the FAA to increase the PFC charge to $4.50 per enplaned passenger.

Pursuant to governmental accounting standards, the District records PFCs as nonoperating revenue. The fees are reserved for specific purposes as defined in the approval letter received from the FAA's administrator. The District's applications for PFCs were approved as impose and use. It is the position of the District that these receipts should be recognized immediately in the period earned or collected by the airline and reported.

n. Operating Grants and Capital Contributions

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

Grants awarded by TSA to reimburse certain police department's costs are reported in the statement of revenues, expenses and changes in net position as nonoperating revenues. For the years ended June 30, 2021 and 2020, the District requested and received $116,800 and $117,440, respectively, as reimbursement of certain police department costs. Grants for capital asset acquisition, facility development and rehabilitation are reported as capital contributions, after nonoperating revenues and expenses. For the years ended June 30, 2021 and 2020, the District recognized $8,475,621 and $10,268,950, respectively, as capital contributions funded by AIP grants. Grants used to offset operating losses due to COVID-19 are reported as nonoperating revenues. For the year ended June 30, 2021 and 2020, the District requested and received $3,440,427 and $1,279,637, respectively in reimbursable costs funded by additional AIP grants.

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

Note 1: Summary of Significant Accounting Policies (Continued)

o. Use of Estimates

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

p. Reclassifications and Presentation

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

q. New Accounting Standards Implemented

During the year ended June 30, 2021, the District adopted the following Governmental Accounting Standards Board (GASB) Statements:

GASB Statement No. 87, Leases – This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. As this statement is applied retroactively, the table below summarizes the net impact of implementing GASB Statement No. 87 to beginning balances:

	Impact to Beginning Net Position for Fiscal Year Ending June 30, 2021	Impact to Beginning Net Position for Fiscal Year Ending June 30, 2020
Long-term lease liability	$ 12,647,126	$ 13,489,746
Deferred inflows of resources	(12,647,126)	(13,489,746)
Net restatement	$ -	$ -

Note 1: Summary of Significant Accounting Policies (Continued)

r. New Accounting Standards to be Implemented

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

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

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

Cash and investments at June 30, 2021 and 2020, comprised of the following:

	2021	2020
Unrestricted:		
Deposits with banks	$ 2,318,773	$ 1,644,038
Investments	4,838,415	4,012,537
Total unrestricted	7,157,188	5,656,575
Restricted		
Deposits with banks	2,040,928	2,412,090
Investments	612,472	779,820
Total restricted	2,653,400	3,191,910
Total cash and investments	$ 9,810,588	$ 8,848,485

Note 2: Cash and Investments

a. Custodial Credit Risk – Deposits and Investments

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

Note 2: Cash and Investments (Continued)

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

b. Investments Permitted

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

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

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

c. Investments

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

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

The following is a summary of the District's investments at June 30, 2020:

		(Maturity in Years)		
	Fair Value	Less than 1	1 - 5	Credit Ratings (Standard & Poor's)
Negotiable certificates of deposits	$ 2,184,691	$ 841,301	$ 1,343,390	Not Rated
Local Agency Investment Fund	2,607,666	2,607,666	-	Not Rated
Total investment	$ 4,792,357	$ 3,448,967	$ 1,343,390	

Note 2: Cash and Investments (Continued)

The District is a voluntary participant in the LAIF that is governed by the California Government Code under the oversight of the Local Investment Advisory Board (Board). The board consists of five members as designated by state statute. The fair value of the District's investment in the LAIF pool is reported in the accompanying financial statements at amounts based upon the District's pro rata share of the fair value provided by LAIF, for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis, which is different from the fair value of the District's position in the LAIF pool. LAIF is not rated by rating agencies. The weighted average maturity of LAIF at June 30, 2021 and 2020 was 291 and 191 days, respectively.

As of June 30, 2021, and 2020, the District had unrestricted investments of $4,130,885 and $2,607,666, respectively invested in LAIF, which had invested 2.31% and 3.37% of the pooled investment funds in Structured Notes and Asset-Backed Securities. LAIF is part of the State's Pooled Money investment Account (PMIA). PMIA has a total of $193.3 billion and $101.6 billion in its investment portfolio as of June 30, 2021 and 2020, respectively. The District valued its investments in LAIF as of June 30, 2021 and 2020, by multiplying its account balance with LAIF times a fair value factor determined by LAIF. This fair value factor was determined by dividing all LAIF participants' total aggregate fair value by total aggregate amortized costs resulting in a factor of 1.00008297 and 1.004912795 as of June 30, 2021 and 2020, respectively.

