MONTEREY PENINSULA AIRPORT DISTRICT

FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

ANNUAL FINANCIAL AND COMPLIANCE REPORT

MONTEREY PENINSULA AIRPORT DISTRICT

Annual Financial and Compliance Report

For the Years Ended June 30, 2024 and 2023

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MONTEREY PENINSULA AIRPORT DISTRICT

BOARD OF DIRECTORS

For the Years Ended June 30, 2024 and 2023

Name	Office	Term Expires
Mary Ann Leffel	Chair	December 2024
Carl Miller	Vice-Chair	December 2026
Carol Chorbajian	Director	December 2024
Danial D. Pick	Director	December 2026
John S. Gaglioti	Director	December 2024

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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of 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, 2024 and 2023, 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, 2024 and 2023, and the respective changes in financial position, and its cash flows for the years 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the State Controllers' Minimum Audit Standards for California Special Districts. Our responsibilities under those standards are further described in the Auditors' 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 opinions.

Responsibilities of Management for the Financial Statements

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

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

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

Auditors' 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 opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the State Controllers' Minimum Audit Standards for California Special Districts 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 generally accepted auditing standards, *Government Auditing Standards*, and the State Controllers' Minimum Audit Standards for California Special Districts 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.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required pension and other post-employment benefits schedules, as listed on the table of contents, 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.

Supplementary 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 accompanying *Schedule of Expenditures of Federal Awards* and *Schedule of Passenger Facility Charge Revenues and Expenses* ("supplementary information"), required by *Title 2 U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the Federal Aviation Administration, respectively, are presented for purposes of additional analysis and are 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 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated November 4, 2024, 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 District's internal control over financial reporting and compliance.

Lance, Soll & Lunghard, LLP

Sacramento, California
November 4, 2024

The Management Discussion and Analysis (MD&A) is provided by the Monterey Peninsula Airport District (the "District") in compliance with requirements established by the Governmental Accounting Standards Board (GASB), Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB Statement No. 34). It is intended to serve as an introduction to the financial statements for the years ended June 30, 2024 (FY24) and 2023 (FY23). 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 connect the community with 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 evolve the Airport toward meeting future needs, opportunities and challenges.

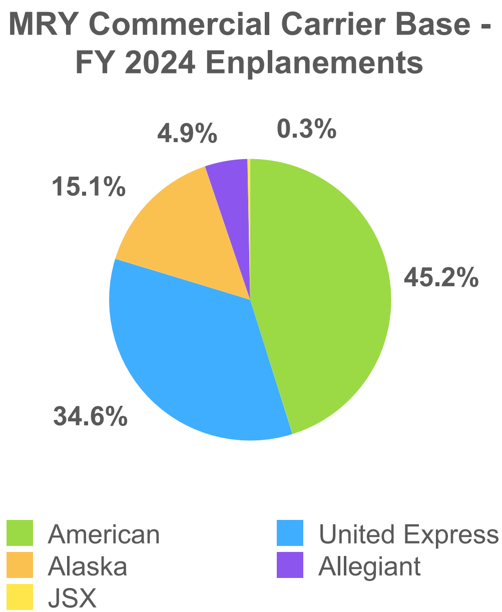
Overviews

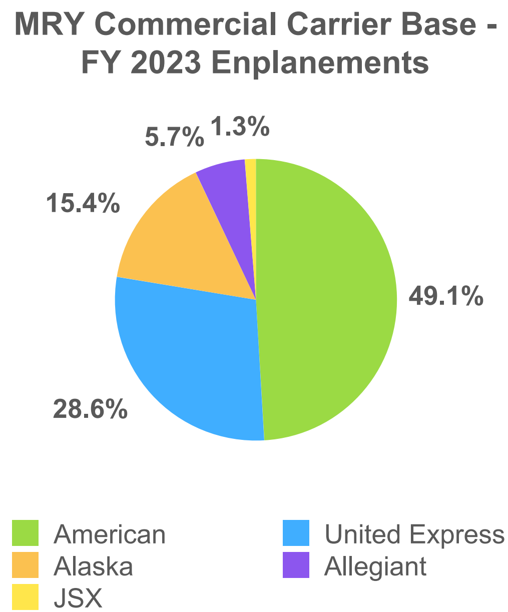
<u>Overview of the Monterey Peninsula Airport District</u>

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 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 divisions 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 3,503 feet long and 60 feet wide, used solely by general aviation aircraft.

During FY24 and FY23, five commercial airlines served the airport with scheduled flights. Alaska, American Airlines, and United Express provided non-stop service to gateway hubs: Dallas, Denver, Los Angeles, Phoenix, San Diego, San Francisco, and Seattle. Allegiant operated non-stop service, two days per week to Las Vegas. JSX operates seasonal flights to Burbank and Santa Ana three to four days per week.





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

The District is structured as an enterprise fund. District financial statements are prepared using the accrual basis of accounting; revenues are recognized when earned, and expenses are recognized when incurred. Costs are recovered through airport rents from tenants, landing and fuel fees, and other charges. Capital improvements are funded from three sources: (1) Federal grants from the Federal Aviation Administration's (FAA) Airport Improvement Program (AIP) derived from a 10% tax on the airline tickets; (2) Passenger Facility Charges (PFC) collected for each enplaned passenger at the point of origin and one intermediate-stop; and (3) District contributed funds. In addition, Customer Facility Charges (CFC) derived from a $10 per rental car contract written at the Airport can be used to fund capital and operating costs associated with rental car facilities. 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 2024 Events

In Fiscal 2024, the Airport continued to execute on its long-term Safety Enhancement Program. Aligning with the analysis and financial goals detailed in its Plan of Finance, on June 21, 2023 the MPAD Board of Directors approved Resolution No. 1845 authorizing increases to the Rates & Charges schedule, which positively impacted the FY24 operating results.

Specific increases significantly impacting revenues from Commercial Aviation (see Table III) were as follows:

1. Landing Fees were increased from $2.35 to $2.65 per 1,000 lbs. MGLW,
2. Apron Fees were increased from $0.40 to $0.63 per 1,000 lbs. MGLW,
3. RON Fees were increased from $1.05 to $1.28 per 1,000 lbs. MGLW,
4. Fuel Flowage Fees were increased from $0.05 to $0.06 per gallon,
5. Terminal leases were increased from $4.40 to $5.55 per sq.ft./month,
6. Parking in the Long-Term Lot was increased from $13.00 to $16.00 per day after 3 hours, and
7. Parking in the Short-Term and Premium Lots was increased from $24.00 to $28.00 per day.

Specific increases significantly impacting revenues from General Aviation (see Table III) were as follows:

1. Landing Fees were increased from $2.40 to $2.55 per 1,000 lbs. MGLW,
2. Fuel Flowage Fees were increased from $0.14 to $0.16 per gallon for Jet A fuel and from $0.12 to $0.13 per gallon for 100 LL fuel,
3. An aircraft parking fee of $100/aircraft/day during special events was implemented, and
4. A car auction parking fee of $100/car sold during special events was implemented.

In FY24 the District recognized $21,100,727 in grant income from FAA Airport Improvement Programs: $19,886,639 under AIP, $1,112,616 from the utilization of PFC receipts as matching funds on eligible capital improvement projects and $101,472 under TSA Law Enforcement grants.

The AIP funds of $19,886,639 represent FY24 cost reimbursements for the following capital improvement projects under the Airport's Safety Enhancement Program:

1. $4,579,276 for the replacement Aircraft Rescue and Fire Fighting station on the North side of the airfield,
2. $12,460,360 towards the construction of the new Commercial Apron project, and
3. $2,847,003 towards the design of the new Replacement Terminal.

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,* GASB 87 *Leases and Reporting* and GASB 96 *Subscription-Based Information Technology Arrangements.*

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 $115,940,283 and $98,176,090 on June 30, 2024 and 2023, respectively.
- In FY24 the District completed and placed into service the capital assets listed below:
    - Demolished Building 505 ($203,879)
    - 2801 MSH Property Repairs ($419,722)
    - Fred Kane Drive to Skypark Drive Paving ($288,677)
    - West Hold Room Passenger Flow Upgrades ($127,214)
    - New Maintenance EV Truck ($58,708)
    - Airfield and Property Maintenance ($199,490)
    - Terminal Area Improvements ($61,889)
- In FY23 the District completed and placed into service the capital assets listed below:
    - Northside GA Apron Construction ($9,253,249)
    - SEP Phase 1 A1 – Commercial Apron Design ($3,151,276)
    - Northeast VSR Improvements ($2,016,931)
    - Terminal Building Painting ($160,000)
    - Vehicle Replacements ($154,612)
    - CCTV and Perimeter Camera System ($109,401)
    - Airfield Vehicle Gates ($45,236)
- The District continued payments on the California Energy Commission Loan decreasing the principal balance to $2,027,233 (FY23 $2,185,418) and principal payments on the PG&E loan decreasing the balance to $9,619 (FY23 $53,202).
- On March 17, 2023 the District entered into a loan agreement with the State of California, Department of Transportation, Division of Aeronautics ("CalTrans") for the purpose of financing, in part, the purchase of new hangars, which are being constructed by a third party, on the North side of the Airport. The loan of $3,740,358 is for a period of seventeen years at an annual fixed rate of 5.084645 percent, and the District made principal payments of $143,708 during FY24, reducing the principal balance to $3,597,250.

Financial Highlights (Continued)

- ✈ In the airport industry, one standard measure of a commercial airport's size is the number of annual enplanements, i.e., passengers flying from the airport on commercial airlines. Enplaned passengers during the six-fiscal year period, FY19 through FY24, are presented below in Table I.

Table I - Total Monthly Enplanements*: Fiscal Years 2019 - 2024

TOTAL ENPLANEMENTS: FISCAL YEARS 2019 - 2024											
FY 2019		FY 2020		FY 2021		FY 2022		FY 2023		FY 2024	
7/18	16,262	7/19	22,109	7/20	5,606	7/21	20,920	7/22	21,615	7/23	25,556
8/18	15,537	8/19	21,823	8/20	5,816	8/21	20,459	8/22	21,361	8/23	24,509
9/18	14,630	9/19	20,961	9/20	6,667	9/21	19,971	9/22	21,171	9/23	23,874
10/18	17,933	10/19	21,245	10/20	7,871	10/21	21,768	10/22	21,184	10/23	24,997
11/18	17,071	11/19	19,507	11/20	7,160	11/21	22,123	11/22	19,957	11/23	22,268
12/18	15,477	12/19	19,350	12/20	6,102	12/21	17,575	12/22	17,556	12/23	20,599
1/19	14,284	1/20	16,088	1/21	3,521	1/22	12,309	1/23	14,121	1/24	17,401
2/19	15,242	2/20	16,222	2/21	5,052	2/22	14,721	2/23	15,790	2/24	17,582
3/19	17,533	3/20	8,726	3/21	9,379	3/22	17,914	3/23	18,520	3/24	21,532
4/19	19,159	4/20	601	4/21	12,618	4/22	19,758	4/23	20,246	4/24	22,400
5/19	20,760	5/20	1,623	5/21	15,434	5/22	19,312	5/23	23,242	5/24	25,772
6/19	21,774	6/20	3,499	6/21	18,083	6/22	21,933	6/23	24,765	6/24	28,769
	205,662		171,754		103,309		228,763		239,528		275,259

* Enplanements reported by commercial airlines for revenue passenger counts.

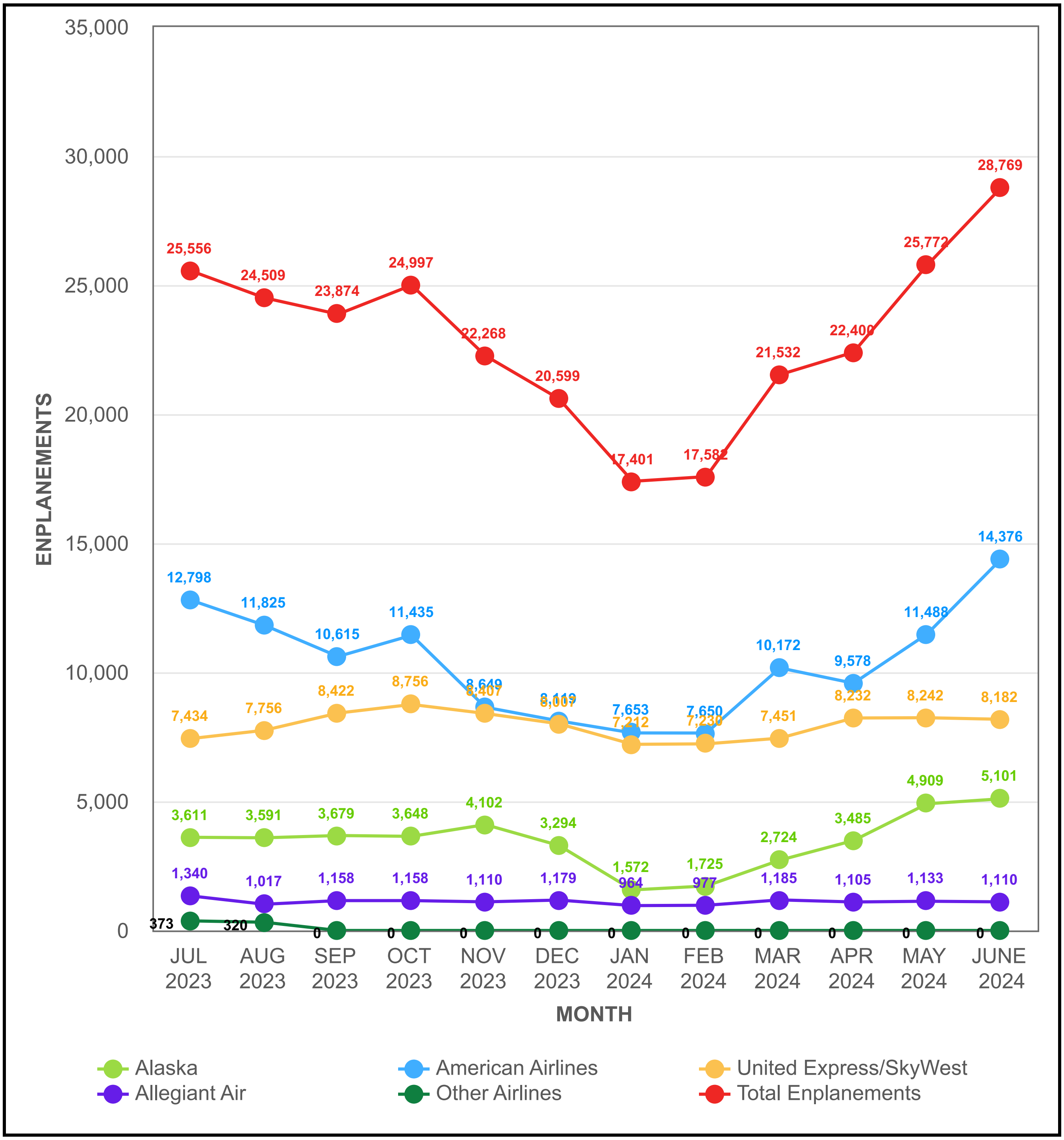
- ✈ FY24 enplanements increased 14.9% compared to FY23, reflecting a continued increase from FY23's post -COVID 19 recovery levels, as well as increased capacity/available seats. In FY24, total commercial aviation provided 362,626 available seats, up 15.6% from the FY23 capacity of 313,604 available seats.

