



MONTEREY PENINSULA AIRPORT DISTRICT

FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

ANNUAL FINANCIAL AND
COMPLIANCE REPORT



MONTEREY PENINSULA AIRPORT DISTRICT

Annual Financial and Compliance Report

For the Years Ended June 30, 2025 and 2024

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Annual Financial and Compliance Report

For the Years Ended June 30, 2025 and 2024

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MONTEREY PENINSULA AIRPORT DISTRICT
BOARD OF DIRECTORS
For the Years Ended June 30, 2025 and 2024

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Mary Ann Leffel	Director	December 2028
Carl Miller	Chair	December 2026
Jonathan Ahmadi	Director	December 2028
Danial D. Pick	Vice-Chair	December 2026
John S. Gaglioti	Director	December 2028

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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, 2025 and 2024, 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, 2025 and 2024, 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2025, 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.

LSL, LLP

Sacramento, California
November 25, 2025

MONTEREY PENINSULA AIRPORT DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Years Ended June 30, 2025 and 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, 2025 (FY25) and 2024 (FY24). 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.

Overview of the Monterey Peninsula Airport District

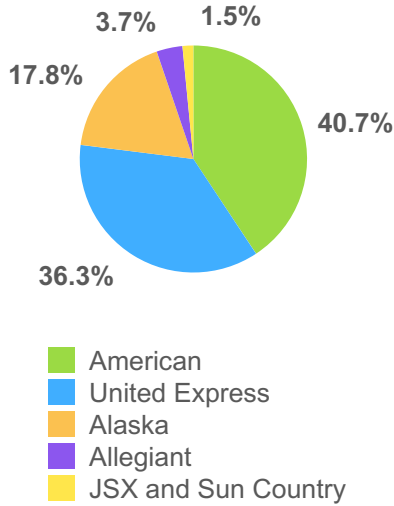
The District was created on March 22, 1941, by the passage of State Senate Bill No. 1300 that authorized an independent public airport district, which would qualify for federal funds. The District's enabling act was revised effective January 1, 2007; the revision updated language and provisions to allow 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.

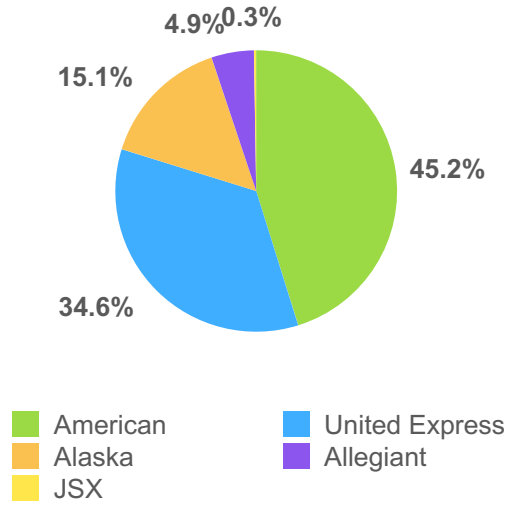
During FY25 and FY24, five commercial airlines served the airport with scheduled flights. Alaska, American Airlines, and United Express provided non-stop service to gateway hubs: Dallas, Denver, Los Angeles, Phoenix, San Diego, San Francisco, and Seattle. Allegiant operated non-stop service, two days per week to Las Vegas. JSX operates seasonal flights to Santa Ana three to four days per week. During FY25 Sun Country Airlines operated a seasonal flight to Minneapolis.

MONTEREY PENINSULA AIRPORT DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Years Ended June 30, 2025 and 2024

**MRY Commercial Carrier Base -
FY 2025 Enplanements**



**MRY Commercial Carrier Base -
FY 2024 Enplanements**



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.

MONTEREY PENINSULA AIRPORT DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Years Ended June 30, 2025 and 2024

Overview of Fiscal Year 2025 Events

In Fiscal Year 2025, 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 20, 2024 the MPAD Board of Directors approved Resolution No. 1877 authorizing increases to the Rates & Charges schedule, which positively impacted the FY25 operating results.

Specific increases significantly impacting revenues from Commercial Aviation (see Table III) were 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 was increased from \$16.00 to \$18.00 per day after 3 hours, and
7. Parking in the Premium Lot was increased from \$28.00 to \$30.00 per day.

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

1. Landing Fees were increased from \$2.55 to \$2.70 per 1,000 lbs. MGLW (No charge under 6,000 lbs.)

In FY25 the District recognized \$21,978,105 in grant income from FAA Airport Improvement Programs, \$1,269,427 from the utilization of PFC receipts as matching funds on eligible capital improvement projects and \$2,144,278 from the utilization of CFC receipts on an eligible capital project.

The AIP funds of \$21,978,105 represent FY25 cost reimbursements for the following capital improvement projects under the Airport's Safety Enhancement Program:

1. \$15,567,122 towards the construction of the new Commercial Apron project,
2. \$3,402,478 towards the design of the new Replacement Terminal,
3. \$1,440,758 towards the Runway 28L-10R Treatment
4. \$628,535 towards the landside improvement for the new Replacement Terminal,
5. \$818,804 of pre-construction costs for the new Replacement Terminal, and
6. \$120,408 for the completion of the replacement Aircraft Rescue and Fire Fighting station on the North side of the airfield.

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.

MONTEREY PENINSULA AIRPORT DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Years Ended June 30, 2025 and 2024

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 \$140,283,766 and \$117,177,613 on June 30, 2025 and 2024, respectively.
- ➔ In FY25 the District completed and placed into service the capital assets listed below:
 - Water Distribution System (\$3,099,327)
 - ARFF Design & Construction (\$11,030,436)
 - SE Hangar Relocation (\$7,075,776)
 - SEP Phase D1 - Terminal Design (\$3,157,893)
 - East TSA Access Road (\$101,462)
 - Airfield and Property Maintenance (\$139,175)
- ➔ 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)
- ➔ The District made FY25 principal payments of \$159,828 (FY24 \$158,184) on the California Energy Commission Loan decreasing the principal balance to \$1,867,405 (FY24 \$2,027,233).
- ➔ The District made FY25 principal payments of \$9,619 (FY24 \$43,583) on the PG&E loan decreasing the balance to zero (FY24 \$9,619).
- ➔ 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 were 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 5.08 percent, and the District made FY25 principal payments of \$151,015 (FY24 \$143,708), reducing the principal balance to \$3,446,235.

MONTEREY PENINSULA AIRPORT DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Years Ended June 30, 2025 and 2024

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, FY20 through FY25, are presented below in Table I.

Table I - Total Monthly Enplanements*: Fiscal Years 2020 - 2025

TOTAL ENPLANEMENTS: FISCAL YEARS 2020 - 2025											
FY 2020		FY 2021		FY 2022		FY 2023		FY 2024		FY 2025	
7/19	22,109	7/20	5,606	7/21	20,920	7/22	21,615	7/23	25,556	7/24	29,580
8/19	21,823	8/20	5,816	8/21	20,459	8/22	21,361	8/23	24,509	8/24	30,655
9/19	20,961	9/20	6,667	9/21	19,971	9/22	21,171	9/23	23,874	9/24	28,181
10/19	21,245	10/20	7,871	10/21	21,768	10/22	21,184	10/23	24,997	10/24	30,146
11/19	19,507	11/20	7,160	11/21	22,123	11/22	19,957	11/23	22,268	11/24	26,255
12/19	19,350	12/20	6,102	12/21	17,575	12/22	17,556	12/23	20,599	12/24	25,997
1/20	16,088	1/21	3,521	1/22	12,309	1/23	14,121	1/24	17,401	1/25	20,381
2/20	16,222	2/21	5,052	2/22	14,721	2/23	15,790	2/24	17,582	2/25	20,848
3/20	8,726	3/21	9,379	3/22	17,914	3/23	18,520	3/24	21,532	3/25	25,615
4/20	601	4/21	12,618	4/22	19,758	4/23	20,246	4/24	22,400	4/25	26,887
5/20	1,623	5/21	15,434	5/22	19,312	5/23	23,242	5/24	25,772	5/25	28,666
6/20	3,499	6/21	18,083	6/22	21,933	6/23	24,765	6/24	28,769	6/25	29,602
171,754		103,309		228,763		239,528		275,259		322,813	

* Enplanements reported by commercial airlines for revenue passenger counts.

→ FY25 enplanements increased 17.3% compared to FY24, reflecting a continued increase from FY24's post -COVID 19 recovery levels, as well as increased capacity/available seats. In FY25, total commercial aviation provided 436,314 available seats, up 20.3% from the FY24 capacity of 362,626 available seats.