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

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

d. Restricted Cash and Investments

At June 30, 2021 and 2020, cash and investments were restricted for the following:

	June 30, 2021			June 30, 2020		
	Cash in Bank	Investments	Total	Cash in Bank	Investments	Total
Security deposits from tenants	$ 444,339	$ -	$ 444,339	$ 451,956	$ -	$ 451,956
Passenger facility charge program	777,470	612,472	1,389,942	1,332,857	779,820	2,112,677
Debt service	5,069	-	5,069	1,078	-	1,078
Customer Facilities Charges	814,050	-	814,050	626,199	-	626,199
Total restricted cash and investments	$ 2,040,928	$ 612,472	$ 2,653,400	$ 2,412,090	$ 779,820	$ 3,191,910

Note 3: Capital Assets

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

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

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

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

Note 3: Capital Assets (Continued)

Capital assets activity for the year ended June 30, 2020, was as follows:

	Balance at June 30, 2019	Additions/ Transfers	Disposals/ Transfers	Balance at June 30, 2020
Capital assets not being depreciated:				
Land	$ 1,784,717	$ 2,422,038	$ -	$ 4,206,755
Construction in progress	4,513,426	12,204,154	(10,254,573)	6,463,007
Total Capital Assets Not being Depreciated	6,298,143	14,626,192	(10,254,573)	10,669,762
Capital assets being depreciated/amortized:				
Intangible assets	23,448,671	163,484	-	23,612,155
Land improvements	86,334,066	2,052,892	-	88,386,958
Buildings and improvements	21,314,152	5,576,600	-	26,890,752
Furniture, equipment and vehicles	7,207,538	39,559	-	7,247,097
Total Capital Assets being Depreciated	138,304,427	7,832,535	-	146,136,962
Less accumulated depreciation/amortization for:				
Intangible assets	(21,665,503)	(490,882)	-	(22,156,385)
Land improvements	(33,170,832)	(4,744,323)	-	(37,915,155)
Buildings and improvements	(15,894,344)	(1,068,318)	-	(16,962,662)
Furniture, equipment and vehicles	(3,923,269)	(337,968)	-	(4,261,237)
Less Accumulated Depreciation	(74,653,948)	(6,641,491)	-	(81,295,439)
Total Capital Assets, Being Depreciated, Net	63,650,479	1,191,044	-	64,841,523
Total Capital Assets, Net	$ 69,948,622	$ 15,817,236	$ (10,254,573)	$ 75,511,285

Construction in progress activity for the year ended June 30, 2020, was as follows:

Projects		Balance July 1, 2019	Additions/ Transfers	Completed Transferred to Depreciable	Balance July 1, 2020
2016-01	NEPA/CEQA Safety Initiative	$ 2,258,524	$ 383,569	$ -	$ 2,642,093
2017-07	FAA Disparity Study	14,995	9,368	(24,363)	-
2018-04	10R-28L Procedure Development	24,454	187	(24,641)	-
2018-09	Runway 10L-28R Overlay & Papi	1,722,567	136,027	(1,858,594)	-
2019-01	Infield Safety Area Rehab Phase 1	187,551	3,220,670	-	3,408,221
2019-02	RSA MITIGATION - YEAR 4	65,777	-	(65,777)	-
2019-03	Water Distribution System	18,150	7,259	-	25,409
2019-09	Restaurant Asset Purchase	-	114,479	(114,479)	-
2019-10	Land Acquisition	211,160	7,334,800	(7,545,960)	-
2019-11	ARFF BLDG Exhaust	10,248	10,249	(20,497)	-
2020-02	RSA MITIGATION - YEAR 5	-	59,120	(59,120)	-
2020-05	Operations Department - Vehicle	-	39,559	(39,559)	-
2020-06	Inside Terminal Refresh	-	120,606	(120,606)	-
2020-07	Lot Pavement Rehabilitation	-	110,580	(110,580)	-
2020-08	Exterior sign replacement	-	44,770	(44,770)	-
2020-09	Defensible Space Tree Removal	-	69,400	(69,400)	-
2020-10	SWRCB/PFAS Testing Project	-	123,773	-	123,773
2020-11	PG&E Lighting Project	-	156,227	(156,227)	-
2020-12	Northside GA Apron Construction	-	181,804	-	181,804
2020-13	Northeast VSR Improvements	-	81,707	-	81,707
	Total	$ 4,513,426	$ 12,204,154	$ (10,254,573)	$ 6,463,007

Note 3: Capital Assets (Continued)

At June 30, 2021 and 2020, intangible assets consist of the following:

	2021	2020
Noise safety study and sound proofing easements	$ 21,549,356	$ 21,549,357
Master Plan	1,747,376	1,747,376
Wildlife hazard assessment plan	151,939	151,939
East End Development Procedure	49,005	24,641
FAA Disparity Study	114,479	24,363
Golden Tee	-	114,479
Total intangible assets, gross	23,612,155	23,612,155
Less accumulated amortization	(22,338,075)	(22,156,385)
Total intangible assets, net	$ 1,274,080	$ 1,455,770

Note 4: Accrued Liabilities

At June 30, 2021 and 2020, accrued liabilities consist of the following:

	2021	2020
Accrued employee benefits	$ 41,126	$ 34,129
Accounts payable	1,107,042	2,484,140
Other accrued expenses	31,861	33,487
Total accrued liabilities	$ 1,180,029	$ 2,551,756