- ✈ FY23 enplanements increased 4.7% compared to FY22, reflecting a continued increase from FY22's post-COVID-19 recovery levels, as well as increased capacity/available seats. In FY23, total commercial aviation provided 313,604 available seats, up 2.2% from the FY22 capacity of 306,604 available seats.

Charts A and B present the monthly enplanements for FY24 and FY23, respectively, in total and for the scheduled commercial airlines that serve the Airport.

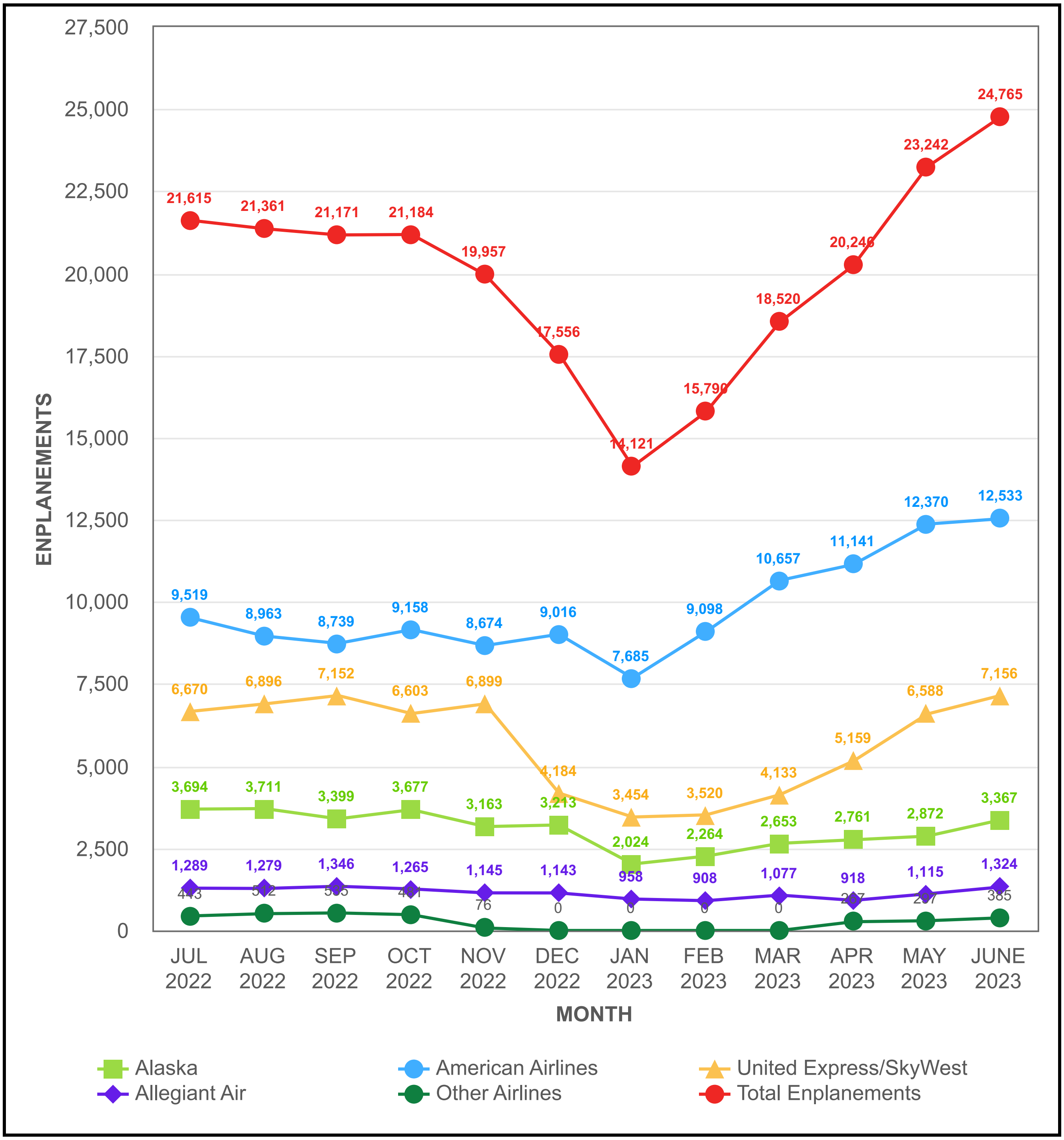
Financial Highlights (Continued)

Chart A - FY24 MONTHLY ENPLANEMENTS BY AIRLINE



Financial Highlights (Continued)

Chart B - FY23 MONTHLY ENPLANEMENTS BY AIRLINE



Net Position

Table II - Summary of Net Position

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:

	2024	% Change	2023	% Change	2022
Current and other assets	$ 25,787,981	4.7%	$ 24,630,288	(15.1)%	$ 28,996,618
Noncurrent assets	$ 124,116,750	22.5%	$ 101,353,778	20.1%	$ 84,386,790
Total assets	$ 149,904,731	19.0%	$ 125,984,066	11.1%	$ 113,383,408
Deferred outflow of resources	$ 5,660,697	4.7%	$ 5,408,788	(18.1)%	$ 6,605,365
Debt outstanding	$ 5,634,102	(5.8)%	$ 5,979,578	144.2%	$ 2,448,591
Other liabilities	$ 18,924,356	77.2%	$ 10,678,555	(7.0)%	$ 11,486,810
Total liabilities	$ 24,558,458	47.4%	$ 16,658,133	19.5%	$ 13,935,401
Deferred inflow of resources	$ 15,066,687	(9.0)%	$ 16,558,631	(7.2)%	$ 17,844,021
Net investment in capital assets	$ 104,947,290	23.9%	$ 84,679,500	4.2%	$ 81,250,853
Restricted - unspent					
Passenger Facilities Charges	$ 847,872	(49.1)%	$ 1,664,398	6.1%	$ 1,568,379
Cash Assets	$ –	(100.0)%	$ 1,007,340	14.3%	$ 881,507
Unrestricted	$ 10,145,121	(6.3)%	$ 10,824,852	140.1%	$ 4,508,612
Total net position	$ 115,940,283	18.1%	$ 98,176,090	11.3%	$ 88,209,351

FY24 Total Net Position of the District increased $17,764,193 from FY23, due primarily to the increase in the Net Investment in Capital Assets of $20,267,790. The District's FY24 Capital Assets increase resulted primarily from AIP funded capital assets of $26,274,221 that were offset by depreciation of capital assets of $6,358,095, a net increase of $19,916,126.

FY23 Total Net Position of the District increased $9,966,739 from FY22. The District's FY23 Total Net Position increase resulted primarily from AIP funded capital assets of $12,958,701 that were offset by depreciation of capital assets of $5,577,878, a $7,380,823 increase in the Unrestricted Net Position. The Unrestricted Net Position increase of $6,316,240 came primarily from operating grants of $4,299,604 and a $1,178,044 reduction in the Net Pension and Net OPEB liability. See discussions below for changes in FY22 to FY23 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 FY24, the District recognized $21,100,727 in grant income from FAA Airport Improvement Programs: $19,886,639 under AIP Grants, $101,472 under TSA Law Enforcement Grants and $1,112,616 from the utilization of PFC receipts. These grants funded capital project planning, engineering design, and construction costs, District capital purchases and police/law enforcement services.

Net Position (Continued)

In FY23, the District recognized $11,053,521 in grant income from FAA Airport Improvement Programs: AIP ($6,753,917), CARES Act grant draws ($3,932,255), CRSSA Act grant draws ($50,110), ARPA grant draws ($200,439), TSA Law Enforcement grants ($116,800) and $978,245 from the utilization of PFC receipts. These grants funded capital project planning, engineering design, and construction costs, District capital purchases, police/law enforcement services and operating expenses.

FY24 Total Liabilities increased $7,900,325 primarily due to increases in construction-related Accounts Payable of $5,204,573 and the actuarially determined Net Pension liability of $2,578,408.

Operating Revenues

An airport functions as a landlord. District revenue is derived from fees and lease revenues. Total operating revenues for FY24 are $12,332,033, an increase of 26.3% or $2,756,667 when compared to FY23 ($10,489,323).

The FY24 operating revenue increase resulted from (1) increases in Rates & Charges effective 7/1/2023 and (2) improvements in commercial aviation, general aviation, non-aviation tenants and other revenues.

The FY23 operating revenue increase resulted from improvements in commercial aviation, general aviation, non-aviation tenants and other revenues as the Airport was able to achieve full recovery from the impact of COVID-19 travel restrictions.

Revenues derived from commercial airlines activities accounted for 12.3% of FY24, 10.3% of FY23 and 9.5% of FY22, respectively, of total operating revenues. In FY24 the Airport recognized revenues of $1,518,410, an increase of 40.7% in commercial aviation revenues when compared to FY23 and an increase of 9.3% in commercial aviation revenues when comparing FY23 to FY22 (see Table III, "Subtotal – Commercial Aviation"). Included in this category are revenues paid by commercial airlines for landing, apron, aircraft remain over night parking fees and fuel flowage fees.

Revenues derived from terminal leases & concessions accounted for 50.6% of FY24, 50.2% of FY23 and 48.0%, respectively, of total operating revenues. FY24 Terminal Leases & Concessions of $6,245,193 (see Table III, "Subtotal - Terminal Leases & Concessions") are comprised primarily of (1) $1,513,729 from commercial airlines that rent ticket counters, offices, baggage make-up, hold rooms and baggage claim areas, (2) $424,675 from rental car companies that rent counter space, the quick turnaround facility and surface space to store rental cars, (3) $119,710 from the TSA for screening activities, (4) $1,993,122 of concession payments from five rental car companies (*Avis, Budget, Enterprise, Hertz, and National*), (5) $1,587,848 of concession payments from the operator of the long and short-term parking lots, 6) $291,452 from Transportation Network Companies and taxis and (7). $309,975 from concession income from *Woody's at the Airport* restaurant and the *Gifts and More* gift shop, and in-terminal advertising.

Terminal leases & concessions revenue in FY24 increased 18.7% or $983,738 compared to FY23 and in FY23 increased 5.4% or $268,830 when compared to FY22. The FY24 increases are primarily comprised of increases in parking ($414,262/35.3%), terminal leasing ($308,096/25.6%), rental car concessions ($176,318/9.7%), TNCs and taxis ($46,327/18.9%) and terminal concessions ($24,808/8.7%).

General Aviation activities generated 17.6% in FY24, 18.8% in FY23 and 18.7% in FY22, respectively, of total operating revenues. FY24 General Aviation revenues of $2,165,689 are comprised of: (1) $552,534 of landing fees from Corporate aviation and general aviation customers, (2) $694,816 of ground lease payments from the Airport's two Fixed Based Operators, (3) $583,588 of fuel flowage fees, and (4) $392,439 of rental income for leased land, hangars, tie-downs, aircraft parking aprons, and offices. These FY24 revenues of $2,165,689 increased 9.9% from FY23 and increased 1.4% from FY22 (see Table III, "Subtotal - General Aviation").

Operating Revenues (Continued)

Non-aviation Tenants revenues produced 15.0% in FY24, 15.0% in FY23, and 19.9% in FY22, respectively, of total operating revenues. FY24 Non-aviation tenant revenues of $2,251,554 are comprised primarily of: (1) $428,202 of self-storage facility concession fees, (2) $478,474 of off-airport office building rents, (3) $325,044 of rents on buildings on the Airport's North side, (4) $446,225 from various on-airport ground leases, (5) $339,159 from various off-airport ground leases, and (6) $225,443 from on-airport RV and outside storage. These revenues increased 2.3% from FY23 and decreased 0.3% from FY22 (see Table III - Subtotal - Non-Aviation Tenants").

Other Operating Revenues generated 4.5% in FY24, 5.8% in FY23 and 3.9% in FY22, respectively, of total operating revenue. FY24 Other operating revenues of $549,815 are comprised primarily of: (1) $253,191 of utility chargebacks, (2) $138,475 of property tax apportionment, (3) $70,097 of Plan check fees, (4) $35,375 of business license fees, (5) $36,099 of tenant employee parking charges and (6) $16,578 of miscellaneous other income. These FY24 revenues of $549,815 decreased 9.1% compared to FY23 and increased 47.8% compared to FY22 (see Table III, "Other Operating Income").

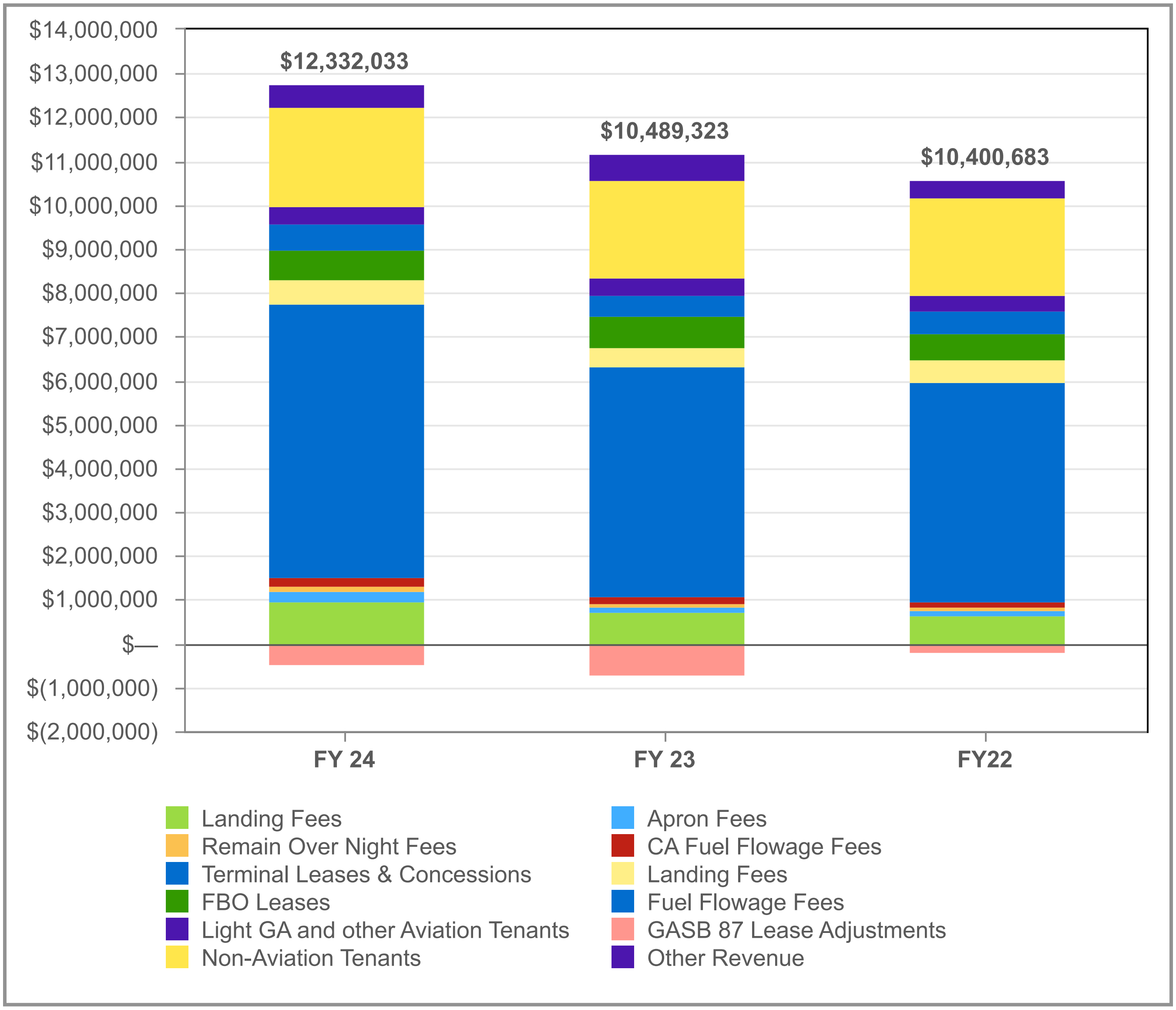
Table III presents a comparison of operating revenues for Fiscal Years 2024, 2023 and 2022. Chart C provides a graphic representation of operating revenues.