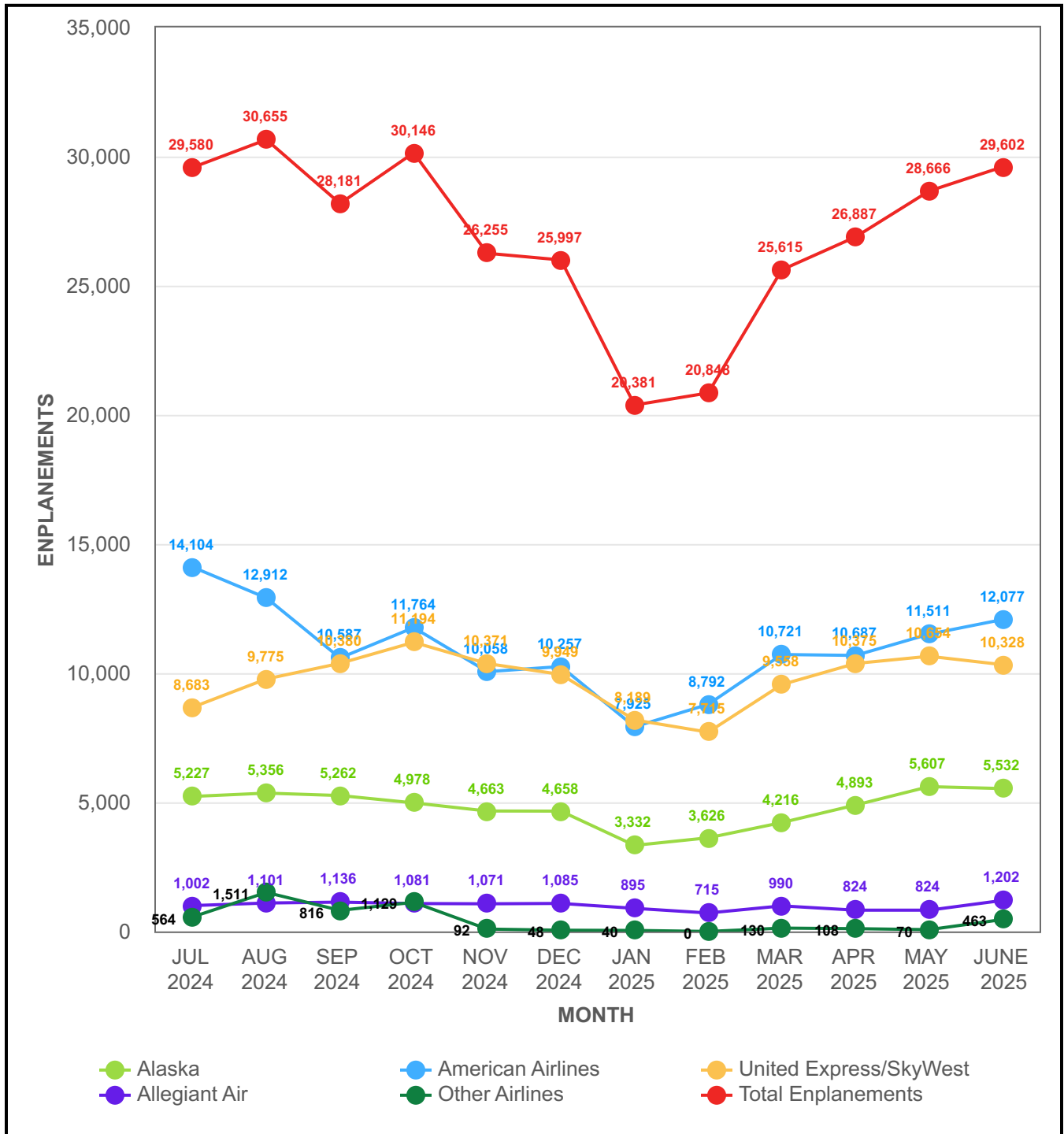
→ FY24 enplanements increased 14.9% compared to FY23, reflecting a continued increase from FY23's post-COVID-19 recovery levels, as well as increased capacity/available seats. In FY24, total commercial aviation provided 362,626 available seats, up 15.6% from the FY23 capacity of 313,604 available seats.

Charts A and B present the monthly enplanements for FY25 and FY24, respectively, in total and for the scheduled commercial airlines that serve the Airport.

**MONTEREY PENINSULA AIRPORT DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Years Ended June 30, 2025 and 2024**

Financial Highlights (Continued)

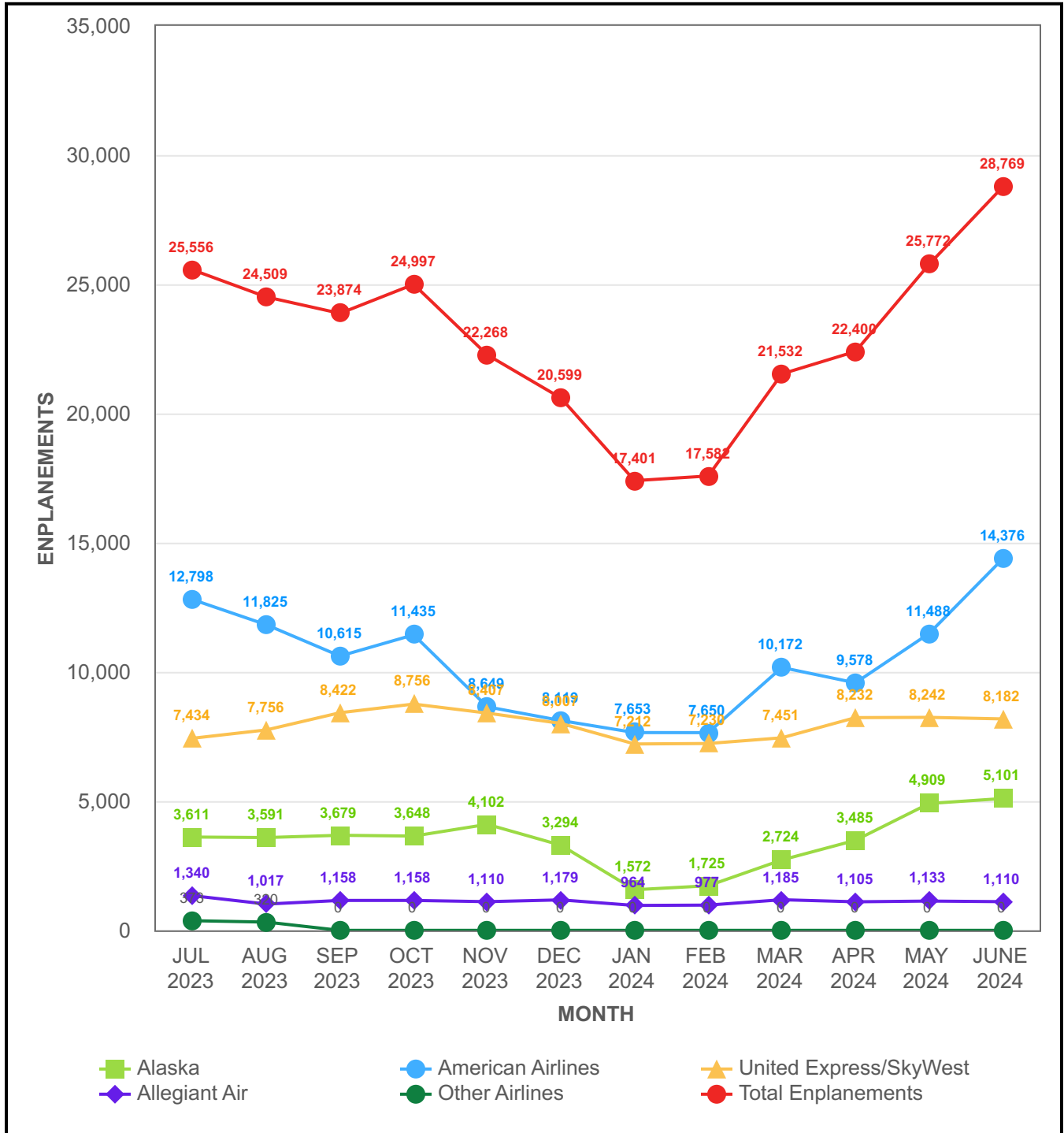
Chart A - FY25 MONTHLY ENPLANEMENTS BY AIRLINE



**MONTEREY PENINSULA AIRPORT DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Years Ended June 30, 2025 and 2024**

Financial Highlights (Continued)

Chart B - FY24 MONTHLY ENPLANEMENTS BY AIRLINE



MONTEREY PENINSULA AIRPORT DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Years Ended June 30, 2025 and 2024

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:

	2025	% Change	2024	% Change	2023
Current and other assets	\$ 23,988,747	(7.0)%	\$ 25,787,981	7.5%	\$ 23,989,660
Noncurrent assets	145,229,051	17.0%	124,116,750	22.5%	101,353,778
Total assets	<u>169,217,798</u>	12.9%	<u>149,904,731</u>	19.6%	<u>125,343,438</u>
Deferred outflow of resources	<u>3,805,272</u>	(32.8)%	<u>5,660,697</u>	4.7%	<u>5,408,788</u>
Debt outstanding	5,313,640	(5.7)%	5,634,102	(5.8)%	5,979,578
Other liabilities	16,498,952	(12.8)%	18,924,356	77.2%	10,678,555
Total liabilities	<u>21,812,592</u>	(11.2)%	<u>24,558,458</u>	47.4%	<u>16,658,133</u>
Deferred inflow of resources	<u>10,926,712</u>	(21.0)%	<u>13,829,357</u>	(16.5)%	<u>16,558,631</u>
Net investment in capital assets	127,604,483	21.6%	104,947,290	23.9%	84,679,500
Restricted - unspent					
Passenger Facilities Charges	—	(100.0)%	847,872	(49)%	1,664,398
Cash Assets	1,032,419	—%	—	(100)%	1,007,340
Unrestricted	11,646,864	2.3%	11,382,451	12%	10,184,224
Total net position	<u>\$ 140,283,766</u>	19.7%	<u>\$ 117,177,613</u>	20%	<u>\$ 97,535,462</u>

FY25 Total Net Position of the District increased \$23,106,153 from FY24, due primarily to the increase in the Net Investment in Capital Assets of \$22,657,193. The District's FY25 Capital Assets increase resulted primarily from AIP, PFC, CFC and District funded capital assets of \$28,405,296 that were offset by depreciation of capital assets of \$6,853,015, a net increase of \$21,552,281.

FY24 Total Net Position of the District increased \$19,001,523, including a restatement of beginning net position in the amount of \$640,628, 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.