Note 5: Accrued Compensated Absences

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

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

A summary of the changes in compensated absences for the year ended June 30, 2020, is as follows:

Balance July 1, 2019	Additions	Reductions	Balance June 30, 2020	Due in One Year
$ 146,977	$ 63,035	$ 34,662	$ 175,350	$ 33,432

Note 6: Long-Term Obligations

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

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

A summary of the changes in long-term obligations for the year ended June 30, 2020, is as follows:

Notes From Private Borrowings and Direct Placements	Balance June 30, 2019	Additions	Reductions	Balance June 30, 2020	Due in One Year
Due to the City of Monterey (Note 11)	$ 79,864	$ -	$ 19,966	$ 59,898	$ 19,966
Pension obligation bonds	1,068,000	-	341,000	727,000	356,000
CEC secured loan	2,802,761	-	151,978	2,650,783	153,577
PG&E Loan	-	156,227	184	156,043	41,073
Total	$ 3,950,625	$ 156,227	$ 513,128	$ 3,593,724	$ 570,616

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

The future debt service requirements for the pension obligation bonds at June 30, 2021, are as follows:

Year	Principal	Interest	Total Requirement
2022	$ 371,000	$ 12,254	$ 383,254
Total	$ 371,000	$ 12,254	$ 383,254

California Energy Commission (CEC) Solar Array Loan - In May 2017, the Monterey Peninsula Airport District entered into a construction loan from the CEC to assist in the development of a 3-acre solar farm to power the District's operations. The CEC construction loan provided a maximum amount of $3,000,000 at 1.00% per annum for a period of 16.1 years. The District requested and received reimbursements from the CEC loan totaling $2,497,206 as of June 30, 2020. The 2021 payment includes the principal reduction and accrued interest during construction and the first year of operation. The remainder of the CEC loan will be repaid through the Airport's electricity savings earned from the solar farm. The solar farm was operational in November of fiscal year 2018. The outstanding note from this direct borrowing contains a provision that in the occurrence of any event of default, the Energy Commission may, to the extent permitted by law, declare all or any portion of the principal and accrued interest on this promissory note to be immediately due and payable.

Note 6: Long-Term Obligations (Continued)

The future debt service requirements for the California Energy Commission (CEC) Loan at June 30, 2021, are as follows:

Year	Principal	Interest	Total Requirement
2022	$ 155,117	$ 24,586	$ 179,703
2023	156,672	23,031	179,703
2024	158,185	21,518	179,703
2025	159,828	19,875	179,703
2026	161,430	18,273	179,703
2027-2031	831,713	66,802	898,515
2032-2036	874,261	23,804	898,065
Total	$ 2,497,206	$ 197,889	$ 2,695,095

Note 7: Leases

Leases Receivable in accordance with GASB 87

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

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

Lease receivables and deferred leases income are $12,647,126 and $13,489,746 for fiscal years 2021 and 2020, respectively. The District uses the Standards and Poor's municipal bond 20 year high grade index to estimate the discount rate to apply for the GASB 87 lease receivable which is 2.23% on June 30, 2021 and 2.66% as of June 30, 2020.

The table below summarizes total remaining lease payments, GASB 87 lease receivables/deferred lease inflows and lease interest receivable at an estimated District discount rate of 3% as of June 30, 2021:

Fiscal Year 2021	Lease Receivable	Lease Interest	Total Lease Payments
2022	$ 1,023,234	$ 365,491	$ 1,388,725
2023	1,085,723	333,964	1,419,687
2024	1,118,113	300,700	1,418,813
2025	1,040,091	268,371	1,308,462
2026	1,000,251	237,743	1,237,994
2027-2031	3,410,034	814,963	4,224,997
2032-2036	1,238,389	495,376	1,733,765
2037-2041	919,261	343,619	1,262,880
2042-2046	1,063,002	195,050	1,258,052
2047-2051	605,783	60,323	666,106
2052-2053	143,246	4,154	147,400
	$ 12,647,126	$ 3,419,754	$ 16,066,880

Note 7: Leases (Continued)

The table below summarizes total remaining lease payments, GASB 87 lease receivables/deferred lease inflows and lease interest receivable at an estimated District discount rate of 3% as of June 30, 2020:

Fiscal Year 2021	Lease Receivable	Lease Interest	Total Lease Payments
2021	$ 842,621	$ 393,439	$ 1,236,059
2022	1,023,234	365,491	1,388,725
2023	1,085,723	333,964	1,419,687
2024	1,118,113	300,700	1,418,813
2025	1,040,091	268,371	1,308,462
2026-2030	3,930,370	926,413	4,856,783
2031-2035	1,550,408	536,989	2,087,397
2036-2040	892,127	370,753	1,262,880
2041-2045	1,036,309	226,571	1,262,880
2046-2050	752,626	80,828	833,454
2051-2053	218,126	9,674	227,800
	$ 13,489,746	$ 3,813,193	$ 17,302,939

Regulated Leases Excluded by GASB 87

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

The District leases parts of the terminal building, parking areas, north side buildings, land, hangars and ramps to various businesses and individuals under long-term leases with terms from 5 – 60 years. Rental revenues from these regulated leases were $706,750 and included in terminal leases and concessions for the year ended June 30, 2021. Prior to the implementation of GASB Statement No. 87, rental revenues from these leases, previously reported as operating leases, were $2,697,676 for the year ended June 30, 2020. The cost of property held for leasing is not readily determinable.