Table III - Fiscal Years 2024, 2023, and 2022 Operating Revenues

	2024		2023		2022	
Commercial Aviation:						
Landing Fees	$995,895	8.1%	$731,760	7.0%	$664,039	6.4%
Apron Fees	229,676	1.9%	120,591	1.1%	111,465	1.1%
Remain Over Night Fees	115,410	0.9%	74,073	0.7%	77,067	0.7%
Fuel Flowage Fees	177,429	1.4%	152,779	1.5%	134,697	1.3%
Subtotal - Commercial Aviation	1,518,410	12.3%	1,079,203	10.3%	987,267	9.5%
Terminal Leases & Concessions	6,245,193	50.6%	5,261,455	50.2%	4,999,894	48.1%
GASB 87 Lease Adjustment	(2,384)	—%	1,885	—%	(5,384)	—%
Subtotal - Terminal Leases & Concessions	6,242,809	50.6%	5,263,340	50.2%	4,994,510	48.0%
General Aviation:						
Landing Fees	552,534	4.5%	446,354	4.3%	513,372	4.9%
FBO Leases	694,816	5.6%	714,124	6.8%	597,360	5.7%
Fuel Flowage Fees	583,588	4.7%	478,224	4.6%	492,789	4.7%
Light GA and other Aviation Tenants	392,439	3.2%	398,651	3.8%	384,849	3.7%
GASB 87 Lease Adjustment	(57,688)	-0.5%	(66,985)	-0.6%	(44,343)	-0.4%
Subtotal - General Aviation	2,165,689	17.6%	1,970,368	18.8%	1,944,027	18.7%
Non-Aviation Tenants	2,251,554	18.3%	2,201,101	21.0%	2,208,770	21.2%
GASB 87 Lease Adjustment	(396,244)	-3.2%	(629,349)	-6.0%	(143,042)	-1.2%
Subtotal - Non-Aviation Tenants	1,855,310	15.0 %	1,571,752	15.0 %	2,065,728	19.9 %
Other Operating Revenues	549,815	4.5%	604,660	5.8%	409,151	3.9%
TOTALS	$12,332,033	100.0%	$10,489,323	100.0%	$10,400,683	100.0%

Operating Revenues (Continued)

Chart C - OPERATING REVENUES



Operating Expenses Before Depreciation and Amortization

Operating expense before depreciation and amortization in FY24 of $10,530,145 increased 24.9% compared to FY23 ($8,428,499) and decreased 7.0% when compared to FY22 ($9,063,931) (see Table V, "Fiscal Years 2024, 2023 and 2021 Operating Expenses Before Depreciation and Amortization").

Wages and Benefits

Table IV presents FY24, FY23 and FY22 wages and benefit expenses by District department. The District provides a wide variety of services and staffs the Airport for Finance & Administration, Planning & Marketing, Maintenance & Custodial Service and Airport Operations.

Operating Expenses Before Depreciation and Amortization (Continued)

Police services are currently outsourced under contract with the City of Del Rey Oaks' Police Department and onsite Airport Rescue and Fire Fighting (ARFF) services are currently outsourced under contract with the City of Monterey's Fire Department. The Airport previously had employees that were in the Airport's Police and Fire Departments that were terminated when these services were outsourced. While there are no current wages paid to these former employees, the District agreed to bear the cost of their actuarially determined pension and other post-retirement benefits, under GASB 68 and GASB 75, respectively (this is related to their service time as a District employee).

Total FY24 wages and benefits for Airport Staff increased $138,712 (4.0%) compared to FY23. Total FY24 benefits expense for Police Services increased $253,417 compared to FY23, due primarily to increases in the GASB 68 Actuarially determined pension adjustment. Total FY24 benefits expense for ARFF/Fire Services increased $418,308 compared to FY23, due primarily to increases in the GASB 68 Actuarially determined pension adjustment.

Total FY23 wages and benefits for Airport Staff increased $227,050 (7.0%) compared to FY22. Total FY23 benefits expense for Police Services decreased $190,657 compared to FY22, due primarily to decreases in required contributions towards the CalPERS UAL and decreases in the GASB 68 Actuarially determined pension adjustment. Total FY23 benefits expense for ARFF/Fire Services decreased $569,462 compared to FY22, due primarily to decreases in required contributions towards the CalPERS UAL and decreases in the GASB 68 Actuarially determined pension adjustment.

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 reduce the reported net expense of the Police Department (see Table VI.).

Operating Expenses Before Depreciation and Amortization (Continued)

Table IV - Fiscal Years 2024, 2023, and 2022 Wages & Benefits Expense

	2024		2023		2022	
Finance & Administration	$1,055,458	24.5%	$1,092,674	31.2%	$1,208,048	29.9%
Planning & Marketing	784,427	18.2%	809,677	23.1%	394,312	9.8%
Maintenance & Custodial Services	1,165,056	27.0%	1,137,352	32.5%	1,171,283	29.0%
Airport Operations	604,045	14.0%	430,572	12.3%	469,582	11.6%
Sub-total - Airport Staff	3,608,987	83.7%	3,470,275	99.1%	3,243,225	80.4%
Police Services:						
CalPERS UAL	119,833		176,927		253,647	
Retiree Health Insurance	34,040		31,940		31,783	
GASB 75 Actuarial Adjustment	(179,870)		(191,530)		(154,832)	
GASB 68 Actuarial Adjustment	200,078		(96,673)		(19,277)	
Sub-total - Benefits only	174,081	4.0%	(79,336)	-2.3%	111,321	2.8%
ARFF/Fire Services:						
CalPERS UAL	201,777		287,323		445,961	
Retiree Health Insurance	9,240		10,045		10,512	
GASB 75 Actuarial Adjustment	(18,625)		(29,396)		(20,151)	
GASB 68 Actuarial Adjustment	336,895		(156,993)		244,119	6.1%
Sub-total - Benefits only	529,287	12.3%	110,979	3.2%	680,441	16.9%
Total Wages & Benefits	$4,312,356	100%	$3,501,918	100%	$4,034,987	100%
Total Wages & Benefits to Total OpEx	41.0 %		41.5 %		44.5 %	

Table V compares operating expenses for F2024, 2023, and 2022. Chart D provides a graphic representation of operating expenses.

Operating Expenses Before Depreciation and Amortization (Continued)

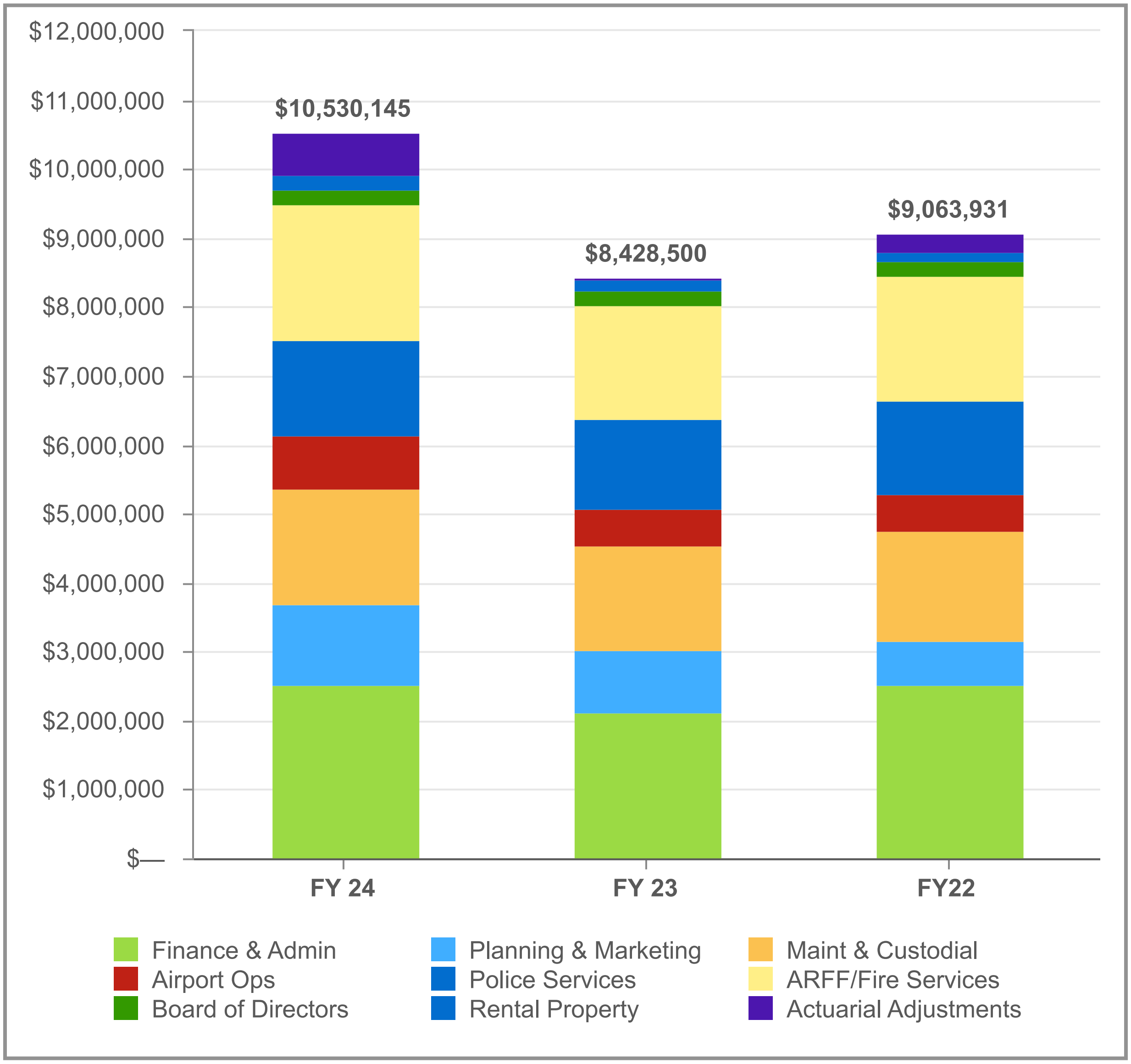
Table V - Fiscal Years 2024, 2023, and 2022 Operating Expenses

FISCAL YEARS 2024, 2023 & 2022 OPERATING EXPENSE BEFORE DEPRECIATION AND AMORTIZATION						
	2024		**2023**		**2022**	
Staff Departmental Expenses:						
Finance & Administration[1]	2,539,519	24.1 %	2,128,898	25.3 %	2,221,313	24.5 %
Planning & Marketing[1]	1,172,224	11.1 %	896,074	10.6 %	932,681	10.3 %
Maintenance & Custodial Services	1,670,071	15.9 %	1,515,482	18.0 %	1,613,414	17.8 %
Airport Operations	777,824	7.4 %	543,010	6.4 %	517,866	5.7 %
Major Service Contracts:						
Police Services	1,382,279	13.1 %	1,294,247	15.4 %	1,359,124	15.0 %
ARFF/Fire Services	1,955,580	19 %	1,659,879	20 %	1,813,698	20 %
Board of Directors	214,742	2.0 %	222,837	2.6 %	209,878	2.3 %
Office Space Rental	219,409	2.1 %	135,159	1.6 %	141,698	1.6 %
GASB 68 Actuarial Expense Adjustments	801,968	7.6 %	240,032	2.8 %	398,192	4.4 %
GASB 75 Actuarial Expense Adjustments	(203,471)	(1.9)%	(207,118)	(2.5)%	(143,933)	(1.6)%
Total	**$10,530,145**	100 %	$8,428,499	100 %	$ 9,063,931	100 %

(1) Marketing, Public Relations and Social Media Marketing Expenses for FY23 and FY22 of $238,865 and $296,237, respectively, have been reclassified from the Finance & Administration Department to the Planning & Marketing Department, to facilitate comparability.

Operating Expenses Before Depreciation and Amortization (Continued)

Chart D - OPERATING EXPENSES



Finance & Administration ("F&A") FY24 departmental operating expenses of $2,539,519 increased 19.3% or $410,621 compared to FY23 and decreased 4.2% or $92,415 from FY22 to FY23, respectively.

The FY24 F&A expenses increase of $410,621 was primarily due to higher property liability insurance ($315,618), utilities ($79,887), Personnel Recruitment ($28,673) and Human Resources ($29,856) expenses.

The FY23 F&A expenses decrease of $92,415 was primarily due to lower other legal services ($116,188), other professional services ($110,907), partially offset by higher utilities ($53,681), liability insurance expense ($30,982), salaries & wages ($25,777), human resources ($21,867) and telephone ($16,082) expenses.

Planning & Marketing ("P&M") FY24 departmental operating expenses of $1,172,224 increased 30.8% or $276,150 compared to FY23 and decreased 3.9% or $36,607 from FY22 to FY23, respectively.

Operating Expenses Before Depreciation and Amortization (Continued)

The FY24 P&M expense increase of $276,150 was primarily due to increased Marketing ($30,193), Public Relations ($66,786), Social Media Marketing ($42,743) expenses, higher salaries & wages ($69,116) and architect and engineer expenses ($34,682).

The FY23 P&M expense decrease of $20,765 was primarily due to lower Marketing ($92,115), workers comp insurance ($14,332), computer/IT ($13,029) and architect and engineers ($11,849) expenses, partially offset by higher salaries and wages ($50,787), public relations ($22,162) and social media expenses ($12,581).

Maintenance & Custodial Services ("M&CS") FY24 departmental operating expenses of $1,670,073 increased 10.2% or $154,588 from FY23 and decreased 6.1% or $97,932 from FY22 to FY23, respectively.

The FY24 M&CS expense increase of $154,588 was primarily due to higher salaries & wages ($64,832), health insurance ($17,161), District Vehicle R&M ($22,964), CalPERS Retirement ($9,034), General R&M ($9,856), and Other Contract Services ($9,914).

The FY23 M&CS expense decrease of $97,933 was primarily due to lower salaries and wages ($46,011), workers comp insurance ($31,374), landscape and grounds ($27,342) and rental space ($22,395) repairs and maintenance, CalPERS UAL ($18,514), partially offset by higher terminal maintenance and repairs ($49,749) expenses.