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 FY25, the District recognized \$21,978,105 under AIP Grants, \$1,269,427 from the utilization of PFC receipts and \$2,144,278 from the utilization of CFC receipts. These grants and receipts funded capital project planning, engineering, design and construction costs.

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 and District police/law enforcement services.

MONTEREY PENINSULA AIRPORT DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Years Ended June 30, 2025 and 2024

Net Position (Continued)

FY25 Total Liabilities decreased \$2,745,866 primarily due to decreases in construction-related Accounts Payable of \$941,654, Funds held in Trust (CFCs) of \$1,500,826 and in the actuarially determined Net Pension liability of \$278,129.

Operating Revenues

An airport functions as a landlord. District revenue is derived from fees and lease revenues. Total operating revenues for FY25 are \$14,930,947, an increase of 15.5% or \$2,002,212 when compared to FY24 (\$12,928,735).

The FY25 operating revenue increase resulted from (1) increases in Rates & Charges effective July 1, 2025 and (2) improvements in commercial aviation, general aviation, non-aviation tenants and other revenues.

The FY24 operating revenue increase resulted from (1) increases in Rates & Charges effective July 1, 2024 and (2) improvements in commercial aviation, general aviation, non-aviation tenants and other revenues.

Revenues derived from commercial airlines activities accounted for 14.4% of FY25, 11.7% of FY24 and 10.3% of FY23, respectively, of total operating revenues. In FY25 the Airport recognized revenues of \$2,152,914, an increase of 41.8% in commercial aviation revenues when compared to FY24 and an increase of 40.7% in commercial aviation revenues when comparing FY24 to FY23 (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 48.1% of FY25, 48.3% of FY24 and 50.2% of FY23, respectively, of total operating revenues. FY25 Terminal Leases & Concessions of \$7,182,013 (see Table III, "Terminal Leases & Concessions") are comprised primarily of (1) \$1,904,827 from commercial airlines that rent ticket counters, offices, baggage make-up, hold rooms and baggage claim areas, (2) \$435,816 from rental car companies that rent counter space, the quick turnaround facility and surface space to store rental cars, (3) \$137,666 from the TSA for screening activities, (4) \$2,157,253 of concession payments from five rental car companies (*Avis, Budget, Enterprise, Hertz, and National*), (5) \$1,851,562 of concession payments from the operator of the long and short-term parking lots, (6) \$355,291 from Transportation Network Companies and taxis and (7) \$318,596 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 of \$7,182,013 (excluding the GASB87 lease adjustment) in FY25 increased 15.0% or \$936,820 compared to FY24 and in FY24 increased 18.7% or \$983,738 when compared to FY23. The FY25 increases are primarily comprised of increases in parking (\$263,714/16.6%), terminal leasing (\$420,195/20.4%), rental car concessions (\$164,131/8.2%), TNCs and taxis (\$63,839/21.9%) and terminal concessions (\$8,621/2.8%).

General Aviation activities (excluding the GASB87 lease adjustment) generated 15.6% in FY25, 17.2% in FY24 and 19.4% in FY23, respectively, of total operating revenues. FY25 General Aviation revenues of \$2,314,785 are comprised of: (1) \$586,409 of landing fees from Corporate aviation and general aviation customers, (2) \$673,876 of ground lease payments from the Airport's two Fixed Based Operators, (3) \$573,572 of fuel flowage fees, and (4) \$480,928 of rental income for leased land, hangars, tie-downs, aircraft parking aprons, and offices. These FY25 revenues of \$2,314,785 increased 7.7% from FY24 and increased 9.9% from FY23 (see Table III, "General Aviation").

MONTEREY PENINSULA AIRPORT DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Years Ended June 30, 2025 and 2024

Operating Revenues (Continued)

Non-aviation Tenants revenues (excluding the GASB87 lease adjustment) produced 16.1% in FY25, 17.4% in FY24, and 21.0% in FY23, respectively, of total operating revenues. FY25 Non-aviation tenant revenues of \$2,407,499 are comprised primarily of: (1) \$438,797 of self-storage facility concession fees, (2) \$535,484 of off-airport office building rents, (3) \$400,185 of rents on buildings on the Airport's North side, (4) \$486,642 from various on-airport ground leases, (5) \$339,724 from various off-airport ground leases, and (6) \$199,571 from on-airport RV storage. These revenues increased 6.9% from FY24 and increased 2.3% from FY23 (see Table III - Non-Aviation Tenants").

Other Operating Revenues generated 3.5% in FY25, 4.3% in FY24 and 5.8% in FY23, respectively, of total operating revenue. FY25 Other operating revenues of \$520,940 are comprised primarily of: (1) \$248,289 of utility chargebacks, (2) \$137,213 of property tax apportionment, (3) \$14,670 of Plan check fees, (4) \$39,875 of business license fees, (5) \$41,962 of tenant employee parking charges and badges and (6) \$38,931 of miscellaneous other income. These FY25 revenues of \$520,940 decreased 5.3% compared to FY24 and decreased 9.1% compared to FY23 (see Table III, "Other Operating Revenues").

Table III presents a comparison of operating revenues for Fiscal Years 2025, 2024 and 2023. Chart C provides a graphic representation of operating revenues.

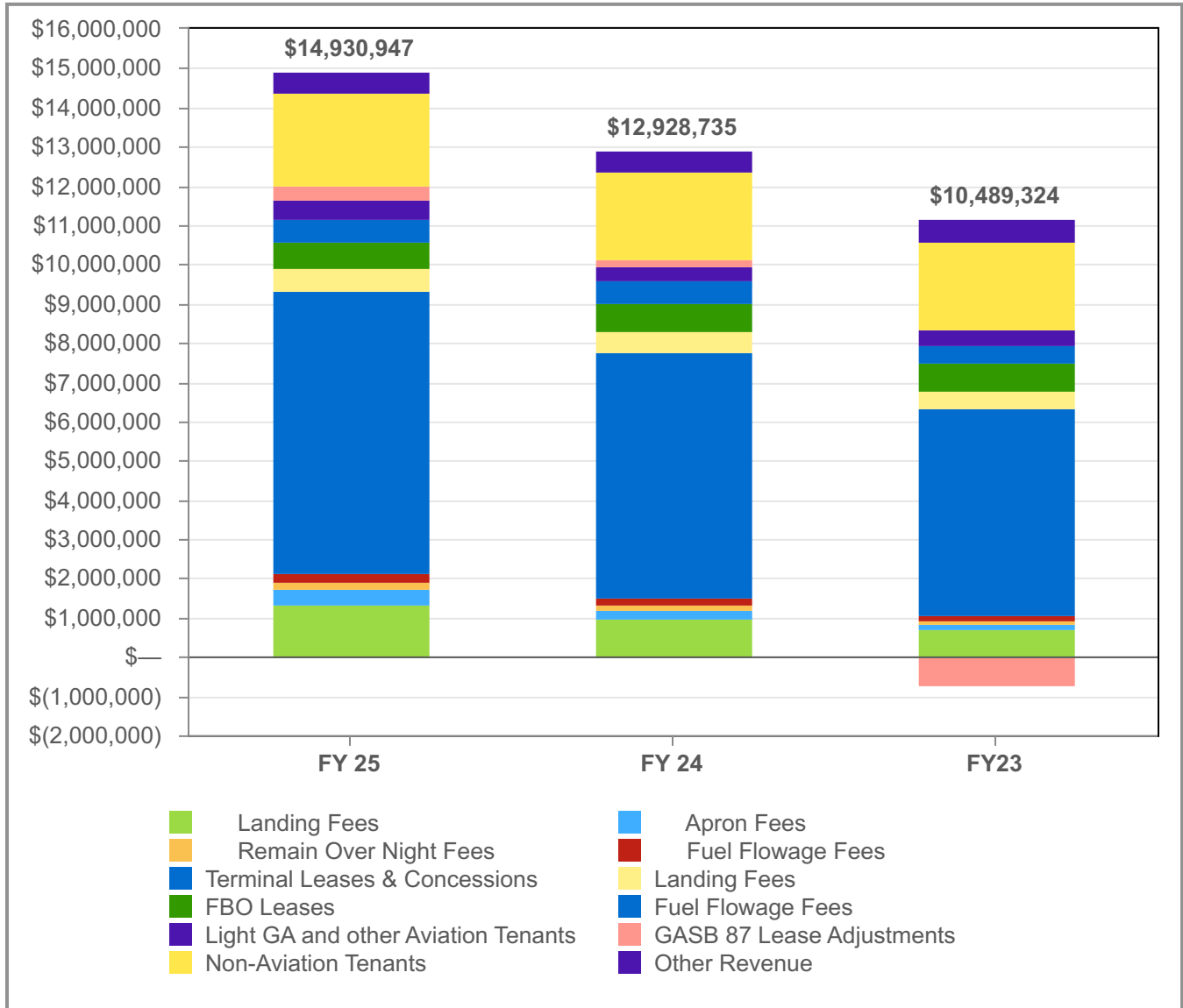
Table III - Fiscal Years 2025, 2024, and 2023 Operating Revenues