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

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

Note 7: Leases (Continued)

Future minimum rentals on regulated leases as of June 30, 2020, are as follows:

Fiscal Year	Total Payment
2021	$ 706,750
2022	924,610
2023	924,610
2024	924,610
2025	924,610
2026-2030	4,623,049
2031-2035	4,623,049
2036-2040	4,623,049
2041-2045	4,623,049
2046-2050	4,418,559
2051-2055	2,686,334
2056-2057	768,291
Total	$ 30,770,570

Note 8: Pension Plan

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

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

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

Note 8: Pension Plan (Continued)

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

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

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

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

For the years ended June 30, 2021 and 2020, the employer contributions recognized as a reduction to the net pension liability were $796,495 and $677,943, respectively.

Note 8: Pension Plan (Continued)

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

As of June 30, 2021, and 2020, the District's reported total net pension liability of $10,399,097 and $9,592,973, respectively, for its proportionate shares of the net pension liability. The District's net pension liability is measured as the proportionate share of the net pension liability of the cost-sharing plan. The net pension liability at June 30, 2021 and 2020, of the Plan is measured as of June 30, 2020 and 2019 (measurement dates), and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019 and 2018, respectively, rolled forward to June 30, 2020 and 2019 using standard update procedures. The District's proportion of the net pension liability was based on the District's total pension liability based on the District's share of the actuarial accrued liability of the cost-sharing plan less the District's share of the fiduciary net position based on the District's share of the market value of assets in the cost-sharing plan. The District's proportionate share of the net pension liability for the Plan as of the measurement dates June 30, 2020 and 2019, were 0.09119% and 0.09323%, respectively.

For the years ended June 30, 2021 and 2020, the District recognized pension expense of $1,485,945 and $1,629,066, respectively. At June 30, 2021 and 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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

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

June 30, 2020	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 796,495	$ -
Differences between expected and actual experiences	636,612	13,284
Change in assumptions	409,730	98,715
Net differences between projected and actual earnings on pension plan investments	-	141,167
Adjustment due to difference in proportions	209,261	65,834
Differences between actual contributions and the proportionate share of contributions	-	582,741
Total	$ 2,052,098	$ 901,741

Note 8: Pension Plan (Continued)

At June 30, 2021 and 2020, the District reported $852,725 and $796,495, respectively, as deferred outflows of resources related to contributions subsequent to the measurement date, which will be recognized as a reduction of the net pension liability in the years ended June 30, 2022 and 2021, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ending June 30,	Deferred Outflows/(Inflows) of Resources
2022	$ (7,061)
2023	181,438
2024	173,795
2025	122,365
Total	$ 470,537

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

	2021	2020
Valuation Date	June 30, 2019	June 30, 2018
Measurement Date	June 30, 2020	June 30, 2019
Actuarial Cost Method	Entry Age Normal Cost Method	Entry Age Normal Cost Method
Actuarial Assumptions		
Discount Rate	7.15%	7.15%
Inflation	2.50%	2.50%
Payroll Growth	3.00%	3.00%
Projected Salary Increase	2.5% depending on Age, Service, and Type of Employment	2.5% depending on Age, Service, and Type of Employment
Investment Rate of Return	7.15% net of pension plan investment expenses, includes inflation	7.15% net of pension plan investment expenses, includes inflation
Mortality	Derived using CalPERS' Membership Data for all Funds	Derived using CalPERS' Membership Data for all Funds

The mortality table used in the June 30, 2019 and 2018 valuation was developed based on CalPERS' specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP 2016. For more details on this tale, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

All other actuarial assumptions used in the June 30, 2019 and 2018 valuations were based on the results of an actuarial experience study for the period 1997 to 2015, including updates to salary increase, mortality and retirement rates. Further details of the experience study can be found on the CalPERS website under Forms and Publications.

Note 8: Pension Plan (Continued)

Changes of Assumptions – No changes in assumptions.