Airport Operations ("OPS") FY24 departmental operating expenses of $777,825 increased 43.2% or $234,814 compared to FY23 and increased 4.9% or $25,144 from FY22 to FY23, respectively.

The FY24 OPS expense increase of $234,814 was primarily due to increased Salaries & Wages ($163,893).

The FY23 OPS expense increase of $25,144 was primarily due to higher salaries and wages ($12,154), environmental ($16,049), general repairs and maintenance ($9,933) and computer/IT ($9,209), partially offset by lower CalPERS UAL ($20,329) and workers compensation insurance ($14,794) expenses.

Police Services FY24 service contract expenses of $1,382,279 increased 6.8% or $88,033 compared to FY23 and decreased 4.8% or $64,877 from FY22 to FY23, respectively.

In FY24 the Police services expenses increased $88,033 primarily due to higher police services contract ($246,147), partially offset by lower Calpers UAL ($(57,094).

In FY23 the Police services expenses decreased primarily due to lower CalPERS UAL ($76,720), partially offset by higher police services contract ($13,086) expenses. Table V excludes the annual LEO Grant reimbursement for FY24 ($101,472), FY23 ($116,800) and FY22 ($116,800), which is reported as Operating Grant revenue.

ARFF / Fire Services FY24 service contract expenses of $1,955,581 increased (17.8)% or $295,702 compared to FY23 and decreased 8.5% or $153,819 from FY22 to FY23, respectively.

The Airport is subject to CalPERS Pension Unfunded Account Liabilities (UAL) payments for ARFF/Fire services staff who worked for the airport before contracting with the City of Monterey.

In FY24 ARFF/Fire services expense increased $295,702 primarily due to higher fire services contract ($332,140) and District Vehicle Maintenance ($52,745) expenses, partially offset by lower CalPERS UAL costs ($85,546).

In FY23 ARFF/Fire services expense decreased $153,819 primarily due to lower CalPERS UAL payments ($158,638).

Operating Expenses Before Depreciation and Amortization (Continued)

Board of Directors (Directors) FY24 operating expenses of $214,743 decreased (3.6)% or $8,093 compared to FY23 and increased 6.2% or $12,959 from FY22 to FY23, respectively.

In FY24 Directors expense decreased $8,093 due primarily to lower professional development and education ($26,583) and lower business travel and entertainment ($10,258), partially offset by higher District Legal Counsel ($21,683) and other meetings and workshops expense ($13,317).

FY23 was an off-election year therefore no Director election expenses were incurred. The FY23 Directors expense increased $12,959 primarily due to higher professional development and education ($27,041), business travel and entertainment ($9,702), partially offset by lower Board member election expense ($26,750).

Office Space Rental FY24 operating expenses of $219,408 increased 62.3% or $84,249 compared to FY23 and increased 4.6% or $6,359 compared to FY22, respectively.

In FY24 Office Space expenses for property maintenance, repairs, and taxes increased 62.3% or $84,249 due primarily to higher repair and maintenance costs ($44,293), other contract services ($27,263) and utilities ($10,078).

In FY23 Office Space expenses for property maintenance, repairs, and taxes decreased 4.6% or $6,536 due primarily to lower repair and maintenance costs ($5,758).

Table VI compares actual Operating Revenues, Operating Expenses, and the change in Net Position for Fiscal Years 2024, 2023 & 2022.

Operating Expenses Before Depreciation and Amortization (Continued)

Table VI - Actual Operating Revenues, Operating Expenses Compared to the change in Net Position for Fiscal Years 2024, 2023 & 2022

	FY 2024 Actual	FY 2023 Actual	FY 2022 Actual
Operating Revenues			
Commercial Aviation - Fees	$1,518,410	$1,079,203	$987,268
General Aviation - Fees	552,534	446,354	513,372
Terminal Concessions and Leases	6,242,809	5,263,340	4,994,510
Heavy General Aviation	1,278,404	1,192,348	1,090,149
Light General & Other Aviation Tenants	334,751	331,666	340,506
Non-Aviation Tenants	1,855,311	1,571,752	2,065,728
Other Operating Revenues	549,814	604,660	409,150
Total Operating Revenues	12,332,033	10,489,323	10,400,683
Operating Expenses			
Finance & Administration	2,582,224	2,473,966	2,724,983
Planning & Marketing	1,308,759	907,089	515,696
Maintenance & Custodial Services	1,752,169	1,671,036	1,690,464
Airport Operations	776,967	565,922	558,531
Police Department	1,402,482	1,006,043	1,185,015
ARFF Services	2,273,851	1,473,490	2,037,666
Board of Directors	214,285	195,795	209,878
Office Space Rentals	219,408	135,159	141,698
Total Operating Expenses	10,530,145	8,428,500	9,063,931
Operating Income before Depreciation and Amortization	1,801,888	2,060,823	1,336,752
Depreciation & Amortization Expense	6,358,095	5,577,877	5,486,986
Net Operating Income / (Loss)	(4,556,207)	(3,517,054)	(4,150,234)
Other Revenue (Expense), net	22,320,400	13,483,793	17,991,804
Change in Net Position	17,764,193	9,966,739	13,841,570
Net Position Beginning of Year	98,176,090	88,209,351	74,367,781
Net Position End of Year	$115,940,283	$98,176,090	$88,209,351

Capital Assets and Debt Activity

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

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

Table VII - Capital Assets, Net of Depreciation and Amortization

	2024	2023	2022
Tangible assets, net			
Land	$4,206,755	$4,206,755	$4,206,755
Land improvements	61,303,214	62,388,668	51,541,083
Buildings	6,646,242	6,838,168	7,809,779
Furniture, equipment and vehicles	2,456,305	2,863,448	3,112,596
Right-to-Use SBITA Asset	3,483	11,581	—
Construction in progress	36,982,708	12,068,064	14,000,068
Total	111,598,707	88,376,684	80,670,280
Intangible assets, net	3,088,506	3,402,511	3,716,509
Total capital assets - net	$114,687,213	$91,779,195	$84,386,789

Contractual and Budgeted Capital Commitments

The District approves an annual Capital Budget and subsequently authorizes individual contracts for the construction of various capital assets based on a competitive bidding process. As of June 30, 2024, the District had construction in progress (CIP) projects totaling $36,982,706. Significant remaining budgeted CIP expenditures and contracts for subsequent years beginning July 1, 2024 are (1) $32,287,716 for completion of the Commercial Apron (funded by AIP Grants #80 and #84 and PFCs), (2) $18,469,730 towards the completion of Landside Improvements for the Replacement Terminal (funded by AIP Grant #86 and PFCs), (3) $3,105,891 for completion of Runway Improvements (funded by AIP Grant #83 and PFCs), (4) $1,100,000 for the purchase of a Replacement ARFF vehicle (funded by AIP Grant #85 and PFCs) and (5) $1,580,844 for the completion of the Water Distribution System to supply well water to the QTA and domestic water to the Replacement Terminal (funded 100% by CFCs).

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

Debt

CalTrans Loan

On March 17, 2023 the District entered into a loan agreement with the State of California, Department of Transportation, Division of Aeronautics ("CalTrans") for the purpose of financing, in part, the purchase of new hangars, which are being constructed by a third party, on the North side of the Airport. The loan of $3,740,358 is for a period of seventeen years at an annual fixed rate of 5.084645 percent. The balance on the CalTrans loan as of June 30, 2024 was $3,597,250.

PG&E Loan

In April 2019, the Association of Monterey Bay Area Governments (AMBAG) contacted the District about interest free loans offered by Pacific Gas and Electric to upgrade lighting to newer LED technologies. The new lighting was installed by Lumenature a PG&E authorized contractor. On November 15, 2019 the District approved two Pacific Gas and Electric no interest loans for upgrading parking lot and terminal lighting to newer LED fixtures and lights. On June 3, 2020 Loan TIF 010101 with a balance of $145,762, payment terms of 45 months with monthly payments of $3,239 was signed and project work was scheduled to be complete in July 2020. On June 9, 2020 Loan TIF 010598 with a balance of $10,464, payment terms of 57 months with monthly payments of $184 per month was signed and the project was completed in June 2020. On August 26, 2020, the District signed a third Pacific Gas and Electric no interest loan application to upgrade lighting in the Rental Space/Offices at 2801 Monterey Salinas Highway. On April 27, 2021, the final Loan TIF 011474 was signed with a balance of $46,870 payment terms of 64 months and payments of $1,019 per month. During FY24 the District paid $43,583 on all three loans. The PG&E loans have been combined in the financial statements with a total balance of $9,619 on June 30, 2024.

CEC Loan

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, 2024 is $2,027,233.

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

Fiscal Year 2024 (and prior) District Actions Impacting Future Operations

District and Management Focus

The District's FY24 operational and financial performance was a direct result of actions and changes implemented by the District's Board of Directors and Executive Management of the Airport. In FY24, the District operations continued to improve as COVID-19 travel restrictions were no longer in effect, and the District continued to make capital improvements pursuant to its Safety Enhancement Program. The District approved its FY25 financial plans which can be reviewed at https://montereyairport.specialdistrict.org/fiscal-administration.

Fiscal Year 2024 (and prior) District Actions Impacting Future Operations (Continued)

Rates and Charges

In Fiscal 2024, the Airport continued to execute on its long-term Safety Enhancement Program and will continue to do so in Fiscal 2025 and beyond. Aligning with the analysis and cost-recovery goals detailed in its Plan of Finance, on June 20, 2024 the MPAD Board of Directors approved Resolution No. 1877 authorizing increases to the Rates & Charges schedule, which should positively impact the FY25 operating results.

Specific increases significantly impacting future revenues from Commercial Aviation are as follows:

1. Landing Fees were increased from $2.65 to $3.00 per 1,000 lbs. MGLW,
2. Apron Fees were increased from $0.63 to $1.00 per 1,000 lbs. MGLW,
3. RON Fees were increased from $1.28 to $1.50 per 1,000 lbs. MGLW,
4. Fuel Flowage Fees were increased from $0.06 to $0.07 per gallon,
5. Terminal leases were increased from $5.55 to $7.00 per sq.ft./month,
6. Parking in the Long-Term Lot were increased from $16.00 to $18.00 per day after 3 hours, and
7. Parking in the Premium Lot were increased from $28.00 to $30.00 per day.

Specific increases significantly impacting revenues from General Aviation were as follows:

1. Landing Fees were increased from $2.55 to $2.70 per 1,000 lbs. MGLW.

Airport Master Plan

In 2013, the District began the process of developing a Master Plan to improve, upgrade or replace several components of the Airport's airside and landside facilities. On November 26, 2018 the District's Board of Directors passed Resolution No. 1730 which approved and certified the Final Environmental Impact Report and Resolution No. 1731 Alternative 1 of the Monterey Regional Airport Master Plan. The Master Plan was then submitted to the Federal Aviation Administration (FAA) for National Environmental Policy Act (NEPA) Environmental Impact Assessment review. On June 8, 2020, the FAA issued a Finding of No Significant Impact for the Safety Enhancement Program (SEP) for Taxiway A Relocation and Associated Demolition and Relocation of General Aviation Facilities, Passenger Terminal, and Other Facilities. On November 26, 2018, the District's Board of Directors under the California Environmental Quality Act (CEQA) requirements certified the Final Environmental Impact Report (FEIR) on the Master Plan. On April 20, 2022 the District's Board of Directors passed Resolutions No. 1819 and 1820 which certified and approved the Revised 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

During FY24, airlines flight schedules continued to improve, passenger traffic increased significantly, and airport concessions operations returned to normal operations.

Airline capacity increased in FY24, with American Airlines continuing its upgauged A319 aircraft with daily flights (twice seasonally) to Dallas, and United Airlines continued its upgauged EMB 175 aircraft on its flights to Denver, Los Angeles, and San Francisco, and seasonally upgauged to an A319 aircraft on certain daily flights to Phoenix.

Fiscal Year 2024 (and prior) District Actions Impacting Future Operations (Continued)

General Aviation

In FY24, the District, as an integral part of its Safety Enhancement Program, committed to a plan to construct a new Commercial Apron on the Southeast side of the Airport to service the planned Replacement Terminal. As part of that commitment, the existing 28 General Aviation T-Hangars owned by a ground lessee as well as the 24 District-owned T-Hangars and two large maintenance hangars were demolished. The ground lessee constructed 28 new T-Hangars and a 10,000 sq.ft. Corporate Hangar on the Northeast side of the Airport and the District agreed to purchase 24 newly-constructed replacement Box Hangars on the Northeast side of the Airport, as well as the purchase of a newly-constructed 10,000 sq.ft. Corporate Hangar.

Service Contracts

Airport Rescue and Fire Fighting Services.

In FY23, the District put the Airport Rescue and Fire Fighting Services out to bid on a Request for Proposal. On August 16, 2023, the District adopted a resolution for a new fire and emergency services staffing Agreement between the District and the City of Monterey 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 Agreement commenced on October 1, 2023, and terminates on June 30, 2028. The Agreement may be extended for additional five-year increments by resolution of both the MPAD Board of Directors and the Monterey City Council.

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), which provides for automatic five-year renewal terms, subject to the right for either the District or DRO to terminate the Agreement by providing twelve months' written notice to the other party. The District's goals were to reduce management overhead while maintaining the needed services and improved flexibility in staffing with a larger pool of qualified officers. The Agreement between the District and DRO was automatically extended on July 1, 2023.

Airport Infrastructure

To improve the Airport Infrastructure, the District pursues grants and other financing to make capital investments. On September 6, 2024 the Airport was awarded four Grants under the Federal Aviation Administration's (FAA) Airport Improvement Program, totaling $37,306,785. These four grants are comprised of: 1) $16,788,053 to complete the Safety Enhancement Program's new Commercial Apron Project, 2) $16,744,657 for landside improvements for the Safety Enhancement Program's Replacement Terminal Project, 3) $2,815,801 for runway improvements and 4) $958,274 for a replacement Aircraft Rescue and Firefighting Truck.

See Contractual and Budgeted Commitments on page 19 for a description of capital commitments made by the Airport as of June 30, 2024, that will impact future operations.

Rental Car Customer Facility Charge

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, 2024 total $1,571,076 and on June 30, 2023 total $1,002,340.

Fiscal Year 2024 (and prior) District Actions Impacting Future Operations (Continued)

The CFCs are being collected to support the District's study to access, build and transport non-potable water from southside Airport property wells to the rental car Quick-Turn-Around (QTA) facility on the Southside of the Airport. Access to this non-potable water source will help ensure water is available for the QTA facility in the future. On October 24, 2023 the District approved Resolution No. 1860, a Resolution approving a $2,189,749 contract to implement construction activities related to Well Water Infrastructure improvements at 2801 Monterey Salinas Highway, supplying well water to the QTA and domestic water to the proposed new Terminal for MRY. This project is in process and is funded 100% by CFCs.

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.