	2025		2024		2023	
Commercial Aviation:						
Landing Fees	\$1,341,989	9.0%	\$995,895	7.7%	\$731,760	7.0%
Apron Fees	429,566	2.9%	229,676	1.8%	120,591	1.1%
Remain Over Night Fees	146,762	1.0%	115,410	0.9%	74,073	0.7%
Fuel Flowage Fees	234,597	1.6%	177,429	1.4%	152,779	1.5%
Subtotal - Commercial Aviation	2,152,914	14.4%	1,518,410	11.7%	1,079,203	10.3%
Terminal Leases & Concessions	7,182,013	48.1%	6,245,193	48.3%	5,261,455	50.2%
GASB 87 Lease Adjustment	195	—%	(2,054)	—%	1,885	—%
Subtotal - Terminal Leases & Concessions	7,182,208	48.1%	6,243,139	48.3%	5,263,340	50.2%
General Aviation:						
Landing Fees	586,409	3.9%	552,534	4.3%	446,354	4.3%
FBO Leases	673,876	4.5%	694,816	5.4%	714,124	6.8%
Fuel Flowage Fees	573,572	3.8%	583,588	4.5%	478,224	4.6%
Light GA and other Aviation Tenants	480,928	3.2%	392,439	3.0%	398,651	3.8%
GASB 87 Lease Adjustment	18,734	0.1%	(26,002)	(0.2)%	(66,985)	(0.6)%
Subtotal - General Aviation	2,333,519	15.6%	2,197,375	17.0%	1,970,368	18.8%
Non-Aviation Tenants	2,407,499	16.1%	2,251,554	17.4%	2,201,101	21.0%
GASB 87 Lease Adjustment	333,867	2.2%	168,442	1.3%	(629,349)	(5.8)%
Subtotal - Non-Aviation Tenants	2,741,366	18.4 %	2,419,996	18.7 %	1,571,752	15.0 %
Other Operating Revenues	520,940	3.5%	549,815	4.3%	604,661	5.8%
TOTALS	\$14,930,947	100.0%	\$12,928,735	100.0%	\$10,489,324	100.0%

MONTEREY PENINSULA AIRPORT DISTRICT
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For the Years Ended June 30, 2025 and 2024

Operating Revenues (Continued)

Chart C - OPERATING REVENUES



Operating Expenses Before Depreciation and Amortization

Operating expense before depreciation and amortization in FY25 of \$11,453,065 increased 8.8% compared to FY24 (\$10,530,145) and increased 24.9% when compared to FY23 (\$8,428,500) (see Table V, “Fiscal Years 2025, 2024 and 2023 Operating Expenses Before Depreciation and Amortization”).

Wages and Benefits

Table IV presents FY25, FY24 and FY23 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.

MONTEREY PENINSULA AIRPORT DISTRICT
Management's Discussion and Analysis (Unaudited)
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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 FY25 wages and benefits for Airport Staff increased \$538,732 (14.9%) compared to FY24. Total FY25 benefits expense for Police Services decreased \$69,574 (40.0%) compared to FY24, due primarily to a decrease in the GASB 68 Actuarially determined pension adjustment. Total FY25 benefits expense for ARFF/Fire Services decreased \$92,764 (17.5%) compared to FY24, due primarily to a decrease in the GASB 68 Actuarially determined pension adjustment.

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.

The District received in FY24 and FY23 "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.). This program was discontinued in FY25.

MONTEREY PENINSULA AIRPORT DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Years Ended June 30, 2025 and 2024

Operating Expenses Before Depreciation and Amortization (Continued)

Table IV - Fiscal Years 2025, 2024, and 2023 Wages & Benefits Expense

	2025		2024		2023	
Finance & Administration	\$ 1,130,471	24.1%	\$ 1,055,458	24.5%	\$ 1,092,674	31.2%
Planning & Marketing	944,035	20.1%	784,427	18.2%	809,677	23.1%
Maintenance & Custodial Services	1,327,657	28.3%	1,165,056	27.0%	1,137,352	32.5%
Airport Operations	745,555	15.9%	604,045	14.0%	430,572	12.3%
Sub-total - Airport Staff	4,147,718	88.5%	3,608,986	83.7%	3,470,275	99.1%
Police Services:						
CalPERS UAL	265,320		119,833		176,927	
Retiree Health Insurance	36,428		34,040		31,910	
GASB 75 (OPEB) Actuarial Adj.	(193,053)		(179,870)		(191,530)	
GASB 68 (Pension) Actuarial Adj.	(4,188)		200,078		(96,673)	
Sub-total - Benefits only	104,507	2.2%	174,081	4.0%	(79,366)	(2.3)%
ARFF/Fire Services:						
CalPERS UAL	452,310		201,777		287,323	
Retiree Health Insurance	9,450		9,240		10,045	
GASB 75 (OPEB) Actuarial Adj.	(18,097)		(18,625)		(29,396)	
GASB 68 (Pension) Actuarial Adj.	(7,140)		336,895		(156,993)	
Sub-total - Benefits only	436,523	9.3%	529,287	11.3%	110,979	3.2%
Total Wages & Benefits	\$4,688,747	100%	\$4,312,354	99%	\$3,501,888	100%
Total Wages & Benefits to Total OpEx	40.9 %		41.0 %		41.5 %	

Table V compares operating expenses for FY 2025, 2024, and 2023. Chart D provides a graphic representation of operating expenses.

MONTEREY PENINSULA AIRPORT DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Years Ended June 30, 2025 and 2024

Operating Expenses Before Depreciation and Amortization (Continued)

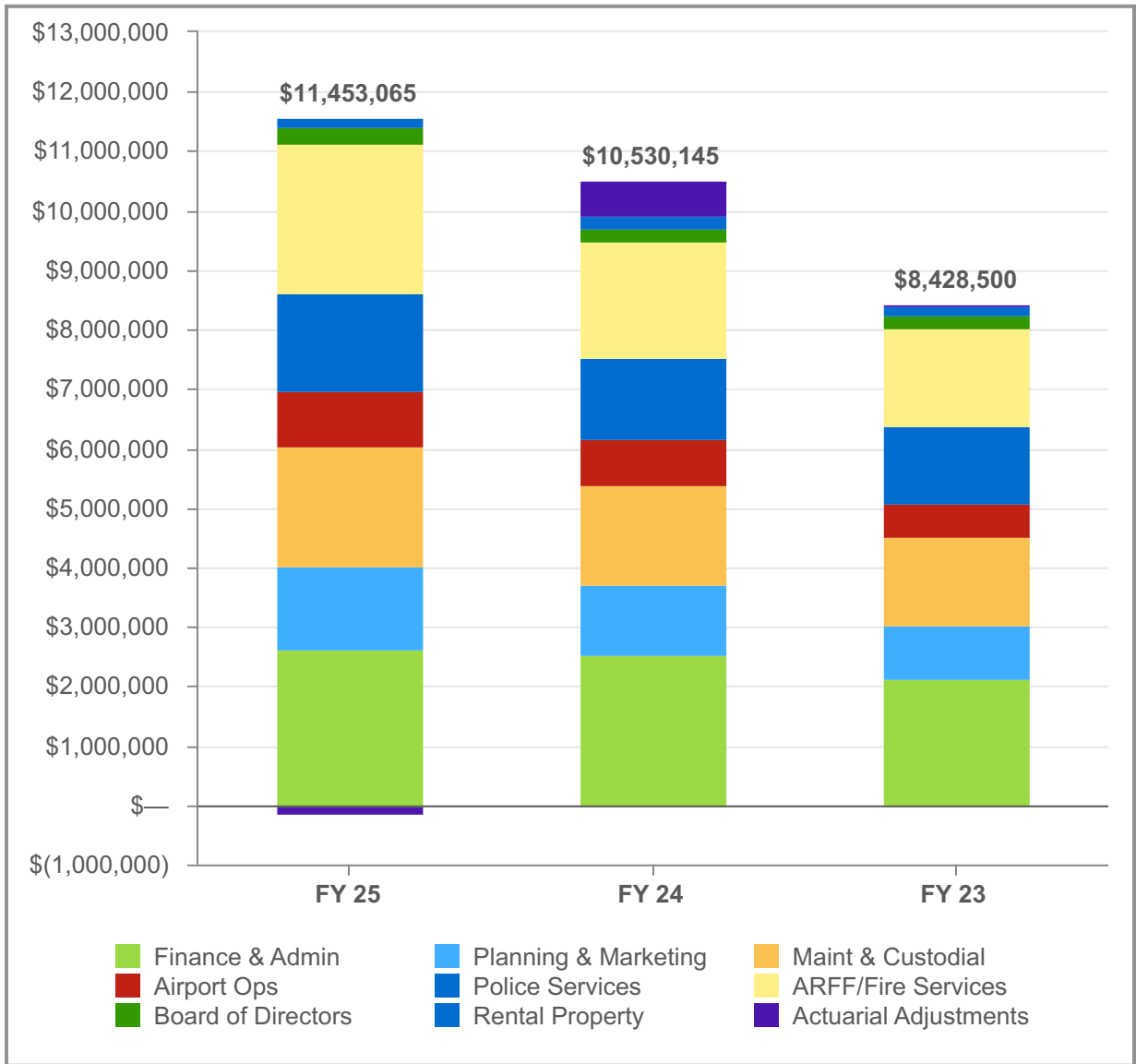
Table V - Fiscal Years 2025, 2024, and 2023 Operating Expenses

FISCAL YEARS 2025, 2024 & 2023 OPERATING EXPENSE BEFORE DEPRECIATION AND AMORTIZATION						
	2025		2024		2023	
Staff Departmental Expenses:						
Finance & Administration	\$2,629,956	23.0%	\$2,539,519	24.1%	\$2,128,898	25.3%
Planning & Marketing	1,400,966	12.2%	\$1,172,224	11.1%	\$896,074	10.6%
Maintenance & Custodial Services	2,020,858	17.6%	\$1,670,071	15.9%	\$1,515,482	18.0%
Airport Operations	916,523	8.0%	\$777,824	7.4%	\$543,010	6.4%
Major Service Contracts:						
Police Services	1,648,040	14.4%	\$1,382,279	13.1%	\$1,294,247	15.4%
ARFF/Fire Services	2,509,783	21.9%	\$1,955,580	18.6%	\$1,659,879	19.7%
Board of Directors	301,536	2.6%	\$214,742	2.0%	\$222,837	2.6%
Office Space Rental	99,167	1.2%	\$219,409	2.1%	\$135,159	1.6%
GASB 68 Actuarial Expense Adjustments	(215,876)	0.9%	\$801,968	7.6%	\$240,032	2.8%
GASB 75 Actuarial Expense Adjustments	142,111	-1.9%	\$(203,471)	-1.9%	\$(207,118)	-2.5%
Total	\$11,453,065	100%	\$10,530,145	100%	\$8,428,500	100%

MONTEREY PENINSULA AIRPORT DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Years Ended June 30, 2025 and 2024

Operating Expenses Before Depreciation and Amortization (Continued)

Chart D - OPERATING EXPENSES



Finance & Administration (“F&A”) FY25 departmental operating expenses of \$2,629,956 increased 3.6% or \$90,437 compared to FY24 and increased 19.3% or \$410,621 from FY23 to FY24, respectively.