Discount Rate – The discount rates used to measure the total pension liability at June 30, 2021 and 2020 were both 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

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

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

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

Note 8: Pension Plan (Continued)

The target allocation for the June 30, 2020, measurement date was as follows:

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

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

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

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

The following presents the District's proportionate share of the net pension liability of the Plan as of the June 30, 2019 measurement date, calculated using the discount rate of 7.15 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.15 percent) or 1 percentage-point higher (8.15 percent) than the current rate:

Decrease Rate -1% (6.15%)	Current Discount Rate (7.15%)	Decrease Rate + 1% (8.15%)
$ 14,442,637	$ 9,592,973	$ 5,609,000

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

Note 9: Other Post-Employment Benefits

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

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

Number of Covered Employees

At June 30, 2021 and June 30, 2020 reporting dates, the following numbers of employees were covered

Measurement Date	6/30/2020	6/30/2019
Active	22	24
Retirees	15	15
Total	37	39

Contributions

The District's contribution for each miscellaneous and public safety retiree is the CalPERS mandatory employer portion of the health care premium. The District's contribution for each public safety police retiree is up to 90% of the health care premium (including the mandatory employer portion). The District currently contributes enough funds to the Retiree Health Plan to satisfy current obligations on a pay-as-you-go basis. The District does not have any assets segregated and restricted to provide funds towards the Retiree Health Plan. The contributions made to fund the Retiree Health Plan for the measurement periods ended June 30, 2020 and 2019 were $80,340 and $83,376, respectively.

Employer's Total OPEB Liability

The total OPEB liability as of June 30, 2021 and 2020 are presented below:

For Reporting at Fiscal Year End	June 30, 2021	June 30, 2020
Measurement Date	*6/30/2020*	*6/30/2019*
Total OPEB Liability	$ 2,103,849	$ 2,052,174

Note 9: Other Post-Employment Benefits (Continued)

Significant Actuarial Assumptions Used in Calculating the Total OPEB Liability

The total OPEB liability was determined by an actuarial valuation as of June 30, 2019, using the following actuarial assumptions:

Valuation date	June 30, 2029
Funding Method	Entry Age Normal Cost, level percent of pay
Asset Valuation Method	Market value of assets ($0; plan is not yet funded)
Discount Rate	2.79% as of June 30, 2019
Discount Rate	2.66% as of June 30, 2020
Participants Valued	Only current active employees and retired participants and covered dependents are valued. No future entrants are considered in this valuation.
Salary Increase	3.00% per year; since benefits do not depend on pay, this is used only to allocate the costs of benefits between service years.
Assumed Wage Inflation	3.0% per year: a component of assumed salary increases.
General Inflation Rate	2.5% per year

Discount Rate

When an agency finances retiree benefits on a pay-as-you-go basis, GASB Statement No. 75 requires the use of a discount rate equal to a 20-year high grade municipal bond rate. The District intends to continue financing its OPEB liability on a pay-as-you-go basis. Therefore, the District's discount rate used in this valuation is based on the S&P Municipal Bond 20 Year High Grade Index. As of the beginning and end of the Measurement Period this index requires use of discount rates of 2.66% as of June 30, 2020 and 2.79% as of June 30, 2019.

Changes in the Total OPEB Liability

The following table shows the changes in the total OPEB liability for the years ended June 30, 2021 and June 30, 2020, respectively:

For Reporting at Fiscal Year End *Measurement Date*	June 30, 2021 *6/30/2020*	June 30, 2020 *6/30/2019*	Change During Period
Balance at beginning of period	$ 2,052,174	$ 2,671,325	$ (619,151)
Changes for the year			
Service cost	36,230	95,605	(59,375)
Interest	57,146	81,212	(24,066)
Differences between expected and actual experience	-	(619,597)	619,597
Changes of assumptions	38,639	(92,995)	131,634
Benefit payments	(80,340)	(83,376)	3,036
Net Changes	51,675	(619,151)	670,826
Balance at end of period	$ 2,103,849	$ 2,052,174	$ 51,675

Note 9: Other Post-Employment Benefits (Continued)

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

The following presents the total OPEB liability of the District if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for measurement periods ended June 30, 2020 and June 30, 2019:

Measurement Period June 30, 2020	1% Decrease (1.79%)	Current Discount Rate (2.79%)	1% Increase (3.79%)
Total OPEB Liability	$ 2,442,925	$ 2,103,849	$ 1,833,825

Measurement Period June 30, 2019	1% Decrease (1.79%)	Current Discount Rate (2.79%)	1% Increase (3.79%)
Total OPEB Liability	$ 2,386,958	$ 2,052,174	$ 1,786,406

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

The following presents the Total OPEB liability of the District if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2020 and June 30, 2019:

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

Measurement Period June 30, 2019	1% Decrease (6% decreasing to 4%)	Current Healthcare Cost Trent Rates (7% decreasing to 5%)	1% Increase (8% decreasing to 6%)
Total OPEB Liability	$ 1,783,993	$ 2,052,174	$ 2,386,515

OPEB Expense for Fiscal Year

For the year ended June 30, 2021, the District recognized OPEB expense of $(35,377). For the year ended June 30, 2020, the District recognized OPEB expense of $41,960.