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BASIC FINANCIALS

MONTEREY PENINSULA AIRPORT DISTRICT
Statement of Net Position
June 30, 2024 and 2023

	2024	2023
ASSETS		
Current assets:		
Cash	$ 359,802	$ 1,983,523
Investments	13,523,340	15,836,415
Accounts Receivable	1,306,239	854,067
Interest and Dividends Receivable	132,866	160,967
Lease Receivable, Current	1,280,411	1,073,013
Grants	5,161,546	941,320
Prepaid Expenses, Noncurrent	245,508	183,156
Bond offering costs	1,500	–
Total unrestricted current assets	22,011,212	21,032,461
Restricted:		
Restricted Cash	521,173	2,910,566
Restricted Investments	3,255,596	687,261
Total restricted current assets	3,776,769	3,597,827
Total Current assets	25,787,981	24,630,288
Noncurrent:		
Leases Receivable, Noncurrent	9,429,531	9,574,583
Capital assets, net	114,687,219	91,779,195
Total noncurrent assets	124,116,750	101,353,778
Total assets	**149,904,731**	**125,984,066**
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflows - Pension Related	5,416,264	5,098,192
Deferred Outflows - OPEB Related	244,433	310,596
Total deferred outflows of resources	5,660,697	5,408,788

See Notes to the Financial Statements.

MONTEREY PENINSULA AIRPORT DISTRICT
Statement of Net Position (Continued)
June 30, 2024 and 2023

	2024	2023
LIABILITIES		
Current liabilities:		
Accounts Payable	6,432,750	1,228,177
Accrued liabilities	167,770	87,174
Accrued Interest	36,567	38,008
Unearned revenues	26,010	53,024
Loans payable	320,462	346,678
SBITA Lease Liabilities - Current	3,477	11,581
Funds held in trust	1,628,390	1,055,030
Compensated absences	44,827	30,689
Other Post Employment Benefits (OPEB) Liability	75,000	72,215
Total current liabilities	8,735,253	2,922,576
Noncurrent liabilities:		
Deposits Received	440,829	449,333
Unearned revenues - rent received in advance	212,290	221,167
Compensated Absences	163,362	140,986
Pension Liability	8,381,298	5,802,890
Other Post Employment Benefits (OPEB) Liability	1,311,786	1,488,282
Loans and Notes Payable	5,313,640	5,632,899
Total noncurrent liabilities	15,823,205	13,735,557
Total liabilities	**24,558,458**	**16,658,133**
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows - Pension Related	3,550,993	5,009,360
Deferred Inflows - OPEB Related	805,752	901,675
Deferred Inflows - Leases	10,709,942	10,647,596
Total deferred inflows of resources	**15,066,687**	**16,558,631**
NET POSITION		
Net Investment in Capital Assets	104,947,290	84,679,500
Restricted - unspent Passenger Facilities Charge	847,872	1,664,398
Restricted - cash assets	—	1,007,340
Net Position, Unrestricted	10,145,121	10,824,852
Total net position	**$ 115,940,283**	**$ 98,176,090**

See Notes to the Financial Statements.

MONTEREY PENINSULA AIRPORT DISTRICT
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2024 and 2023

	2024	2023
OPERATING REVENUES		
Commercial Aviation	$ 1,518,410	$ 1,079,203
General Aviation	552,534	446,354
Terminal Leases and Concession	6,242,809	5,263,340
Heavy General Aviation	1,278,404	1,192,348
Light General Aviation/ Other Tenants	334,751	331,666
Non-Aviation Tenants	1,855,311	1,571,752
Other Income	549,814	604,660
Total operating revenues	**12,332,033**	**10,489,323**
OPERATING EXPENSES		
Finance and administration	2,582,224	2,473,966
Planning and development	1,308,759	907,089
Maintenance and custodial services	1,752,169	1,671,036
Airport operations	776,967	565,922
Police department	1,402,482	1,006,043
Fire department	2,273,851	1,473,490
Board of directors	214,285	195,795
Rental property	219,408	135,159
Depreciation/amortization	6,358,095	5,577,877
Total operating expenses	**16,888,240**	**14,006,377**
Operating income (loss)	**(4,556,207)**	**(3,517,054)**
NONOPERATING REVENUES (EXPENSES)		
Lease interest income	456,316	694,448
Interest expense	(210,288)	(60,518)
Passenger faciity charges	1,112,616	978,616
Operating grants	—	4,299,604
Investment income	965,964	415,807
Customer facility charges	27,403	407,403
Misc expense - other	81,750	(5,484)
Total nonoperating revenues (expenses)	**2,433,761**	**6,729,876**
Income (loss) before capital contributions and transfers	**(2,122,446)**	**3,212,822**
Grants from government agencies	19,886,639	6,753,917
Change in net position	**17,764,193**	**9,966,739**
Net position-beginning	98,176,090	88,209,351
Net position-ending	**$ 115,940,283**	**$ 98,176,090**

See Notes to the Financial Statements.

MONTEREY PENINSULA AIRPORT DISTRICT
Statement of Cash Flows
For the Year Ended June 30, 2024 and 2023

	2024	2023
Cash Flows from Operating Activities:		
Receipts from customers	$ 11,835,466	$ 10,421,468
Payments to vendors for goods and services	(7,171,102)	(5,822,372)
Payments to employees for services	(1,608,540)	(3,504,617)
Net Cash Provided (Used) by Operating Activities	**3,055,824**	**1,094,479**
Cash Flows from Non-Capital Financing Activities:		
Proceeds from operating grants	—	3,358,284
Lease interest income received	456,316	694,448
Other miscellaneous revenue/(expense)	81,750	(5,484)
Net Cash Provided by Non-Capital Financing Activities	**538,066**	**4,047,248**
Cash Flows from Capital and Related Financing Activities:		
Proceeds from capital grants and Passenger Facility Charges	16,806,432	12,539,338
Proceeds from funds held in trust	573,360	539,976
Acquisition and construction of capital assets	(25,168,395)	(11,861,744)
Interest paid on loans	(211,729)	(23,032)
Principal paid on loans	(345,475)	(209,972)
Proceeds from loans	—	3,740,958
Net Cash Provided (Used) by Capital and Related Financing Activities	**(8,345,807)**	**4,725,524**
Cash Flows from Investing Activities:		
Investment income earned	994,063	(124,165)
Investments matured (purchased)	(255,260)	(9,245,879)
Net Cash Provided (Used) by Investing Activities	**738,803**	**(9,370,044)**
Net Change in Cash and Cash Equivalents	**(4,013,114)**	**497,207**
Cash and Cash Equivalents at Beginning of Year	4,894,089	4,396,882
Cash and Cash Equivalents at End of Year	**$ 880,975**	**$ 4,894,089**
Reconciliation of Cash and Cash Equivalents to Amounts Reported on the Statement of Net Position		
Unrestricted cash and equivalents	$ 359,802	$ 1,983,523
Restricted cash and equivalents	521,173	2,910,566
	$ 880,975	**$ 4,894,089**

See Notes to the Financial Statements.

MONTEREY PENINSULA AIRPORT DISTRICT
Statement of Cash Flows (Continued)
For the Year Ended June 30, 2024 and 2023

	2024	2023
Reconciliation of Operating Income to Net Cash		
Provided (Used) by Operating Activities:		
Operating loss	$ (4,556,207)	$ (3,517,054)
Adjustments to reconcile operating loss		
net cash provided (used) by operating activities:		
Depreciation and Amortization	6,358,095	5,577,878
(Increase) decrease in accounts receivable	(452,172)	(90,868)
(Increase) decrease in prepaid costs and other assets	(63,852)	425
(Increase) decrease in lease receivables	(62,346)	1,299,769
Increase (decrease) in accounts payable and accrued expenses	1,098,747	292,743
Increase (decrease) in accrued liabilities	80,596	(1,198,243)
Increase (decrease) in due to the City of Monterey	—	(19,966)
Increase (decrease) in security deposits	(8,504)	4,569
Increase (decrease) in unearned revenue	(35,891)	18,444
Increase (decrease) in claims and judgments	—	11,581
Increase (decrease) in leased assets	36,514	(17,942)
Increase (decrease) in pension related items	801,969	240,031
Increase (decrease) in OPEB related items	(203,471)	(207,119)
Increase (decrease) in deferred inflows related to leases	62,346	(1,299,769)
Total Adjustments	7,612,031	4,611,533
Net Cash Provided (Used) by Operating Activities	**$ 3,055,824**	**$ 1,094,479**

Non-Cash Capital and Related Financing Activities:		
Acquisition and construction of capital assets in accrued liabilities	$ 4,105,826	$ 1,108,539
Accrued interest on CalTrans loan and CEC loan	36,567	38,008

See Notes to the Financial Statements.

Notes to Financial Statements

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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 (1) U.S. Treasury Bills with original maturity dates of one year or less, (2) certificates of deposit with original maturity dates of three months or longer and (3) obligations of the State Treasurer's Local Agency Investment Fund ("LAIF").

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, 2024 and 2023 was $10,000.

F. Prepaid Expenses

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 (5.48 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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Net Position

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

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

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

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

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 of 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, 2024 and 2023, the District requested and received $101,472 and $116,800, 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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

For the years ended June 30, 2024 and 2023, the District recognized $19,886,639 and $6,753,917, 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, 2024 and 2023, the District requested and received $0 and $4,299,604, respectively in reimbursable operating 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.

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. New GASB Pronouncements Effective during Fiscal Year

The following Government Accounting Standards Board (GASB) pronouncements were effective for and/or early implemented for the fiscal year ended June 30, 2024:

1. ***GASB Statement No. 100, Accounting Changes and Error Corrections***

The requirements of this Statement will improve the clarity of the accounting and financial reporting requirements for accounting changes and error corrections, which will result in greater consistency in application in practice. In turn, more understandable, reliable, relevant, consistent, and comparable information will be provided to financial statement users for making decisions or assessing accountability. In addition, the display and note disclosure requirements will result in more consistent, decision useful, understandable, and comprehensive information for users about accounting changes and error corrections.

Q. Reclassifications and Presentation

Certain reclassifications have been made to the prior year's financial statements to conform to the current year's presentation. These reclassifications had no impact on previously reported change in net position, net position, or cash flows. The reclassifications were made to improve consistency and comparability between periods and to better reflect the nature of the underlying transactions in accordance with current financial reporting requirements.

NOTE 2: CASH AND INVESTMENTS

Cash and investments at June 30, 2023 and 2022, comprised of the following:

	2024	2023
Unrestricted:		
Deposits with banks/custodians	$ 359,802	$ 1,983,523
Investments	13,523,340	15,836,415
Total unrestricted	13,883,142	17,819,938
Restricted:		
Deposits with banks/custodians	521,173	2,910,566
Investments	3,255,596	687,261
Total restricted	3,776,769	3,597,827
Total cash and investments	**$ 17,659,911**	**$ 21,417,765**

A. Custodial Credit Risk – Deposits and Investments

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

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

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

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 table 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
United States Treasury Bills	5 Year	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, 2024:

		(Maturity in Years)		
	Fair Value	Less than 1	1 - 5	Credit Ratings (Standard & Poor's)
Negotiable certificates of deposits	$ 592,670	$ 592,670	$ –	Not Rated
Local Agency Investment Fund	168,231	168,231	–	Not Rated
U.S. Treasury Bills	16,018,035	16,018,035	–	AA+
Total investment	$ 16,778,936	$ 16,778,936	$ –	

The following is a summary of the District's investments at June 30, 2023:

		(Maturity in Years)		
	Fair Value	Less than 1	1 - 5	Credit Ratings (Standard & Poor's)
Negotiable certificates of deposits	$ 1,163,421	$ 390,352	$ 773,069	Not Rated
Local Agency Investment Fund	492,500	492,500	–	Not Rated
U.S. Treasury Bills	14,867,755	14,867,755	–	AA+
Total investment	$ 16,523,676	$ 15,750,607	$ 773,069	

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, 2024 and 2023 was 217 and 260 days, respectively.

As of June 30, 2024, and 2023, the District had unrestricted investments of $168,231 and $492,500, respectively invested in LAIF, which had invested 1.88% and 2.31% of the pooled investment funds in Structured Notes and Asset-Backed Securities. LAIF is part of the State's Pooled Money investment Account (PMIA). PMIA has a total of $178.0 billion and $178.4 billion in its investment portfolio as of June 30, 2024 and 2023, respectively. The District valued its investments in LAIF as of June 30, 2024 and 2023, by multiplying its account balance with LAIF times a fair value factor determined by LAIF. This fair value factor was determined by dividing all LAIF participants' total aggregate fair value by total aggregate amortized costs resulting in a factor of 0.996316042 and 0.984828499 as of June 30, 2024 and 2023, 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, 2024 and 2023, cash and investments were restricted for the following:

	June 30, 2024			June 30, 2023		
	Cash in Bank	Investments	Total	Cash in Bank	Investments	Total
Security deposits from tenants	$ 21,210	$ 442,179	$ 463,389	$ 52,464	$ 396,872	$ 449,336
Passenger facility charge program	295,216	1,104,406	1,399,622	1,516,843	290,389	1,807,232
Capital Expenditures	—	—	—	5,000	—	5,000
CalTrans Loans Debt Service	2,499	340,183	342,682	333,919	—	333,919
Customer Facilities Charges	202,248	1,368,828	1,571,076	1,002,340	—	1,002,340
Total restricted cash and investments	$ 521,173	$ 3,255,596	$ 3,776,769	$ 2,910,566	$ 687,261	$ 3,597,827

NOTE 3: CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2024, was as follows:

	Balance at June 30, 2023	Additions/ Transfers	Disposals/ Transfers	Balance at June 30, 2024
Capital assets not being depreciated:				
Land	$ 4,206,755	$ —	$ —	$ 4,206,755
Construction in progress	12,068,064	26,274,221	(1,359,577)	36,982,708
Total Capital Assets Not being Depreciated	16,274,819	26,274,221	(1,359,577)	41,189,463
Capital assets being depreciated/amortized:				
Intangible assets	26,258,325	—	—	26,258,325
Land improvements	111,574,139	3,203,880	—	114,778,019
Buildings and improvements	27,558,019	1,096,991	—	28,655,010
SBITA Asset	11,581	—	(8,098)	3,483
Furniture, equipment and vehicles	8,025,417	58,708	—	8,084,125
Total Capital Assets being Depreciated/Amortized	173,427,481	4,359,579	(8,098)	177,778,962
Less accumulated depreciation/amortization for:				
Intangible assets	22,855,814	313,999	—	23,169,813
Land improvements	49,185,471	4,289,334	—	53,474,805
Buildings and improvements	20,719,851	1,288,917	—	22,008,768
Furniture, equipment and vehicles	5,161,969	465,851	—	5,627,820
Accumulated depreciation/amortization	97,923,105	6,358,101	—	104,281,206
Total Capital Assets, Being Depreciated/Amortized, Net	75,504,376	(1,998,522)	(8,098)	73,497,756
Total Capital Assets, Net	**$ 91,779,195**	**$ 24,275,699**	**$ (1,367,675)**	**$ 114,687,219**

NOTE 3: CAPITAL ASSETS (CONTINUED)

Construction in progress activity for the year ended June 30, 2024, was as follows:

		Balance July 1, 2023	Additions/ Transfers	Completed Transferred to Depreciable	Balance June 30, 2024
2019-03	Water Distribution System	$ 937,761	$ 366,118	$ –	$ 1,303,879
2020-14	Demolish Building 505	203,879	–	(203,879)	–
2022-01	SEP Phase B1/B2/B3- ARFF Design & Construction	5,279,526	5,237,089	–	10,516,615
2023-01	SEP Phase D1- Terminal Design	195,858	904,690	–	1,100,548
2023-04	2801 Property Repair	40,871	378,851	(419,722)	–
2023-05	Fred Kane to Skypark Paving	31,661	257,016	(288,677)	–
2023-07	West Hold Room Passenger flow Upgrades	69,210	58,004	(127,214)	–
2023-08	SE Hangar Relocation	5,309,298	1,781,245	–	7,090,543
2024-01	SEP Phase D1 - Terminal Design (BIL ATP)	–	2,996,843	–	2,996,843
2024-02	New Maintenance EV Truck	–	58,708	(58,708)	–
2023-03	Commercial Apron	–	13,974,278	–	13,974,278
2024-03	Airfield and Property Maintenance	–	199,490	(199,490)	–
2024-04	Terminal Area Improvements	–	61,889	(61,889)	–
	Total	$ 12,068,064	$ 26,274,221	$ (1,359,579)	$ 36,982,706

NOTE 3: CAPITAL ASSETS (CONTINUED)

Capital assets activity for the year ended June 30, 2023, was as follows:

	Balance at June 30, 2022	Additions/ Transfers	Disposals/ Transfers	Balance at June 30, 2023
Capital assets not being depreciated:				
Land	$ 4,206,755	$ –	$ –	$ 4,206,755
Construction in progress	14,000,068	12,958,701	(14,890,705)	12,068,064
Total Capital Assets Not being Depreciated	18,206,823	12,958,701	(14,890,705)	16,274,819
Capital assets being depreciated/amortized:				
Intangible assets	26,258,325	–	–	26,258,325
Land improvements	97,043,282	14,530,857	–	111,574,139
Buildings and improvements	27,279,387	278,632	–	27,558,019
SBITA Asset	–	11,581	–	11,581
Furniture, equipment and vehicles	7,944,201	81,216	–	8,025,417
Total Capital Assets being Depreciated	158,525,195	14,902,286	–	173,427,481
Less accumulated depreciation/amortization for:				
Intangible assets	22,541,816	313,998	–	22,855,814
Land improvements	45,502,199	3,683,272	–	49,185,471
Buildings and improvements	19,469,608	1,250,243	–	20,719,851
Furniture, equipment and vehicles	4,831,605	330,364	–	5,161,969
Less Accumulated Depreciation/Amortization	92,345,228	5,577,877	–	97,923,105
Total Capital Assets, Being Depreciated, Net	66,179,967	9,324,409	–	75,504,376
Total Capital Assets, Net	$ 84,386,790	$ 22,283,110	$ (14,890,705)	$ 91,779,195

NOTE 3: CAPITAL ASSETS (CONTINUED)

Construction in progress activity for the year ended June 30, 2023, was as follows:

		Balance July 1, 2022	Additions/ Transfers	Completed Transferred to Depreciable	Balance June 30, 2023
2019-03	Water Distribution System	$ 535,192	$ 402,569	$ —	$ 937,761
2020-04	CCTV and Perimeter Camera System	—	109,401	(109,401)	—
2020-12	Northside GA Apron Construction	8,516,259	736,990	(9,253,249)	—
2020-13	Northeast VSR Improvements	1,912,961	103,970	(2,016,931)	—
2020-14	Demolish Building 505	203,879	—	—	203,879
2021-04	SEP Phase 1 A1- Commercial Apron Design	2,429,001	722,275	(3,151,276)	—
2022-01	SEP Phase B1/B2/B3- ARFF Design	374,767	4,904,759	—	5,279,526
2022-03	Vehicle Replacement	27,859	126,753	(154,612)	—
2023-01	SEP Phase D1- Terminal Design	150	195,708	—	195,858
2023-04	2801 Property Repair	—	40,871	—	40,871
2023-05	Fred Kane to Skypark Paving	—	31,661	—	31,661
2023-06	Airfield Vehicle Gates - $100K	—	45,236	(45,236)	—
2023-07	Terminal Building Painting	—	160,000	(160,000)	—
2023-07	West Hold Room Passenger flow Upgrades	—	69,210	—	69,210
2023-08	SE Hangar Relocation	—	5,309,298	—	5,309,298
	Total	$ 14,000,068	$ 12,958,701	$ (14,890,705)	$ 12,068,064

At June 30, 2024 and 2023, intangible assets consist of the following:

	2024	2023
Noise safety study and sound proofing easements	$ 21,549,356	$ 21,549,356
Master plan	1,747,376	1,747,376
Wildlife hazard assessment plan	151,939	151,939
FAA Procedure Development and Studys	49,005	49,005
Restaurant Asset Purchase	114,479	114,479
NEPA / CEQA--Safety Installation	2,646,170	2,646,170
Total intangible assets, gross	26,258,325	26,258,325
Less accumulated amortization	(23,169,813)	(22,855,814)
Total intangible assets, net	$ 3,088,512	$ 3,402,511

NOTE 4: ACCRUED LIABILITIES

At June 30, 2024 and 2023, accrued liabilities consist of the following:

	2024	2023
Accrued employee benefits	$ 51,055	$ 44,236
Other accrued expenses	116,715	42,938
Total accrued liabilities	$ 167,770	$ 87,174

NOTE 5: ACCRUED COMPENSATED ABSENCES

A summary of the changes in compensated absences for the year ended June 30, 2024, is as follows:

Balance July 1, 2023	Additions	Reductions	Balance June 30, 2024	Due in One Year
$ 171,675	$ 123,379	$ 86,865	$ 208,189	$ 44,827

A summary of the changes in compensated absences for the year ended June 30, 2023, is as follows:

Balance July 1, 2022	Additions	Reductions	Balance June 30, 2023	Due in One Year
$ 189,617	$ 186,308	$ 204,250	$ 171,675	$ 30,689

NOTE 6: LONG TERM OBLIGATIONS

A summary of the changes in long-term obligations for the year ended June 30, 2024, is as follows:

Notes From Private Borrowings and Direct Placements	Balance July 1, 2023	Additions	Reductions	Balance June 30, 2024	Due in One Year
CalTrans Loan	$ 3,740,958	$ —	$ 143,708	$ 3,597,250	$ 151,015
CEC secured loan	2,185,417	—	158,184	2,027,233	159,828
PG&E Loan	53,202	—	43,583	9,619	9,619
Total	$ 5,979,577	$ —	$ 345,475	$ 5,634,102	$ 320,462

A summary of the changes in long-term obligations for the year ended June 30, 2023, is as follows:

Notes From Private Borrowings and Direct Placements	Balance July 1, 2022	Additions	Reductions	Balance June 30, 2023	Due in One Year
Due to the City of Monterey (Note 11)	$ 19,966	$ —	$ 19,966	$ —	$ —
CalTrans Loan	—	3,740,958	—	3,740,958	143,708
CEC secured loan	2,342,089	—	156,672	2,185,417	158,185
PG&E Loan	106,502	—	53,300	53,202	44,785
Total	$ 2,468,557	$ 3,740,958	$ 229,938	$ 5,979,577	$ 346,678

NOTE 6: LONG TERM OBLIGATIONS (CONTINUED)

A. Pension Obligation Bonds

On June 27, 2012, the District issued Taxable Pension Obligation bonds for the purpose of refinancing the outstanding “side fund” obligations in the amount of $3,077,000 with an interest rate of 4.40% per annum. The bonds are subject to mandatory redemption every six months as set forth in the Indenture of Trust. This obligation was incurred to retire a previously unrecorded liability between the District’s funded status of the CalPERS plan versus the funded status of the entire risk pool. The outstanding note from this direct borrowing contains a provision that in the occurrence or continuation of any event of default the trustee, at the written direction of the bond owners, must declare the principal of the bonds, together with the accrued interest, to be due and payable immediately and may exercise any other remedies available to the trustee and bond owners in law or at equity to enforce the rights of the bond owners. In addition, upon the occurrence and during the continuation of an event of default, interest on the bonds shall accrue at the default rate. The pension obligation bonds were paid in full as of June 30, 2023.

B. 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, 2021. The 2023 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.

The future debt service requirements for the California Energy Commission (CEC) Loan at June 30, 2024, are as follows:

Year	Principal	Interest	Total Requirement
2025	$ 159,828	$ 19,875	$ 179,703
2026	161,430	18,273	179,703
2027	163,049	16,654	179,703
2028	164,643	15,060	179,703
2029	166,333	13,369	179,702
2030-2034	856,996	41,519	898,515
2035-2036	354,954	4,005	358,959
Total	$ 2,027,233	$ 128,755	$ 2,155,988

NOTE 6: LONG TERM OBLIGATIONS (CONTINUED)

C. PG&E Loan

In June 2020, the District entered into a loan agreement with PG&E to participate in the Energy Efficiency Retrofit Loan Program (the “Program”). The program is funded by California utility customers and administered by Pacific Gas and Electric Company (PG&E) under the auspices of the California Public Utilities Commission (CPUC). The Program provides qualified PG&E customers with a means to finance energy efficient (EE) retrofit projects implemented under select PG&E EE Programs (the "Qualified Program"). The loans issued under the Program are interest free, unsecured loans to fully or partially reimburse qualified PG&E customers for the costs they incur in connection with a qualified retrofit project (the "Retrofit Project"), which term shall mean the energy efficiency retrofit project described in Customer's relevant Energy Efficiency Program Application. The future debt service requirements for the PG&E Loan at June 30, 2023, are as follows:

Year	Principal
2025	$ 9,619
Total	$ 9,619

D. CalTrans Loan

On March 17, 2023 the District entered into a loan agreement with the State of California, Department of Transportation, Division of Aeronautics (“CalTrans”) for the purpose of financing, in part, the purchase of new hangars, which are being constructed by a third party, on the North Side of the Airport. The loan of $3,740,958 is for a period of seventeen (17) years at an annual fixed interest rate of 5.084645 percent. The annual payments, plus accrued interest, become due one year from April 19, 2023 (the date the warrant was issued to the District) and each year thereafter. The loan may be prepaid at any time without penalty.

The future debt service requirements for the CalTrans Loan at June 30, 2024, are as follows:

Year	Principal	Interest	Total Requirement
2025	$ 151,015	$ 182,904	$ 333,919
2026	158,693	175,225	333,918
2027	166,762	167,157	333,919
2028	175,241	158,678	333,919
2029	184,151	149,767	333,918
2030 - 2034	1,071,095	598,496	1,669,591
2035 - 2039	1,372,533	290,059	1,662,592
2040	317,760	16,157	333,917
Total	$ 3,597,250	$ 1,738,443	$ 5,335,693

NOTE 7: LEASES

A. 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 $10,709,942 and $10,647,596 for fiscal years 2024 and 2023, respectively. The District uses the Standards and Poor's municipal bond 20 year high grade index to estimate the discount rate to apply for the GASB 87 lease receivable which is 4.21% on June 30, 2024. The estimated rate of 4.28% was used as of June 30, 2023.

The table below summarizes total remaining lease payments, GASB 87 lease receivables/deferred lease inflows and lease interest receivable at an estimated District discount rate of 4.21% as of June 30, 2024:

Fiscal Year	Lease Receivable	Lease Interest	Total Lease Payments
2025	$ 1,280,411	$ 426,400	$ 1,706,811
2026	1,225,624	373,367	1,598,991
2027	1,273,892	321,022	1,594,914
2028	890,517	272,670	1,163,187
2029	713,259	239,752	953,011
2030-2034	1,969,860	882,516	2,852,376
2035-2039	921,598	608,061	1,529,659
2040-2044	1,057,395	406,979	1,464,374
2045-2049	985,112	177,000	1,162,112
2050-2053	392,274	31,415	423,689
	$ 10,709,942	$ 3,739,182	$ 14,449,124

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 4.28% as of June 30, 2023:

Fiscal Year	Lease Receivable	Lease Interest	Total Lease Payments
2024	$ 1,073,013	$ 373,367	$ 1,598,991
2025	1,011,166	321,022	1,594,914
2026	963,291	272,670	1,163,187
2027	1,009,339	239,752	953,011
2028	753,742	882,516	2,852,376
2029 - 2033	921,598	608,061	1,529,659
2034 - 2038	2,273,229	406,979	1,464,374
2039 - 2043	1,013,424	177,000	1,162,112
2044 - 2048	990,675	177,000	1,162,112
2049 - 2053	1,031,456	31,415	423,689
	$ 10,647,596	$ 3,921,434	$ 14,569,030

B. 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 specifically 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 $961,954 and included in terminal leases and concessions, heavy general aviation and light general aviation for the year ended June 30, 2024. The cost of property held for leasing is not readily determinable.

Future minimum rentals on regulated leases as of June 30, 2024, are as follows:

Fiscal Year	Total Payment
2025	$ 964,954
2026	964,954
2027	964,954
2028	964,954
2029	964,954
2030-2034	4,824,770
2035-2039	4,824,770
2040-2044	4,824,770
2045-2049	4,824,770
2050-2054	3,815,153
2055-2059	1,426,373
Total	$ 29,365,376

NOTE 7: LEASES (CONTINUED)

Future minimum rentals on regulated leases as of June 30, 2023, are as follows:

Fiscal Year	Total Payment
2024	$ 964,954
2025	964,954
2026	964,954
2027	964,954
2028	964,954
2029 - 2033	4,824,770
2034 - 2038	4,824,770
2039 - 2043	4,824,770
2044 - 2048	4,824,770
2049 - 2053	3,815,153
2054 - 2058	2,391,327
Total	$ 30,330,330

NOTE 8: PENSION PLANS

A. 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.

B. 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.

NOTE 8: PENSION PLANS (CONTINUED)

The Plans' provisions and benefits in effect as of the valuation date of June 30, 2022 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	—%	—%	—%	7.00%	6.75%
Required normal employer contribution rates	—%	—%	—%	10.87%	7.47%
Required employer payment of unfunded liability	$493,721	$281,671	$3,879	$230,670	$7,369

C. 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 by 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, 2024 and 2023, the employer contributions recognized as a reduction to the net pension liability were $627,970 and $5,035,621, respectively.

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

As of June 30, 2024, and 2023, the District's reported total net pension liability of $8,381,297 and $5,802,890, 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, 2024 and 2023, of the Plan is measured as of June 30, 2023 and 2022, respectively (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, 2022 and 2021, respectively, rolled forward to June 30, 2023 and 2022 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, 2023 and 2022, were .06718% and 0.05024%, respectively.