The FY25 F&A expenses increase of \$90,437 was due primarily to higher salary, benefits and employer costs (\$103,365), higher Terminal utilities (\$120,719) and higher personnel recruitment costs (\$29,708), partially offset by lower property insurance costs (\$164,265).

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

Planning & Marketing (“P&M”) FY25 departmental operating expenses of \$1,400,966 increased 19.5% or \$228,742 compared to FY24 and increased 30.8% or \$276,150 from FY23 to FY24, respectively.

MONTEREY PENINSULA AIRPORT DISTRICT
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Operating Expenses Before Depreciation and Amortization (Continued)

The FY25 P&M expense increase of \$228,742 was due primarily to higher salary, benefits and employer costs (\$235,043).

The FY24 P&M expense increase of \$276,150 was due primarily 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).

Maintenance & Custodial Services ("M&CS") FY25 departmental operating expenses of \$2,020,858 increased 10.2% or \$350,787 from FY24 and increased 10.2% or \$154,588 from FY23 to FY24, respectively.

The FY25 M&CS expense increase of \$350,787 was due primarily to higher salary, benefits & employer costs (\$214,090) and higher Airfield and Terminal Maintenance costs (\$98,016).

The FY24 M&CS expense increase of \$154,588 was due primarily 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).

Airport Operations ("OPS") FY25 departmental operating expenses of \$916,523 increased 17.8% or \$138,699 compared to FY24 and increased 43.2% or \$238,814 from FY23 to FY24, respectively.

The FY25 Ops expense increase of \$138,699 was due primarily to higher salary, benefits & employer costs (\$140,977).

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

Police Services FY25 service contract expenses of \$1,648,040 increased 19.2% or \$265,761 compared to FY24 and increased 6.8% or \$88,033 from FY23 to FY24, respectively.

The Airport is subject to CalPERS Pension Unfunded Account Liabilities (UAL) payments for Police services staff who worked for the airport before contracting with the City of Del Rey Oaks.

In FY25 the Police services expense increased \$265,761 primarily due to higher CalPERS UAL costs (\$145,487) and the termination of the TSA's Law Enforcement Officer reimbursement program (\$101,472).

In FY24 the Police services expenses increased \$88,033 primarily due to higher police services contract (\$246,147), partially offset by lower Calpers UAL (\$157,094).

ARFF / Fire Services FY25 service contract expenses of \$2,509,783 increased 28.3% or \$554,202 compared to FY24 and increased 17.8% or \$295,702 from FY23 to FY24, 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 FY25 ARFF/Fire services expense increased \$554,202 due primarily to higher fire services contract (\$200,092), District Vehicle Repairs and Maintenance (\$69,857) and higher CalPERS UAL costs (\$250,533).

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

Board of Directors ("Directors") FY25 operating expenses of \$301,536 increased 40.4% or \$86,793 compared to FY24 and decreased 3.6% or \$8,093 from FY23 to FY24, respectively.

MONTEREY PENINSULA AIRPORT DISTRICT
Management's Discussion and Analysis (Unaudited)
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Operating Expenses Before Depreciation and Amortization (Continued)

In FY25 Directors expense increased \$86,793 due primarily to Board Member election expenses (\$68,001) and higher District Legal Counsel expense (\$29,338).

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).

Office Space Rental FY25 operating expenses of \$142,111 decreased 35.2% or \$77,297 compared to FY24 and increased 62.3% or \$84,249 compared to FY23, respectively.

In FY25 Office Space expenses for property maintenance, repairs and taxes decreased \$77,297 due primarily to lower repair and maintenance costs (\$62,652).

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).

Table VI compares actual Operating Revenues, Operating Expenses, and the change in Net Position for Fiscal Years 2025, 2024 & 2023.

Non-Operating Revenues (Expenses)

In FY25, Non-Operating revenues were \$4,503,181, comprised of: 1. \$243,905 of Lease Interest Income recognized under GASB87, 2. \$(201,264) of Interest Expense, 3. \$1,269,427 of Passenger Facility Charges (PFCs), 4. \$764,494 of Investment Income, 5. \$2,144,278 of Customer Facility Charges (CFCs), 6. \$(88,096) of miscellaneous non-operating expenses and 7. \$370,437 of Gain from insurance proceeds on general aviation hangars damaged in a wind storm.

In FY24, Non-Operating revenues were \$2,433,761, comprised of: 1. \$456,316 of Lease Interest Income recognized under GASB87, 2. \$(210,288) of Interest Expense, 3. \$1,112,616 of Passenger Facility Charges (PFCs), 4. \$965,964 of Investment Income, 5. \$27,403 of Customer Facility Charges (CFCs) and 6. \$81,850 of miscellaneous non-operating income.

MONTEREY PENINSULA AIRPORT DISTRICT
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Operating Expenses Before Depreciation and Amortization (Continued)

Table VI - Actual Operating Revenues, Operating Expenses Compared to the change in Net Position for Fiscal Years 2025, 2024 & 2023

	FY 2025	FY 2024	FY 2023
	Actual	Actual	Actual
Operating Revenues			
Commercial Aviation - Fees	\$2,152,914	\$1,518,410	\$1,079,203
General Aviation - Fees	586,409	552,534	446,354
Terminal Concessions and Leases	7,182,208	6,243,139	5,263,340
Heavy General Aviation	1,247,448	1,278,404	1,192,348
Light General & Other Aviation Tenants	499,662	366,438	331,666
Non-Aviation Tenants	2,741,366	2,419,996	1,571,752
Other Operating Revenues	520,940	549,814	604,660
Total Operating Revenues	14,930,947	12,928,735	10,489,323
Operating Expenses			
Finance & Administration	2,727,614	2,582,224	2,473,966
Planning & Marketing	1,400,477	1,308,759	907,089
Maintenance & Custodial Services	2,018,577	1,752,169	1,671,036
Airport Operations	916,197	776,967	565,922
Police Department	1,454,987	1,402,482	1,006,043
ARFF Services	2,491,686	2,273,851	1,473,490
Board of Directors	301,416	214,285	195,795
Office Space Rentals	142,111	219,408	135,159
Total Operating Expenses	11,453,065	10,530,145	8,428,500
Operating Income before Depreciation and Amortization	3,477,882	2,398,590	2,060,823
Depreciation & Amortization Expense	6,853,015	6,358,095	5,577,877
Net Operating Income / (Loss)	(3,375,133)	(3,959,505)	(3,517,054)
Other Revenue (Expense), net	26,481,286	22,320,400	13,483,793
Change in Net Position	23,106,153	18,360,895	9,966,739
Net Position Beginning of Year, as Restated	117,177,613	98,816,718	88,209,351
Net Position End of Year	\$140,283,766	\$117,177,613	\$98,176,090

MONTEREY PENINSULA AIRPORT DISTRICT
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For the Years Ended June 30, 2025 and 2024

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

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Tangible assets, net			
Land	\$4,206,755	\$4,206,755	\$4,206,755
Land improvements	74,095,917	61,303,214	62,388,668
Buildings	12,349,147	6,646,242	6,838,168
Furniture, equipment and vehicles	2,174,462	2,456,305	2,863,448
Right-to-Use SBITA Asset	—	3,483	11,581
Construction in progress	40,783,935	36,982,708	12,068,064
	<u>133,610,216</u>	<u>111,598,707</u>	<u>88,376,683</u>
Intangible assets, net	<u>2,782,146</u>	<u>3,088,512</u>	<u>3,402,511</u>
Total capital assets - net	<u>\$136,392,362</u>	<u>\$114,687,219</u>	<u>\$91,779,194</u>

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, 2025, the District had construction in progress (CIP) projects totaling \$40,783,935.

Significant remaining budgeted CIP expenditures and contracts for subsequent years beginning July 1, 2025 are (1) \$106,000,000 for the completion of the Replacement Terminal (see discussion of the Plan of Finance following), (2) \$16,859,866 for completion of the Commercial Apron (funded by AIP Grants #80 and #84 and PFCs), (3) \$18,272,692 towards the completion of Landside Improvements for the Replacement Terminal (funded by AIP Grant #86 and PFCs), (4) \$8,182,929 towards Relocated Parking for the Replacement Terminal (funded by AIP Grant #88 and PFCs), (5) \$1,516,749 for completion of Runway Improvements (funded by AIP Grant #83 and PFCs), (6) \$1,056,997 for the purchase of a Replacement ARFF vehicle (funded by AIP Grant #85 and PFCs) and (7) \$3,895,470 towards the future improvements to the existing Rental Car Ready Return Lot and related projects (to be funded 100% by CFCs).