Note 9: Other Post-Employment Benefits (Continued)

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

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

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

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

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

At June 30, 2020, the District reported deferred outflows of resources and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions	$ 52,955	$ 184,106
Differences Between Expected and Actual Experience	-	521,715
Contributions Made Subsequent to the Measurement Date	80,340	-
Total	$ 133,295	$ 705,821

Note 9: Other Post-Employment Benefits (Continued)

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

For the Fiscal Year Ending June 30,		Recognized Deferred Outflows (Inflows) of Resources
2021	$	(134,857)
2022		(134,857)
2023		(130,213)
2024		(103,217)
2025		(112,574)
Thereafter		(37,148)
Total	$	(652,866)

Note 10: Risk Management

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

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

The District's deductibles and maximum coverage follows:

Coverage		Deductible		Coverage (aggregate)
Buildings & Business Personal Property				
Except Tools & Maintenance Equipment	$	10,000	$	54,190,054
Tools & Maintenance Equipment		1,000		
Boiler & Machinery		50,000		31,180,175
Solar Package		5,000/50,000		3,035,000
Automobile		2,500		1,000,000
Fire Truck Physical Damage		5,000		3,049,256
Airport Liability				50,000,000
Bodily Injury & Property		10,000 per occurrence		
Personal Injury		10,000 per occurrence		
Combined		10,000 per occurrence		
Public Officials Liability		100,000		5,000,000
Fiduciary Liability		5,000		1,000,000
Crime		5,000		1,000,000

Note 10: Risk Management (Continued)

Workers' Compensation Insurance

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

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

Note 11: Commitments and Contingencies

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

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

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

Included in this initial contract the District transferred to the City its unused and unpaid compensated absence balances excluding sick leave in the amount of $199,661 of which $59,898 and $79,864 remains outstanding on June 30, 2020 and 2019, respectively. The District reimburses the City at a rate of 10% per year or $19,666 for a period of ten years until the City is compensated for the initial value of the unpaid sick leave balance.

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

In March 2019, the District adopted a resolution for a new fire and emergency services staffing agreement between the District and the City of Monterey (City) to provide staff for fire and emergency services to the District and the City's public properties along the Highway 68 corridor. The initial term of the renewed agreement is from July 1, 2019 through June 30, 2023, with an option to extend in five-year terms, however the extension is not automatic.

Note 11: Commitments and Contingencies (Continued)

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

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

For the Fiscal Year Ending June 30	Fire Service Fee	
2022	$	1,344,720
2023		1,344,720
2024		1,344,720
Total	$	4,034,160

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

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

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

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

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

MONTEREY PENINSULA AIRPORT DISTRICT

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

	2015	2016	2017	2018	2019	2020	2021
Measurement Period	*2014*	*2015*	*2016*	*2017*	*2018*	*2019*	*2020*
Miscellaneous Rate Plan							
Rate Plan's Proportion of the Net Pension Liability	0.02158%	0.02008%	0.02172%	0.02270%	0.02308%	0.02409%	0.02496%
Rate Plan's Proportionate Share of the Net Pension Liability	$ 1,342,879	$ 1,378,489	$ 1,879,150	$ 2,251,219	$ 2,223,790	$ 2,468,530	$ 2,715,215
Rate Plan's Covered Payroll	$ 1,921,962	$ 1,723,531	$ 1,677,728	$ 1,577,199	$ 1,671,567	$ 1,783,112	$ 1,751,206
Rate Plan's Proportionate Share of the Net Pension Liability as Percentage of Covered Payroll	69.87%	79.98%	112.01%	142.74%	133.04%	138.44%	155.05%
Safety Rate Plan							
Rate Plan's Proportion of the Net Pension Liability	0.06163%	0.06574%	0.06681%	0.06670%	0.06914%	0.06953%	0.07062%
Rate Plan's Proportionate Share of the Net Pension Liability	$ 3,834,741	$ 4,512,232	$ 5,781,218	$ 6,614,914	$ 6,662,340	$ 7,124,443	$ 7,683,882
Rate Plan's Covered Payroll	$ 1,330,599	$ 549,603	$ 601,667	$ 547,264	$ 643,653	$ 188,737	$ -
Rate Plan's Proportionate Share of the Net Pension Liability as Percentage of Covered Payroll	288.20%	821.00%	960.87%	1208.72%	1035.08%	3774.80%	0.00%
Total Plan							
Plan Proportion of the Net Pension Liability	0.08321%	0.08582%	0.08853%	0.08940%	0.09222%	0.09362%	0.09558%
Plan Proportionate Share of the Net Pension Liability	$ 5,177,620	$ 5,890,721	$ 7,660,368	$ 8,866,133	$ 8,886,130	$ 9,592,973	$ 10,399,097
Plan Covered Payroll	$ 3,252,561	$ 2,273,134	$ 2,279,395	$ 2,124,463	$ 2,315,220	$ 1,971,849	$ 1,751,206
Plan Proportionate Share of the Net Pension Liability as Percentage of Covered Payroll	159.19%	259.15%	336.07%	417.34%	383.81%	486.50%	593.82%
The Pension Plan's (PERF-C) Fiduciary Net Position as a Percentage of the Total Pension Liability	80.43%	78.40%	74.06%	73.31%	75.26%	75.26%	75.10%