NOTE 8: PENSION PLANS (CONTINUED)

For the years ended June 30, 2024 and 2023, the District recognized pension expense of $332,094 and $240,032, respectively. At June 30, 2024 and 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

June 30, 2024	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 469,305	$ —
Differences between expected and actual experiences	560,555	(56,702)
Change in assumptions	494,083	—
Net differences between projected and actual earnings on pension plan investments	1,208,392	—
Adjustment due to difference in proportions	1,010,547	(2,853,479)
Differences between actual contributions and the proportionate share of contributions	1,673,382	(640,812)
Total	$ 5,416,264	$ (3,550,993)

June 30, 2023	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 627,970	$ —
Differences between expected and actual experiences	190,821	(69,016)
Change in assumptions	588,906	—
Net differences between projected and actual earnings on pension plan investments	974,857	—
Adjustment due to difference in proportions	57,913	(4,510,691)
Differences between actual contributions and the proportionate share of contributions	2,657,725	(429,653)
Total	$ 5,098,192	$ (5,009,360)

NOTE 8: PENSION PLANS (CONTINUED)

At June 30, 2024 and 2023, the District reported $2,923,587 and $627,970, 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, 2025 and 2024, 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
2025	$ 95,937
2026	177,446
2027	1,088,602
2028	33,981
Total	$ 1,395,966

Year Ending June 30,	Deferred Outflows/ (Inflows) of Resources
2024	$ (918,726)
2025	(1,010,256)
2026	(1,184,023)
2027	2,573,869
Total	$ (539,136)

E. Actuarial Assumptions

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

	2024	2023
Valuation Date	June 30, 2022	June 30, 2021
Measurement Date	June 30, 2023	June 30, 2022
Actuarial Cost Method	Entry Age Normal Cost Method	Entry Age Normal Cost Method
Actuarial assumptions		
Discount Rate	6.90%	6.90%
Inflation	2.30%	2.30%
Payroll Growth	2.80%	2.75%
Projected Salary Increase	2.3% depending on Age, Service, and Type of Employment	2.3% depending on Age, Service, and Type of Employment
Investment Rate of Return	7.00% net of pension plan investment expenses, includes inflation	7.00% 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

NOTE 8: PENSION PLANS (CONTINUED)

The mortality table used in the June 30, 2023 and 2022 valuation was developed based on CalPERS' specific data. The probabilities of mortality are based on the 2021 CalPERS Experience Study for the period from 2001 to 2019. Pre-retirement and Post-retirement mortality rates include generational mortality improvement using 80% of Scale MP-2020 published by the Society of Actuaries. For more details on this table, please refer to the CalPERS Experience Study and Review of Actuarial Assumptions report from November 2021 that can be found on the CalPERS website.

All other actuarial assumptions used in the June 30, 2024 and 2023 valuations were based on the results of an actuarial experience study for the period 2001 to 2019, 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.

F. Discount Rate

The discount rates used to measure the total pension liability at June 30, 2024 and 2023 were 6.90%. 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.

G. 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:

NOTE 8: PENSION PLANS (CONTINUED)

The target allocation for the June 30, 2024 and 2023, were as follows:

Asset Class	Assumed Asset Allocation	Real Return Years 1 - 10 (a,b)
Global Equity- cap-weighed	30.00%	4.54%
Global Equity non-cap-weighed	12.00%	3.84%
Private Equity	13.00%	7.28%
Treasury	5.00%	0.27%
Mortgage-backed Securities	5.00%	0.50%
Investment Grade Corporates	10.00%	1.56%
High Yield	5.00%	2.27%
Emerging Market Debt	5.00%	2.48%
Private Debt	5.00%	3.57%
Real Assets	15.00%	3.21%
Leverage	-5.00%	-0.59%
Total	100.00%	

(a) An expected inflation of 2.30% used for this period.

(b) Figures are based on the 2021 Asset Liability Management study.

H. 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, 2024 measurement date, calculated using the discount rate of 6.90 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 (5.90 percent) or 1 percentage-point higher (7.90 percent) than the current rate:

Decrease Rate - 1% (5.90%)	Current Discount Rate (6.90%)	Increase Rate + 1% (7.90%)
$13,993,908	$8,381,298	$3,782,704

The following presents the District's proportionate share of the net pension liability of the Plan as of the June 30, 2023 measurement date, calculated using the discount rate of 6.90 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 (5.90 percent) or 1 percentage-point higher (7.90 percent) than the current rate:

Decrease Rate - 1% (5.90%)	Current Discount Rate (6.90%)	Increase Rate + 1% (7.90%)
$9,780,952	$5,802,890	$2,542,353

I. 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 POSTEMPLOYMENT BENEFIT (OPEB) OBLIGATIONS

J. 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.

K. 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.

L. Number of Covered Employees

At June 30, 2024 and June 30, 2023 reporting dates, the following numbers of employees were covered.

Measurement Date	6/30/2023	6/30/2022
Active	25	21
Retirees	15	17
Total	40	38

M. 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, 2024 and 2023 were $65,700 and $72,215, respectively.

N. Employer's Total OPEB Liability

The total OPEB liability as of June 30, 2024 and 2023 are presented below:

For Reporting at Fiscal Year End	**June 30, 2024**	**June 30, 2023**
Measurement Date	*06/30/2023*	*06/30/2022*
Total OPEB Liability	$ 1,386,786	$ 1,560,497

NOTE 9: OTHER POSTEMPLOYMENT BENEFIT (OPEB) OBLIGATIONS (CONTINUED)

O. Significant Actuarial Assumptions Used in Calculating the Total OPEB Liability

The total OPEB liability was determined by an actuarial valuation as of June 30, 2023, using the following actuarial assumptions:

Valuation date	June 30, 2023
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	4.13% as of June 30, 2023
Discount Rate	4.09% as of June 30, 2022
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

P. 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 4.13% as of June 30, 2023 and 4.09% as of June 30, 2022.

Q. Changes in the Total OPEB Liability

The following table shows the changes in the total OPEB liability for the years ended June 30, 2024 and June 30, 2023, respectively:

For Reporting at Fiscal Year End *Measurement Date*	June 30, 2024 *6/30/2023*	June 30, 2023 *6/30/2022*	Change During Period
Balance at beginning of period	$ 1,560,497	$ 2,032,252	$ (471,755)
Changes for the year			
Service cost	24,994	36,220	(11,226)
Interest	63,370	44,147	19,223
Differences between expected and actual experience	(190,699)	—	(190,699)
Changes of assumptions	839	(465,393)	466,232
Contributions - employer			
Benefit payments	(72,215)	(86,729)	14,514
Net Changes	(173,711)	(471,755)	298,044
Balance at end of period	$ 1,386,786	$ 1,560,497	$ (173,711)

NOTE 9: OTHER POSTEMPLOYMENT BENEFIT (OPEB) OBLIGATIONS (CONTINUED)

R. 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, 2023 and June 30, 2022:

Measurement Period June 30, 2023	1% Decrease (3.13%)	Current Discount Rate (4.13%)	1% Increase (5.13%)
Total OPEB Liability	$1,582,180	$1,386,786	$1,227,493

Measurement Period June 30, 2022	1% Decrease (3.09%)	Current Discount Rate (4.09%)	1% Increase (5.09%)
Total OPEB Liability	$1,779,283	$1,560,497	$1,385,003

S. 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, 2023 and June 30, 2022:

Measurement Period June 30, 2023	1% Decrease (6% decreasing to 4%)	Current Healthcare Cost Trent Rates (7% decreasing to 5%)	1% Increase (8% decreasing to 6%)
Total OPEB Liability	$1,223,607	$1,386,786	$1,586,145

Measurement Period June 30, 2022	1% Decrease (6% decreasing to 4%)	Current Healthcare Cost Trent Rates (7% decreasing to 5%)	1% Increase (8% decreasing to 6%)
Total OPEB Liability	$1,348,621	$1,560,497	$1,826,189

T. OPEB Expense for Fiscal Year

For the year ended June 30, 2024, the District recognized OPEB expense of $(137,771). For the year ended June 30, 2023, the District recognized OPEB expense of $(143,098).

NOTE 9: OTHER POSTEMPLOYMENT BENEFIT (OPEB) OBLIGATIONS (CONTINUED)

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

At June 30, 2024, 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	$ 86,893	$ 317,808
Differences Between Expected and Actual Experience	91,840	487,944
Contributions Made Subsequent to the Measurement Date	65,700	-
Total	$ 244,433	$ 805,752

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
2025	$ (235,492)
2026	(160,066)
2027	(119,502)
2028	(70,429)
2029	(29,666)
Thereafter	(11,864)
Total	$ (627,019)

At June 30, 2023, 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	$ 131,614	$ 419,478
Differences Between Expected and Actual Experience	106,767	482,197
Contributions Made Subsequent to the Measurement Date	72,215	—
Total	$ 310,596	$ 901,675

NOTE 9: OTHER POSTEMPLOYMENT BENEFIT (OPEB) OBLIGATIONS (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
2024	$ (196,469)
2025	(205,826)
2026	(130,400)
2027	(89,836)
2028	(40,763)
Total	$ (663,294)

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.

NOTE 10: RISK MANAGEMENT (CONTINUED)

The District's deductibles and maximum coverage follows:

Coverage	Deductible		Coverage (aggregate)
Buildings & Business Personal Property Except Tools & Maintenance Equipment	$ 10,000		$ 60,031,504
Tools & Maintenance Equipment	1,000		81,821
Boiler & Machinery	50,000		32,875,521
Solar Package	5000/50,000		3,444,000
Automobile	2,500		1,000,000
Fire Truck Physical Damage	5,000		2,654,529
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

A. 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 Occurence)

NOTE 11: COMMITMENTS AND CONTINGENCIES

A. 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.

B. Grants and Contracts

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

NOTE 11: COMMITMENTS AND CONTINGENCIES (CONTINUED)

C. 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 $0 remains outstanding on June 30, 2024 and 2023. The District reimburses the City at a rate of 10% per year or $19,666 for a period of ten years until the City is compensated for the initial value of the unpaid sick leave balance.

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

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

On August 16, 2023, the District adopted a resolution for a new fire and emergency services staffing Agreement between the District and the City of Monterey 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 Agreement commences on October 1, 2023 and terminates on June 30, 2028. The Agreement may be extended for additional five-year increments by resolution of both the MPAD Board of Directors and the Monterey City Council.

In the table below are the Fees included in the new Agreement.

Year	Fire Service Fee
2025	$ 1,876,952
2026	1,970,799
2027	2,069,339
2028	2,172,806
Total	$ 8,089,896

NOTE 12: SUBSEQUENT EVENT

On September 6, 2024 Monterey Airport was awarded $37,306,785 of Grants under the FAA's Airport Improvement Program, supporting the Airport plans for a Replacement Terminal, and other capital needs.

Specifically, the Airport received four Grants: $2,815,801 for runway improvements, $16,788,053 for the completion of the construction of a new commercial apron, $958,274 for a Replacement ARFF Truck and $16,744,657 for landside terminal improvements.

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REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

MONTEREY PENINSULA AIRPORT DISTRICT
Cost Sharing Multiple-Employer Plan
Schedule of Proportionate of the Net Pension Liability
As of June 30, 2024, For the Last Ten Fiscal Years

	2024	2023	2022	2021
Measurement Period	*2023*	*2022*	*2021*	*2020*
Miscellaneous Rate Plan				
Rate Plan's Proportion of the Net Pension Liability	0.01966%	0.02005%	0.02815%	0.02496%
Rate Plan's Proportionate Share of the Net Pension Liability	$2,453,152	$2,315,937	$1,522,216	$2,715,215
Rate Plan's Covered Payroll	$1,890,776	$1,788,853	$1,640,763	$1,751,206
Rate Plan's Proportionate Share of the Net Pension Liability as Percentage of Covered Payroll	129.74%	129.46%	92.77%	155.05%
Safety Rate Plan				
Rate Plan's Proportion of the Net Pension Liability	0.04752%	0.03019%	0.09221%	0.07062%
Rate Plan's Proportionate Share of the Net Pension Liability	$5,928,146	$3,486,953	$4,986,961	$7,683,882
Rate Plan's Covered Payroll	$—	$—	$—	$—
Rate Plan's Proportionate Share of the Net Pension Liability as Percentage of Covered Payroll	—%	—%	—%	—%
Total Plan				
Plan Proportion of the Net Pension Liability	0.06718%	0.05024%	0.12036%	0.09558%
Plan Proportionate Share of the Net Pension Liability	$8,381,298	$5,802,890	$6,509,179	$10,399,097
Plan Covered Payroll	$1,890,776	$1,788,853	$1,640,763	$1,751,206
Plan Proportionate Share of the Net Pension Liability as Percentage of Covered Payroll	443.27%	324.39%	396.72%	593.82%
The Pension Plan's (PERF-C) Fiduciary Net Position as a Percentage of the Total Pension Liability	76.70%	76.70%	88.29%	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:

There were no assumption changes in 2023. Effective with the June 30, 2021 valuation date (2022 measurement date), the accounting discount rate was reduced from 7.5 % to 6.90 percent. 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.

2020	**2019**	**2018**	**2017**	**2016**	**2015**
2019	*2018*	*2017*	*2016*	*2015*	*2014*
0.02409%	0.02308 %	0.02270 %	0.02172 %	0.02008 %	0.02158 %
$2,468,530	$ 2,223,790	$ 2,251,219	$ 1,879,150	$ 1,378,489	$ 1,342,879
$1,783,112	$ 1,671,567	$ 1,577,199	$ 1,677,728	$ 1,723,531	$ 1,921,962
138.44%	133.04 %	142.74 %	112.01 %	79.98 %	69.87 %
0.06953%	0.06914 %	0.06670 %	0.06681 %	0.06574 %	0.06163 %
$7,124,443	$ 6,662,340	$ 6,614,914	$ 5,781,218	$ 4,512,232	$ 3,834,741
$188,737	$ 643,653	$ 547,264	$ 601,667	$ 549,603	$ 1,330,599
3774.80%	1035.08 %	1208.72 %	960.87 %	821.00 %	288.20 %
0.09362%	0.09222 %	0.08940 %	0.08853 %	0.08582 %	0.08321 %
$9,592,973	$ 8,886,130	$ 8,866,133	$7,660,368	$ 5,890,721	$ 5,177,620
$1,971,849	$ 2,315,220	$ 2,124,463	$ 2,279,395	$ 2,273,134	$ 3,252,561
486.50%	383.81 %	417.34 %	336.07 %	259.15 %	159.19 %
75.26%	75.26 %	73.31 %	74.06 %	78.40 %	80.43 %

MONTEREY PENINSULA AIRPORT DISTRICT
Cost Sharing Multiple-Employer Plan
Schedule of Plan Contributions [1]
As of June 30, 2024, For the Last Ten Fiscal Years[2]

	2024	2023	2022	2021
Miscellaneous Rate Plan				
Actuarially Determined Contribution	$ 147,695	$ 163,779	$ 1,375,701	$ 308,686
Contribution in Relation to Actuarially Determined Contribution	(147,695)	(163,779)	(1,375,701)	(308,686)
Contribution Deficiency (Excess)	$—	$—	$—	$—
Covered Payroll	$ 2,152,669	$ 1,890,776	$ 1,788,853	$ 1,640,763
Contributions as a Percentage of Covered Payroll	6.86%	8.66%	76.90%	18.81%
Safety Rate Plan				
Actuarially Determined Contribution	$ 321,610	$ 464,250	$ 3,659,920	$ 544,039
Contribution in Relation to Actuarially Determined Contribution	(321,610)	(464,250)	(3,659,920)	(544,039)
Contribution Deficiency (Excess)	$—	$—	$—	$—
Covered Payroll	$—	$—	$—	$—
Contributions as a Percentage of Covered Payroll	—%	—%	—%	—%
Total Plan				
Actuarially Determined Contribution	$ 469,305	$ 628,029	$ 5,035,621	$ 852,725
Contribution in Relation to Actuarially Determined Contribution	(469,305)	(628,029)	(5,035,621)	(852,725)
Contribution Deficiency (Excess)	$—	$—	$—	$—
Covered Payroll	$2,152,669	$1,890,776	$1,788,853	$1,640,763
Contributions as a Percentage of Covered Payroll	21.80%	33.22%	281.50%	51.97%

Notes to Schedule:

Valuation Date: June 30, 2022

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method: Entry Age Normal Cost Method

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

Driver	Source				
	(Gain)/Loss		Assumption/ Method Change	Benefit Change	Golden Handshake
	Investment	Non-investment			
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: 2.30%

Payroll Growth: 2.75%

Projected Salary Increases:

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, 2022 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.