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

MONTEREY PENINSULA AIRPORT DISTRICT
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For the Years Ended June 30, 2025 and 2024

Plan of Finance

The District is in the process of securing a variety of funding sources for the Replacement Terminal Project. In addition to AIP #87 in the amount of \$14,200,000 and AIP #89 in the amount of \$25,130,846, the District is working to secure a combination of future additional Federal Grants, Government loans and General Airport Revenue Bonds to meet the capital requirements of the Replacement Terminal.

The ultimate amount and timing of each element of the future financing of the Replacement Terminal is not known at this time. The District will only authorize the amount of construction work to proceed that has a secured funding source at the time of authorization.

Existing 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 5.08 percent. During FY25 and FY24 the District made principal payments of \$151,015 and \$143,708, respectively. The balance on the CalTrans loan as of June 30, 2025 was \$3,446,235.

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. During FY25 and FY24 the District made principal payments of \$159,828 and \$158,184, respectively. The CEC loan principal balance on June 30, 2025 is \$1,867,405.

PG&E Loans

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 46 months and payments of \$1,019 per month. During FY25 and FY24 the District made principal payment of \$9,619 and \$43,583, respectively, on all three loans. The PG&E loans have been repaid in full as of June 30, 2025.

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

MONTEREY PENINSULA AIRPORT DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Years Ended June 30, 2025 and 2024

(Continued)

District and Executive Management Focus

The District's FY25 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 FY25, 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 FY26 financial plans which can be reviewed at <https://montereyairport.specialdistrict.org/fiscal-administration>.

Rates and Charges

In Fiscal Year 2025, the Airport continued to execute on its long-term Safety Enhancement Program and will continue to do so in Fiscal Year 2026 and beyond. Aligning with the analysis and cost-recovery goals detailed in its Plan of Finance, on June 18, 2025 the MPAD Board of Directors approved Resolution No. 1904 authorizing increases to the Rates & Charges schedule, which should positively impact the FY26 operating results.

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

1. Landing Fees were increased from \$3.00 to \$3.30 per 1,000 lbs. MGLW,
2. Apron Fees were increased from \$1.00 to \$1.10 per 1,000 lbs. MGLW,
3. RON Fees were increased from \$1.50 to \$1.65 per 1,000 lbs. MGLW,
4. Fuel Flowage Fees were increased from \$0.07 to \$0.08 per gallon,
5. Terminal leases were increased from \$7.00 to \$7.35 per sq.ft./month,
6. Parking rates in the Short-Term Lot were increased from \$28.00 to \$30.00 per day, and
7. Parking rates in the Premium Lot were increased from \$30.00 to \$32.00 per day.

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

1. Landing Fees were increased from \$2.70 to \$2.97 per 1,000 lbs. MGLW.
2. Fuel Flowage Fees were increased from \$0.16 to \$0.17 per gallon for Jet A and from \$0.13 to \$0.14 per gallon for 100 LL fuel.

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>.

MONTEREY PENINSULA AIRPORT DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Years Ended June 30, 2025 and 2024

(Continued)

Commercial Air Service

Airline capacity increased in FY25, 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 American seasonally upgauged to an A319 aircraft on certain daily flights to Phoenix.

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 in FY25 the District completed the 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 for another five years on July 1, 2023.

Airport Infrastructure

To improve the Airport Infrastructure, the District pursues grants and other financing to make capital investments.

On June 6, 2025 the Airport was awarded a \$14,200,000 Grant under the FAA's Airport Improvement Program ("AIP") towards the construction of the Replacement Terminal. On August 5, 2025, the Airport was awarded a \$5,353,204 Grant under the FAA's Airport Infrastructure Grants ("AIG") towards the relocated parking for the Replacement Terminal. On September 18, 2025 the Airport was awarded a Grant under the FAA's Airport Improvement Program of \$25,130,846 towards the construction of the Replacement Terminal.

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.

MONTEREY PENINSULA AIRPORT DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Years Ended June 30, 2025 and 2024

(Continued)

See Contractual and Budgeted Commitments on page 30 for a description of capital commitments made by the Airport as of June 30, 2025, 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, 2025 total \$127,564 and on June 30, 2024 total \$1,628,390.

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 completed in FY25 and was 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, 2025 and 2024**

	<u>2025</u>	<u>2024</u>
ASSETS		
Current assets:		
Cash	\$ 375,883	\$ 359,802
Investments	17,479,672	13,523,340
Accounts Receivable	1,205,897	1,306,239
Interest and Dividends Receivable	162,233	132,866
Lease Receivable, Current	1,318,801	1,280,411
Grants	2,344,847	5,161,546
Prepaid Expenses	68,995	245,508
Bond offering costs	—	1,500
Total unrestricted current assets	<u>22,956,328</u>	<u>22,011,212</u>
Restricted:		
Restricted Cash	219,214	521,173
Restricted Investments	813,205	3,255,596
Total restricted current assets	<u>1,032,419</u>	<u>3,776,769</u>
Total Current assets	<u>23,988,747</u>	<u>25,787,981</u>
Noncurrent:		
Leases Receivable, Noncurrent	8,836,689	9,429,531
Capital assets, net	136,392,362	114,687,219
Total noncurrent assets	<u>145,229,051</u>	<u>124,116,750</u>
Total assets	<u>169,217,798</u>	<u>149,904,731</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflows - Pension Related	3,592,768	5,416,264
Deferred Outflows - OPEB Related	212,504	244,433
Total deferred outflows of resources	<u>3,805,272</u>	<u>5,660,697</u>

See Notes to the Financial Statements.

MONTEREY PENINSULA AIRPORT DISTRICT
Statement of Net Position (Continued)
June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
LIABILITIES		
Current liabilities:		
Accounts Payable	5,491,096	6,432,750
Accrued liabilities	228,220	167,770
Accrued Interest	35,052	36,567
Unearned revenues	246,245	26,010
Loans payable	320,123	320,462
SBITA Lease Liabilities - Current	—	3,477
Funds held in trust	127,564	1,628,390
Compensated absences	42,392	44,827
Total Other Post Employment Benefits (OPEB) Liability	75,000	75,000
Total current liabilities	<u>6,565,692</u>	<u>8,735,253</u>
Noncurrent liabilities:		
Deposits Received	432,473	440,829
Unearned revenues - rent received in advance	203,413	212,290
Compensated Absences	145,053	163,362
Net Pension Liability	8,103,169	8,381,298
Total Other Post Employment Benefits (OPEB) Liability	1,369,275	1,311,786
Loans and Notes Payable	4,993,517	5,313,640
Total noncurrent liabilities	<u>15,246,900</u>	<u>15,823,205</u>
Total liabilities	<u>21,812,592</u>	<u>24,558,458</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows - Pension Related	2,104,793	3,550,993
Deferred Inflows - OPEB Related	500,460	805,752
Deferred Inflows - Leases	8,321,459	9,472,612
Total deferred inflows of resources	<u>10,926,712</u>	<u>13,829,357</u>
NET POSITION		
Net Investment in Capital Assets	127,604,483	104,947,290
Restricted - unspent Passenger Facilities Charge	—	847,872
Restricted - cash assets	1,032,419	—
Net Position, Unrestricted	11,646,864	11,382,451
Total net position	<u>\$ 140,283,766</u>	<u>\$ 117,177,613</u>

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, 2025 and 2024

	2025	2024
OPERATING REVENUES		
Commercial Aviation	\$ 2,152,914	\$ 1,518,410
General Aviation	586,409	552,534
Terminal Leases and Concession	7,182,208	6,243,139
Heavy General Aviation	1,247,448	1,278,404
Light General Aviation/ Other Tenants	499,662	366,438
Non-Aviation Tenants	2,741,366	2,419,996
Other Income	520,940	549,814
Total operating revenues	14,930,947	12,928,735
OPERATING EXPENSES		
Finance and administration	2,727,614	2,582,224
Planning and marketing	1,400,477	1,308,759
Maintenance and custodial services	2,018,577	1,752,169
Airport operations	916,197	776,967
Police department	1,454,987	1,402,482
ARFF/fire services	2,491,686	2,273,851
Board of directors	301,416	214,285
Office space rental	142,111	219,408
Depreciation/amortization	6,853,015	6,358,095
Total operating expenses	18,306,080	16,888,240
Operating income (loss)	(3,375,133)	(3,959,505)
NONOPERATING REVENUES (EXPENSES)		
Lease interest income	243,905	456,316
Interest expense	(201,264)	(210,288)
Passenger facility charges	1,269,427	1,112,616
Investment income	764,494	965,964
Customer facility charges	2,144,278	27,403
Misc expense - other	(88,096)	81,750
Gains (Losses) on Sale of Capital Asset	370,437	—
Total nonoperating revenues (expenses)	4,503,181	2,433,761
Income (loss) before capital contributions	1,128,048	(1,525,744)
CAPITAL CONTRIBUTIONS		
Grants from government agencies	21,978,105	19,886,639
Change in net position	23,106,153	18,360,895
Net position-beginning, as originally reported	117,177,613	98,176,090
Restatement - correction of an error	—	640,628
Net position-beginning, as restated	117,177,613	98,816,718
Net position-ending	\$ 140,283,766	\$ 117,177,613

See Notes to the Financial Statements.