Notes to Schedule:

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

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

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

MONTEREY PENINSULA AIRPORT DISTRICT

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

	2015	2016	2017	2018	2019	2020	2021
Miscellaneous Rate Plan							
Actuarially Determined Contribution	$ 181,461	$ 183,331	$ 186,903	$ 204,396	$ 246,088	$ 279,219	$ 308,686
Contribution in Relation to the Actuarially Determined Contribution	(181,461)	(183,331)	(186,903)	(204,396)	(246,088)	(279,219)	(308,686)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 1,723,531	$ 1,677,728	$ 1,577,199	$ 1,671,567	$ 1,783,112	$ 1,751,206	$ 1,640,763
Contributions as a Percentage of Covered Payroll	10.53%	10.93%	11.85%	12.23%	13.80%	15.94%	18.81%
Safety Rate Plan							
Actuarially Determined Contribution	$ 135,343	$ 294,509	$ 371,546	$ 429,673	$ 431,855	$ 517,276	$ 544,039
Contribution in Relation to the Actuarially Determined Contribution	(135,343)	(294,509)	(371,546)	(429,673)	(431,855)	(517,276)	(544,039)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 549,603	$ 601,667	$ 547,264	$ 643,653	$ 188,737	$ -	$ -
Contributions as a Percentage of Covered Payroll	24.63%	48.95%	67.89%	66.76%	228.81%	0.00%	0.00%
Total Plan							
Actuarially Determined Contribution	$ 316,804	$ 477,840	$ 558,449	$ 634,069	$ 677,943	$ 796,495	$ 852,725
Contribution in Relation to the Actuarially Determined Contribution	(316,804)	(477,840)	(558,449)	(634,069)	(677,943)	(796,495)	(852,725)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 2,273,134	$ 2,279,395	$ 2,124,463	$ 2,315,220	$ 1,971,849	$ 1,751,206	$ 1,640,763
Contributions as a Percentage of Covered Payroll	13.94%	20.96%	26.29%	27.39%	34.38%	45.48%	51.97%

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

Note to Schedule:

Valuation Date: June 30, 2018

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method: Entry Age Normal Cost Method

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

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

Asset valuation method	Direct rate smoothing
Inflation	2.50%
Payroll Growth	2.75%
Projected Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.00% (net of pension plan investment and administrative expenses, includes inflation)
Retirement Age	All other actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from 1997 to 2015, including updates to salary increase, mortality and retirement rates. The Experience Study report may be accessed on the CalPERS website at www.calpers.ca.gov under Forms and Publications.
Mortality	The mortality table used was developed based on CalPERS' specific data. The table includes 15 years of mortality improvements using 90 percent of Society of Actuaries' Scale 2016. For more details on this table, please refer to the 2017 experience study report.

MONTEREY PENINSULA AIRPORT DISTRICT

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

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

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

Notes to Schedule: None

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

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

Board of Directors
Monterey Peninsula Airport District
Monterey, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Monterey Peninsula Airport District (the District), as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 18, 2021.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Board of Directors
Monterey Peninsula Airport District
Monterey, California

Purpose of this Report

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

Lance, Soll & Lunghard, LLP

Sacramento, California
October 18, 2021

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

Board of Directors
Monterey Peninsula Airport District
Monterey, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Monterey Peninsula Airport District (the District), California's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2021. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Basis for Opinion

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Board of Directors
Monterey Peninsula Airport District
Monterey, California

Auditor's Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control over Compliance

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

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

Board of Directors
Monterey Peninsula Airport District
Monterey, California

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated October 18, 2021, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Lance, Soll & Lunghard, LLP

Sacramento, California
October 18, 2021

MONTEREY PENINSULA AIRPORT DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Award Number	Expenditures
U.S. Department of Transportation			
Federal Aviation Administration			
Airport Improvement Program*	20.106	DFTA08-06-C-31719	$ 8,475,622
CARES Act Airport Grants*	20.106	MRY-WPG-3-06-0159-071-2020	2,539,459
CRRSA ACT Airport Grants*	20.106	MRY-WPG-3-06-0159-074-2020	900,968
Total U.S. Department of Transportation			**11,916,049**
U.S. Department of Homeland Security			
Transportation Security Administration			
Law Enforcement Officer Reimbursement Program	97.090	HSTS02-16-H-SLR640	116,800
Total U.S. Department of Homeland Security			**116,800**
Total Federal Expenditures			**$ 12,032,849**

* Major Program

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

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

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

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

a. Scope of Presentation

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

b. Basis of Accounting

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

c. Relationship to Federal Financial Reports

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

d. Relationship to Basic Financial Statements

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

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

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified Opinion

Internal control over financial reporting:

• Significant deficiencies identified?	____yes	__X__none reported
• Material weaknesses identified?	____yes	__X__no
Noncompliance material to financial statements noted?	____yes	__X__no

Federal Awards

Internal control over major programs:

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

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

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

Identification of major programs:

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

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

Auditee qualified as low-risk auditee?	__X__yes	____no

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

MONTEREY
REGIONAL AIRPORT

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

SECTION II - FINANCIAL STATEMENT FINDINGS

Reference number: 2020-001 - Accrued Liabilities, Capital Assets, & SEFA/ Significant Deficiency

Status of Finding: The District has properly addressed this finding, and no similar finding was identified during FY2020-21.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

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

Board of Directors
Monterey Peninsula Airport District
Monterey, California

Report on Compliance

Opinions

We have audited the Monterey Peninsula Airport District's (the District) compliance with the requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies* (the Guide), issued by the Federal Aviation Administration, applicable to the District's passenger facility charge program for the year ended June 30, 2021.