[1] The District is required to contribute to the Safety Rate Plan even though there is no Covered Payroll.

[2] Historical information is required only for measurement for which GASB 68 is applicable. Fiscal Year 2015 was the first year of implementation, therefore only nine years are shown.

2020	2019	2018	2017	2016	2015
$ 279,219	$ 246,088	$ 204,396	$ 186,903	$ 183,331	$ 181,461
(279,219)	(246,088)	(204,396)	(186,903)	$ (183,331)	$ (181,461)
$ —	$ —	$ —	$ —	$ —	$ —
$ 1,751,206	$ 1,783,112	$ 1,671,567	$ 1,577,199	$ 1,677,728	$ 1,723,531
15.94%	13.80%	12.23%	11.85%	10.93%	10.53%
$ 517,276	$ 431,855	$ 429,673	$ 371,546	$ 294,509	$ 135,343
(517,276)	(431,855)	(429,673)	(371,546)	$ (294,509)	$ (135,343)
$—	$—	$—	$—	$ —	$ —
$—	$188,737	$643,653	$547,264	$601,667	$549,603
—%	228.81%	66.76%	57.72%	53.81%	22.49%
$ 796,495	$ 677,943	$ 634,069	$ 558,449	$ 477,840	$ 316,804
(796,495)	(677,943)	(634,069)	(558,449)	$ (477,840)	$ (316,804)
$—	$—	$—	$—	$ —	$ —
$1,751,206	$1,971,849	$2,315,220	$2,124,463	$ 2,279,395	$ 2,273,134
45.48%	34.38%	27.39%	26.29%	20.96 %	13.94 %

MONTEREY PENINSULA AIRPORT DISTRICT
Schedule of Changes in Total OPEB Liability and Related Ratios
As of June 30, 2024, For the Last Ten Fiscal Years[1]

	2024	2023	2022
Total OPEB Liability			
Service cost	$ 24,994	$ 36,220	$ 38,344
Interest on the total OPEB liability	63,370	44,147	55,829
Actual and expected experience difference	(190,699)	—	(232,053)
Changes in assumptions	839	(465,393)	152,978
Changes in benefit terms			—
Benefit payments	(72,215)	(86,729)	(86,695)
Net change in total OPEB liability	**(173,711)**	**(471,755)**	**(71,597)**
Total OPEB liability - beginning	**1,560,497**	**2,032,252**	**2,103,849**
Total OPEB liability - ending	**$ 1,386,786**	**$ 1,560,497**	**$ 2,032,252**
Covered-employee payroll	$ 1,890,776	$ 1,788,853	$ 1,640,763
Total OPEB liability as a percentage of covered-employee payroll	73%	87%	124%

Notes to Schedule:

Benefit Changes:

None

Changes in assumptions:

In 2023, the discount rate used to value the liability was changed from 4.09% as of June 30, 2021 to 4.13% as of June 30, 2023.

In 2022, the discount rate used to value the liability was changed from 2.18% as of June 30, 2021 to 4.09% as of June 30, 2022.

In 2021, the discount rate used to value the liability was changed from 2.66% as of June 30, 2020 to 2.18%.In 2020, the discount rate used to value the liability was changed from 2.79% as of June 30, 2019 to 2.66%.

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

[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.

2021	2020	2019	2018
$ 36,230	$ 95,605	$ 89,300	$ 96,514
57,146	81,212	80,196	71,052
—	(619,597)	—	—
38,639	(92,995)	63,787	(194,370)
—	—	—	—
(80,340)	(83,376)	(69,698)	(40,270)
51,675	**(619,151)**	**163,585**	**(67,074)**
2,052,174	**2,671,325**	**2,507,740**	**2,574,814**
$ 2,103,849	**$ 2,052,174**	**$ 2,671,325**	**$ 2,507,740**
$ 1,751,206	$ 2,059,685	$ 2,266,251	$ 2,115,913
120.14%	99.64%	117.87%	118.52%

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FEDERAL COMPLIANCE SECTION

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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

To the 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 Monterey Peninsula Airport District (the "District"), as of and for the years ended June 30, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 4, 2024.

Report on Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2024-001 to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2024-002 to be a significant deficiency.

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

District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. The District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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
November 4, 2024

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY UNIFORM GUIDANCE

To the 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 Monterey Peninsula Airport District (the "District")'s compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2024. 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, 2024.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

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

Auditor's Responsibilities for the Audit of Compliance

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

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

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

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

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

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

Report on Internal Control over Compliance

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

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

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

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

Lance, Soll & Lunghard, LLP

Sacramento, California
November 4, 2024

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Federal Awards

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MONTEREY PENINSULA AIRPORT DISTRICT
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2024

Federal Grantor/Pass-Through Grantor/Program Title	Federal Assistance Listing Number	Award Number	Expenditures
U.S. Department of Transportation			
Federal Aviation Administration			
Airport Improvement Program*	20.106	DFTA08-06-C-31719	$ 19,886,639
Total U.S. Department of Transportation			**19,886,639**
U.S. Department of Homeland Security			
Transportation Security Administration			
Law Enforcement Officer Reimbursement Program	97.090	HSTS02-16-H-SLR640	101,472
Total U.S. Department of Homeland Security			**101,472**
Total Federal Expenditures			**$ 19,988,111**

*Major Program

Notes to Schedule:

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.

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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.

SECTION 1. SUMMARY OF AUDITORS' RESULTS

<u>Financial Statements</u>

Internal control over financial reporting:

• Material weaknesses identified?	X Yes	____ None Reported
• Significant deficiencies identified?	X Yes	____ No
• Noncompliance material to financial statements noted?	____ Yes	X No

Type of auditors' report issued: Unmodified Opinion

<u>Federal Awards</u>

Internal control over major programs:

• Material weaknesses identified?	____ Yes	X None Reported
• Significant deficiencies 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:

Assistance Listing 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 2. FINANCIAL STATEMENT FINDINGS

Reference No. 2024-001: Unauthorized Incentive Pay
Material Weakness

Condition
As part of our auditing procedures, we conducted interviews with District staff, management, and members of the Budget and Finance Committee in accordance with Statement on Auditing Standards No. 99, as part of our responsibilities with respect to considering fraud, and assessing risks. During our discussion with the Budget and Finance Committee, we were directed to investigate a transaction wherein an incentive pay of $20,000 was proposed by the Board of Directors to a member of the District's management, with various pay-out options to be made upon approval on July 17, 2024. However, it was determined that prior to official approval from the Board following a decision on the pay-out method by the manager, that the incentive compensation had already been paid out in June in a lump sum amount of $31,737, which exceeded the proposed amount, and prior to any official approval from the Board of Directors.

Criteria
The Committee of Sponsoring Organizations of the Treadway Commission developed a framework which provides the five elements of a proper internal control system. These elements are control environment, risk assessment, information and communication, control activities, and monitoring. All of these elements must be present and enforced in some capacity for these to be effective internal controls within an organization. Additionally, the standard procedure of the District with respect to these types of compensations is that the payments must be approved by the Board of Directors prior to disbursement and must align with Board-approved amounts.

Cause
The premature disbursement and overpayment of the incentive pay was due to management override of internal controls, and the employees processing the payroll cycle did not feel like they could reject the payment until proper authorization was provided by the Board of Directors.

Effect
The unauthorized disbursement resulted in a $31,737 payment being made, which exceeded the proposed amount by $11,737. This was subsequently corrected and reversed by management during the financial closing process, and the receivable balance is correctly stated on the financial statements as of June 30, 2024. Although this amount is not material on its own, it represents a breach of the District's financial policies and could also pose a risk of other financial mismanagement and possibly reputational damage.

Recommendation
We recommend that the Board of Directors and Budget and Finance Committee continue their oversight of the District's financial transactions. Additionally, we would recommend that those governing bodies work towards developing and fostering a control environment where any future attempts at management override of controls are stopped prior to occurring as employees of the District are empowered to reject or report transactions that they are uncomfortable making due to insufficient or inappropriate documentation of proper approvals. We would also recommend that periodic reviews of employee compensation on a random basis be made to ensure that all employees are being paid in accordance with approved amounts.

Management's Response
Management agrees with the Recommendation. The Controller's Office as well as the Payroll function employees have been advised not to process any compensation changes prior to the receipt of full written documentation. In addition, the District's outside Human Resources consultant will be engaged to conduct periodic reviews of employee compensation on a random basis to ensure that all employees are being paid in accordance with approved amounts.

Other Information
We performed additional procedures, described in further detail in a separate report addressed to the Board of Directors dated September 12, 2024, which substantiated the information on this transaction, provided to us by the Budget and Finance Committee, and indicated that internal controls had been overridden by the member of management. The Budget and Finance Committee's careful review did identify the transaction after the fact, and the Board directed the District's third-party payroll processor to reverse the transaction, and the issue has been resolved as of November 4, 2024.

Reference No. 2024-002: Segregation of Duties for Expense Report Approvals
Significant Deficiency

Condition
As part of our auditing procedures, we conducted interviews with District staff, management, and members of the Budget and Finance Committee in accordance with Statement on Auditing Standards No. 99, as part of our responsibilities with respect to considering fraud, and assessing risks. During our discussion with the Budget and Finance Committee, we were directed to investigate, on a three-year look-back basis, all of the expense reports of a member of management, looking for unusual activities. During this testing, we observed that for all but one of the expense reports reviewed, the manager was approving their own expense reports without a separate layer of review or approval.

Criteria
One of the key elements of the internal control framework is control activities, and a key control activity is segregation of duties; that is, the same individual should not: have custody of the assets, initiate the transaction, approve the transaction, and record the transaction to the general ledger.

Cause
The District does not appear to have a review and approval process incorporating proper segregation of duties for management expense reports.

Effect
Although the effect of this control deficiency is fairly trivial, the potential effect is significant. Without a separate, independent layer of review and approval, expenses become a high risk area for potential malfeasance and/or waste and abuse of public resources. These possibilities could be damaging to the organization's reputation if such actions were to occur.

Recommendation
We recommend that the District develop a review and approval system and process, incorporating the Board of Directors or the Budget and Finance Committee, as necessary, to ensure that employee expense reports are not approved by the employee preparing the reports. This should apply to employees at all levels of the District.

Management's Response
Management agrees with the Recommendation. The Controller's Office will review and approve all employee expense reports to ensure that employee expense reports are not approved by the employee preparing the reports.

Other Information
We performed the additional procedures, described in further detail in a separate report addressed to the Board of Directors dated September 12, 2024, which indicated that of the $52,467 in expenses reported over the past three years, only $649 could be seen as questionable or inappropriate for official business purposes.

SECTION 3. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

Summary Schedule of Prior Year Findings and Questioned Costs
For the Year Ended June 30, 2023

SECTION 1. SUMMARY OF AUDITORS' RESULTS

No matters failed nor reported.

Auditee qualified as low-risk auditee.

SECTION 2. FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION 3. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

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

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

Report on Compliance

Opinion

We have audited the Monterey Peninsula Airport District (the "District")'s compliance with the types of compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies* issued by the Federal Aviation Administration (the "Guide"), applicable to the District's passenger facility charge program for the year ended June 30, 2024.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct an material effect on the the passenger facility charge program for the year ended June 30, 2024.

Basis for Opinion

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the Guide. 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 opinion on compliance for passenger facility charge program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

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

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Guide 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 passenger facility charge program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *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 with a type of compliance requirement of the passenger facility charge 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 the passenger facility charge 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 with a type of compliance requirement of the passenger facility charge program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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 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 were not 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.

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 Guide. Accordingly, this report is not suitable for any other purpose.

Lance, Soll & Lunghard, LLP

Sacramento, California
November 4, 2024

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Passenger Facility Charge

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MONTEREY PENINSULA AIRPORT DISTRICT
PASSENGER FACILITY CHARGE (PFC)
Schedule of Passenger Facility Charge (PFC) Revenues and Expenditures
For the Year Ended June 30, 2024

	PFC Revenues	Interest Earned	Total Revenues	Expenditures on approved projects	Under (over) Expenditures on approved projects
Balance to date as of June 30, 2023	$ 21,348,173	$411,237	$21,759,410	$20,095,012	$ 1,664,398
Fiscal year 2023-2024 transactions:					
Quarter ended September 30, 2023	276,979	6,969	283,948	457,007	(173,059)
Quarter ended December 31, 2023	221,241	21,209	242,450	209,462	32,988
Quarter ended March 31, 2024	287,436	17,548	304,984	502,500	(197,516)
Quarter ended June 30, 2024	322,428	13,995	336,423	815,362	(478,939)
Total fiscal year 2023-2024 transactions	1,108,084	59,721	1,167,805	1,984,331	(816,526)
Balance to date as of June 30, 2024	$ 22,456,257	$ 470,958	$ 22,927,215	$ 22,079,343	$ 847,872

Notes to Schedule:

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

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MONTEREY PENINSULA AIRPORT DISTRICT
PASSENGER FACILITY CHARGE (PFC)
Notes to Schedule of Passenger Facility Charge (PFC)
Revenues and Expenditures
For the Year Ended June 30, 2024

A. 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.

B. Basis of Presentation

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

C. 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.

D. PFC Approved Projects and Expenditures

The general description of the approved projects and cumulative expenditures to date as of June 30, 2024 are as follows:

Passenger Facility Charge Project Number/ Description	Identifying Number	Passenger Facility Charge Approved Amount	Expenditures
Improve RSA IOR-28L Phase 4	14-19-C-00-MRY	$ 875,000	$ 1,490,379
Improve RSA IOR-28L Phase 4	14-19-C-01-MRY	111,000	—
Improve RSA IOR.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 Propct	16-21-C-00-MRY	251,000	286,068
Infield Rehabilitation-Oestgn & Construction	16-21-C-00-MRY	650,000	787,623
Runway IOR/28L Airfield Lighting Repacement	18-22-U-00-MRY	160,000	159,045
Conduct DBE Disparity Report	18-22-U-00-MRY	5,000	2,206
Runway IOL,'28R O.ertay and PAPI	18-22-U-00-MRY	185,000	235,172
Land Acquisition Parl A	18-22-U-00-MRY	310,000	804,168
Safety Enhance Project Phase 1	21-25-U-00-MRY	5,775,000	3,422,389
Terminal Rehab to Preserve ADA ComPiance	20-24-C-00-MRY	375,000	244,157
Install Security Cameras in the Terminal Bldg	20-24-C-00-MRY	100,000	109,401
Runway Safety Asea Mitigation Ph 6-7	20-24-C-00-MRY	100,000	95,866
Terminal Enhancement for ADA	20-24-C-00-MRY	45,000	47,900
Total Passenger Facility Charge Projects		**$ 10,003,000**	**$ 7,756,636**

E. Excess Project Expenditures

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

MONTEREY PENINSULA AIRPORT DISTRICT
PASSENGER FACILITY CHARGE (PFC)
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2024

PASSENGER FACILITY CHARGE COMPLIANCE FINDINGS

No matters were reported.