In our opinion, the District complied, in all material respects with the compliance requirements referred to above that are applicable to the passenger facility charge program for the year ended June 30, 2021.

Basis for Opinion

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the Guide. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Board of Directors
Monterey Peninsula Airport District
Monterey, California

Auditor's Responsibilities for the Audit of Compliance

Our responsibility is to express opinions on compliance with the requirements described in the Guide 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 the *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 material effect on the District's passenger facility charge program. 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. Misstatements are considered material if, there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Guide, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

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

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

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

Board of Directors
Monterey Peninsula Airport District
Monterey, California

Purpose of this Report

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

Schedule of Passenger Facility Charge Revenues and Expenditures

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

Lance, Soll & Lunghard, LLP

Sacramento, California
October 18, 2021

MONTEREY PENINSULA AIRPORT DISTRICT
PASSENGER FACILITY CHARGE (PFC)

SCHEDULE OF PASSENGER FACILITY CHARGE (PFC) REVENUES AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	PFC Revenues	Interest Earned	Total Revenues	Expenditures on approved projects	Under (over) Expenditures on approved projects
Balance to date as of June 30, 2020	$ 18,941,366	$ 368,830	$ 19,310,192	$ 17,399,111	$ 1,911,081
Fiscal year 2020-2021 transactions:					
Quarter ended September 30, 2020	64,581	4,382	68,963	476,663	
Quarter ended December 31, 2020	73,008	5,114	78,122	169,062	
Quarter ended March 31, 2021	126,490	4,994	131,484	196,826	
Quarter ended June 30, 2021	238,192	5,373	243,565	294,463	
Total fiscal year 2020-2021 transactions	502,270	19,863	522,133	1,137,014	(614,881)
Balance to date as of June 30, 2021	$ 19,443,636	$ 388,693	$ 19,832,325	$ 18,536,125	$ 1,296,200

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

NOTES TO SCHEDULE OF PASSENGER FACILITY CHARGE (PFC) REVENUES AND EXPENDITURES FOR THE FISCAL YEAR ENDED JUNE 30, 2021

Note 1: General

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

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

Note 2: Basis of Presentation

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

Note 3: Relationship to Federal Financial Reports

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

Note 4: PFC Approved Projects and Expenditures

The general description of the approved projects and cumulative expenditures to date as of June 30, 2021 are as follows:

Passenger Facility Charge Project Number/Description	Identifying Number	Passenger Facility Charge Approved Amount	Expenditures
Improve RSA 10R-28L Phase 4	14-19-C-00-MRY	$ 875,000	$ 1,490,379
Improve RSA 10R-28L Phase 4	14-19-C-01-MRY	111,000	-
Improve RSA 10R-28L Phase 4	14-19-C-02-MRY	950,000	-
Acquire one standard police vehicle	14-19-C-00-MRY	50,000	40,118
EA Infield Rehabilitation Project	16-21-C-00-MRY	35,000	31,770
Acquire Airport Sweeper	16-21-C-00-MRY	26,000	374
EA proposed Safety Enhancement Project	16-21-C-00-MRY	251,000	286,068
Infield Rehabilitation-Design & Construction	16-21-U-00-MRY	650,000	787,623
Runway 10R/28L Airfield Lighting Replacement	18-22-U-00-MRY	160,000	159,045
Conduct DBE Disparity Report	18-22-U-00-MRY	5,000	2,206
Runway 10L/28R Overlay and PAPI	18-22-U-00-MRY	185,000	235,172
Land Acquisition Part A	18-22-U-00-MRY	310,000	804,168
Safety Enhance Project Phase 1	21-25-U-00-MRY	5,775,000	389,930
Terminal Rehab to Preserve ADA Compliance	20-24-C-00-MRY	375,000	225,797
Install Security Cameras in the Terminal Bldg	20-24-C-00-MRY	100,000	-
Runway Safety Area Mitigation Ph 6-7	20-24-C-00-MRY	100,000	46,946
Terminal Enhancement for ADA	20-24-C-00-MRY	45,000	-
Total Passenger Facility Charge Projects		$ 10,003,000	$ 4,499,594

Note 5: Excess Project Expenditures

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

PASSENGER FACILITY CHARGE COMPLIANCE FINDINGS

No matters were reported.