MONTEREY PENINSULA AIRPORT DISTRICT**Statement of Cash Flows****For the Year Ended June 30, 2025 and 2024**

	<u>2025</u>	<u>2024</u>
Cash Flows from Operating Activities:		
Receipts from customers	\$ 14,637,590	\$ 11,835,466
Payments to vendors for goods and services	(8,656,322)	(7,171,102)
Payments to employees for services	(3,005,798)	(1,608,540)
Net Cash Provided (Used) by Operating Activities	<u>2,975,470</u>	<u>3,055,824</u>
Cash Flows from Non-Capital Financing Activities:		
Lease interest income received	243,905	456,316
Proceeds from insurance claim	370,436	—
Other miscellaneous revenue/(expense)	(88,096)	81,750
Net Cash Provided by Non-Capital Financing Activities	<u>526,245</u>	<u>538,066</u>
Cash Flows from Capital and Related Financing Activities:		
Proceeds from capital grants and Passenger Facility Charges	28,208,509	16,806,432
Proceeds from funds held in trust	643,452	573,360
Repayment of trust obligations	(2,144,278)	—
Acquisition and construction of capital assets	(29,193,228)	(25,168,391)
Interest paid on loans	(202,772)	(211,733)
Principal paid on loans	(320,462)	(345,475)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(3,008,779)</u>	<u>(8,345,807)</u>
Cash Flows from Investing Activities:		
Investment income earned	735,127	994,063
Investments matured (purchased)	(1,513,941)	(255,260)
Net Cash Provided (Used) by Investing Activities	<u>(778,814)</u>	<u>738,803</u>
Net Change in Cash and Cash Equivalents	<u>(285,878)</u>	<u>(4,013,114)</u>
Cash and Cash Equivalents at Beginning of Year	880,975	4,894,089
Cash and Cash Equivalents at End of Year	<u>\$ 595,097</u>	<u>\$ 880,975</u>
Reconciliation of Cash and Cash Equivalents to Amounts Reported on the Statement of Net Position		
Unrestricted cash and equivalents	\$ 375,883	\$ 359,802
Restricted cash and equivalents	219,214	521,173
Total cash and cash equivalents	<u>\$ 595,097</u>	<u>\$ 880,975</u>

See Notes to the Financial Statements.

MONTEREY PENINSULA AIRPORT DISTRICT
Statement of Cash Flows (Continued)
For the Year Ended June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:		
Operating loss	\$ (3,375,133)	\$ (3,959,505)
Adjustments to reconcile operating loss net cash provided (used) by operating activities:		
Depreciation and Amortization	6,853,015	6,358,095
(Increase) decrease in accounts receivable	100,342	(452,172)
(Increase) decrease in prepaid costs and other assets	178,013	(63,852)
(Increase) decrease in lease receivables	554,452	(62,346)
Increase (decrease) in accounts payable and accrued expenses	(310,067)	1,098,747
Increase (decrease) in accrued liabilities	60,450	80,596
Increase (decrease) in security deposits	(8,356)	(8,504)
Increase (decrease) in unearned revenue	211,358	(35,891)
Increase (decrease) in leased assets	(20,744)	36,514
Increase (decrease) in pension related items	99,167	801,969
Increase (decrease) in OPEB related items	(215,874)	(203,471)
Increase (decrease) in deferred inflows related to leases	(1,151,153)	(534,356)
Total Adjustments	<u>6,350,603</u>	<u>7,015,329</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 2,975,470</u>	<u>\$ 3,055,824</u>
Non-Cash Capital and Related Financing Activities:		
Acquisition and construction of capital assets in accrued liabilities	\$ 3,474,239	\$ 4,105,826
Disposal of SBITA asset and related liability	3,483	8,098
Accrued interest on CalTrans loan and CEC loan	1,515	1,441

See Notes to the Financial Statements.

Notes to Financial Statements

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MONTEREY PENINSULA AIRPORT DISTRICT
Notes to Financial Statements
For the Years Ended June 30, 2025 and 2024

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, 2025 and 2024 was \$10,000.

F. Prepaid Expenses

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

MONTEREY PENINSULA AIRPORT DISTRICT
Notes to Financial Statements
For the Years Ended June 30, 2025 and 2024

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.

MONTEREY PENINSULA AIRPORT DISTRICT
Notes to Financial Statements
For the Years Ended June 30, 2025 and 2024

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.

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. The reimbursement program ended in FY 2024. For the year ended June 30, 2024, the District requested and received and \$101,472 as reimbursement of certain police department costs. Grants for capital asset acquisition, facility development and rehabilitation are reported as capital contributions, after nonoperating revenues and expenses.

For the years ended June 30, 2025 and 2024, the District recognized \$21,978,105 and \$19,886,639, respectively, as capital contributions funded by AIP grants.

MONTEREY PENINSULA AIRPORT DISTRICT
Notes to Financial Statements
For the Years Ended June 30, 2025 and 2024

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Use of Estimates

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

P. 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, 2025:

1. GASB Statement No. 101, Compensated Absences

The requirements of this Statement will improve financial reporting by implementing a unified recognition and measurement model that will result in a liability for compensated absences that more appropriately reflects when a government incurs an obligation. Establishing the unified model will result in consistent application to any type of compensated absence and will eliminate potential comparability issues between governments that offer different types of leave. This Statement will also result in a more robust estimate of the amount of compensated absences that a government will pay or settle, which will enhance the relevance and reliability of information about the liability for compensated absences.

Management has evaluated the impact of GASB 101 and determined that the methodology for accruing compensated absences was already compliant with GASB 101 and no change in the method of accruing compensated absences, nor beginning balance, was deemed necessary.

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, 2025 and 2024, comprised of the following:

	<u>2025</u>	<u>2024</u>
Unrestricted:		
Deposits with banks/custodians	\$ 375,883	\$ 359,802
Investments	17,479,672	13,523,340
Total unrestricted	<u>17,855,555</u>	<u>13,883,142</u>
Restricted:		
Deposits with banks/custodians	219,214	521,173
Investments	813,205	3,255,596
Total restricted	<u>1,032,419</u>	<u>3,776,769</u>
Total cash and investments	<u>\$ 18,887,974</u>	<u>\$ 17,659,911</u>

MONTEREY PENINSULA AIRPORT DISTRICT
Notes to Financial Statements
For the Years Ended June 30, 2025 and 2024

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

A. Custodial Credit Risk – Deposits and Investments

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

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

B. Investments Permitted

The table below identifies the investment types that are authorized for the District by the California Government Code 53601 or the District's Investment Policy, where the policy is more restrictive. The District's Investment Policy is more restrictive than the California Government Code in that the allowed investments are limited to the State of California's Local Agency Investment Fund and certificates of deposits, which may not exceed \$250,000 per institution in order that the principal remain fully insured by the federal government. The 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
Negotiable Certificates of Deposits	5 Years	30%	None
	N/A	None	None
State of California Local Agency Investment Fund (LAIF)			
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, 2025:

	Fair Value	(Maturity in Years)	Credit Ratings (Standard & Poor's)
		Less than 1	
Local Agency Investment Fund	\$ 176,933	\$ 176,933	Not Rated
U.S. Treasury Bills	18,115,944	18,115,944	AA+
Total investment	<u>\$ 18,292,877</u>	<u>\$ 18,292,877</u>	

MONTEREY PENINSULA AIRPORT DISTRICT
Notes to Financial Statements
For the Years Ended June 30, 2025 and 2024

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

The following is a summary of the District's investments at June 30, 2024:

	Fair Value	(Maturity in Years)	Credit Ratings (Standard & Poor's)
		Less than 1	
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	<u>\$ 16,778,936</u>	<u>\$ 16,778,936</u>	

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, 2025 and 2024 was 248 and 217 days, respectively.

As of June 30, 2025 and 2024, the District had unrestricted investments of \$176,933 and \$168,231, respectively invested in LAIF, which had invested 3.81% and 1.88% 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 \$178.1 billion and \$178.0 billion in its investment portfolio as of June 30, 2025 and 2024, respectively. The District valued its investments in LAIF as of June 30, 2025 and 2024, by multiplying its account balance with LAIF times a fair value factor determined by LAIF. This fair value factor was determined by dividing all LAIF participants' total aggregate fair value by total aggregate amortized costs resulting in a factor of 1.001198310 and 0.996316042 as of June 30, 2025 and 2024, 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.

MONTEREY PENINSULA AIRPORT DISTRICT
Notes to Financial Statements
For the Years Ended June 30, 2025 and 2024

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

D. Restricted Cash and Investments

At June 30, 2025 and 2024, cash and investments were restricted for the following:

	June 30, 2025			June 30, 2024		
	Cash in Bank	Investments	Total	Cash in Bank	Investments	Total
Security deposits from tenants	\$ 10,640	\$ 457,550	\$ 468,190	\$ 21,210	\$ 442,179	\$ 463,389
Passenger facility charge program	45	—	45	295,216	1,104,406	1,399,622
Capital Expenditures	5,000	—	5,000	—	—	—
CalTrans Loans Debt Service	3,646	355,655	359,301	2,499	340,183	342,682
Customer Facilities Charges	199,883	—	199,883	202,248	1,368,828	1,571,076
Total restricted cash and investments	\$ 219,214	\$ 813,205	\$ 1,032,419	\$ 521,173	\$ 3,255,596	\$ 3,776,769

MONTEREY PENINSULA AIRPORT DISTRICT
Notes to Financial Statements
For the Years Ended June 30, 2025 and 2024

NOTE 3: CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2025, was as follows:

	<u>Balance at June 30, 2024</u>	<u>Additions/ Transfers</u>	<u>Disposals/ Transfers</u>	<u>Balance at June 30, 2025</u>
Capital assets not being depreciated:				
Land	\$ 4,206,755	\$ —	\$ —	\$ 4,206,755
Construction in progress	36,982,708	28,405,296	(24,604,069)	40,783,935
Total Capital Assets not being depreciated	41,189,463	28,405,296	(24,604,069)	44,990,690
Capital assets being depreciated/amortized:				
Intangible assets	26,258,325	—	—	26,258,325
Land improvements	114,778,013	17,636,938	—	132,414,951
Buildings and improvements	28,655,010	7,123,476	—	35,778,486
SBITA Asset	3,483	—	(3,483)	—
Furniture, equipment and vehicles	8,084,125	—	—	8,084,125
Total Capital Assets being depreciated/amortized	177,778,956	24,760,414	(3,483)	202,535,887
Less accumulated depreciation/amortization for:				
Intangible assets	23,169,813	306,366	—	23,476,179
Land improvements	53,474,799	4,844,235	—	58,319,034
Buildings and improvements	22,008,768	1,420,571	—	23,429,339
Furniture, equipment and vehicles	5,627,820	281,843	—	5,909,663
Accumulated depreciation/amortization	104,281,200	6,853,015	—	111,134,215
Total Capital Assets being depreciated/amortized, net	73,497,756	17,907,399	(3,483)	91,401,672
Total Capital Assets, net	\$ 114,687,219	\$ 46,312,695	\$ (24,607,552)	\$ 136,392,362

MONTEREY PENINSULA AIRPORT DISTRICT
Notes to Financial Statements
For the Years Ended June 30, 2025 and 2024

NOTE 3: CAPITAL ASSETS (CONTINUED)

Construction in progress activity for the year ended June 30, 2025, was as follows:

Projects	Balance July 1, 2024	Additions/ Transfers	Completed Transferred to Depreciable	Balance July 1, 2025
2019-03 Water Distribution System	\$ 1,303,881	\$ 1,795,446	\$ (3,099,327)	\$ —
2022-01 ARFF Design & Construction	10,516,615	513,821	(11,030,436)	—
2023-01 SEP Phase D1- Terminal Design	1,100,548	2,638,146	—	3,738,694
2023-02 Runway 28L/10R Treatment	—	1,657,184	—	1,657,184
2023-03 Commercial Apron	13,974,278	9,662,023	—	23,636,301
2023-08 SE Hangar Relocation	7,090,543	(14,767)	(7,075,776)	—
2024-01 SEP Phase D1- Terminal Design (BIL ATP)	2,996,843	161,050	(3,157,893)	—
2024-1A SEP Phase D1- Terminal Design (BIL ATP)	—	63,362	—	63,362
2025-01 Landside Improvement Project	—	720,674	—	720,674
2025-03 East TSA Access Road	—	101,462	(101,462)	—
2025-04 Airfield and Property Maintenance	—	139,175	(139,175)	—
2025-06 2801 MSH Building C	—	292,648	—	292,648
2025-07 Commercial Apron	—	9,672,021	—	9,672,021
2025-08 Short Term Lot Reconfiguration	—	24,855	—	24,855
2025-09 Replacement Terminal	—	978,196	—	978,196
Total	\$ 36,982,708	\$ 28,405,296	\$ (24,604,069)	\$ 40,783,935

MONTEREY PENINSULA AIRPORT DISTRICT
Notes to Financial Statements
For the Years Ended June 30, 2025 and 2024

NOTE 3: CAPITAL ASSETS (CONTINUED)

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

	<u>Balance at June 30, 2023</u>	<u>Additions/ Transfers</u>	<u>Disposals/ Transfers</u>	<u>Balance at June 30, 2024</u>
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	3,203,874	—	114,778,013
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	4,359,573	(8,098)	177,778,956
Less accumulated depreciation/amortization for:				
Intangible assets	22,855,814	313,999	—	23,169,813
Land improvements	49,185,471	4,289,328	—	53,474,799
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	6,358,095	—	104,281,200
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

MONTEREY PENINSULA AIRPORT DISTRICT
Notes to Financial Statements
For the Years Ended June 30, 2025 and 2024

NOTE 3: CAPITAL ASSETS (CONTINUED)

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

Projects	Balance July 1, 2023	Additions/ Transfers	Completed Transferred to Depreciable	Balance July 1, 2024
2019-03 Water Distribution System	\$ 937,761	\$ 366,120	\$ —	\$ 1,303,881
2020-14 Demolish Building 505	203,879	—	(203,879)	—
2022-01 SEP Phase B1/B2/B3- ARFF Design	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	—	61,887	(61,887)	—
Total	\$ 12,068,064	\$ 26,274,221	\$ (1,359,577)	\$ 36,982,708

At June 30, 2025 and 2024, intangible assets consist of the following:

	2025	2024
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	(23,476,179)	(23,169,813)
Total intangible assets, net	\$ 2,782,146	\$ 3,088,512

NOTE 4: ACCRUED LIABILITIES

At June 30, 2025 and 2024, accrued liabilities consist of the following:

	2025	2024
Accrued employee benefits	\$ 54,253	\$ 51,055
Other accrued expenses	173,967	116,715
Total accrued liabilities	\$ 228,220	\$ 167,770

MONTEREY PENINSULA AIRPORT DISTRICT
Notes to Financial Statements
For the Years Ended June 30, 2025 and 2024

NOTE 5: ACCRUED COMPENSATED ABSENCES

A summary of the changes in compensated absences for the year ended June 30, 2025, is as follows:

Balance July 1, 2024	Net Change	Balance June 30, 2025	Due in One Year
\$208,189	\$(20,744)	\$187,445	\$42,392

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

Balance June 30, 2023	Net change	Balance June 30, 2024	Due in One Year
\$171,675	\$36,514	\$208,189	\$44,827

NOTE 6: LONG TERM OBLIGATIONS

A summary of the changes in long-term obligations for the year ended June 30, 2025, is as follows:

Notes From Private Borrowings and Direct Placements	Balance July 1, 2024	Additions	Reductions	Balance July 1, 2025	Due in One Year
CalTrans Loan	\$ 3,597,250	\$ —	\$ 151,015	\$ 3,446,235	\$ 158,693
CEC secured loan	2,027,233	—	159,828	1,867,405	161,430
PG&E Loan	9,619	—	9,619	—	—
Total	<u>\$ 5,634,102</u>	<u>\$ —</u>	<u>\$ 320,462</u>	<u>\$ 5,313,640</u>	<u>\$ 320,123</u>

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 July 1, 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	<u>\$ 5,979,577</u>	<u>\$ —</u>	<u>\$ 345,475</u>	<u>\$ 5,634,102</u>	<u>\$ 320,462</u>

A. 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 for the year ended June 30, 2021. The 2023 payment included 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.

MONTEREY PENINSULA AIRPORT DISTRICT
Notes to Financial Statements
For the Years Ended June 30, 2025 and 2024

NOTE 6: LONG TERM OBLIGATIONS (CONTINUED)

The future debt service requirements for the California Energy Commission (CEC) Loan at June 30, 2025, are as follows:

Year	Principal	Interest	Total Requirement
2026	\$ 161,430	\$ 18,273	\$ 179,703
2027	163,049	16,654	179,703
2028	164,643	15,060	179,703
2029	166,334	13,369	179,703
2030	169,685	11,702	181,387
2031 - 2035	865,587	32,928	898,515
2036 - 2040	176,677	894	177,571
Total	<u>\$ 1,867,405</u>	<u>\$ 108,880</u>	<u>\$ 1,976,285</u>

B. 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, 2025, are as follows:

Year	Principal	Interest	Total Requirement
2026	\$ 158,693	\$ 175,225	\$ 333,918
2027	166,762	167,156	333,918
2028	175,241	158,677	333,918
2029	184,151	149,767	333,918
2030	193,514	140,404	333,918
2031 - 2035	1,125,556	544,035	1,669,591
2036 - 2040	1,442,318	227,272	1,669,590
Total	<u>\$ 3,446,235</u>	<u>\$ 1,562,536</u>	<u>\$ 5,008,771</u>

MONTEREY PENINSULA AIRPORT DISTRICT
Notes to Financial Statements
For the Years Ended June 30, 2025 and 2024

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 are \$10,155,490 and \$10,709,942 for fiscal years 2025 and 2024, 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 1.69% on June 30, 2025. The estimated rate of 4.21% was used as of June 30, 2024. Deferred inflows related to leases amounted to \$8,321,459 and \$9,472,612, as of June 30, 2025 and 2024, respectively, and the amount of lease revenue recognized during the years were \$1,151,153 and \$1,174,984, respectively.

The table below summarizes total remaining lease payments, GASB 87 lease receivables and lease interest receivable at an estimated District discount rate of 1.69% as of June 30, 2025:

Fiscal Year	Lease Receivable	Lease Interest	Total Lease Payments
2026	\$ 1,318,801	\$ 220,638	\$ 1,539,439
2027	1,339,901	194,969	1,534,870
2027	996,537	170,661	1,167,198
2028	795,407	152,770	948,177
2029	663,456	138,172	801,628
2030-2034	1,796,458	551,830	2,348,288
2035-2039	987,981	403,187	1,391,168
2040-2044	1,139,858	251,310	1,391,168
2045-2049	832,188	99,570	931,758
2050-2053	284,903	14,646	299,549
	<u>\$ 10,155,490</u>	<u>\$ 2,197,753</u>	<u>\$ 12,353,243</u>

MONTEREY PENINSULA AIRPORT DISTRICT
Notes to Financial Statements
For the Years Ended June 30, 2025 and 2024

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 4.21% as of June 30, 2024:

Fiscal Year	Lease Receivable	Lease Interest	Total Lease Payments
2025	\$ 1,280,411	\$ 426,400	\$ 1,706,811
2026	1,225,625	373,367	1,598,992
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 - 2054	392,274	31,415	423,689
	<u>\$ 10,709,943</u>	<u>\$ 3,739,182</u>	<u>\$ 14,449,125</u>

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 \$968,372 and included in terminal leases and concessions, heavy general aviation and light general aviation for the year ended June 30, 2025. The cost of property held for leasing is not readily determinable.

Future minimum rentals on regulated leases as of June 30, 2025, are as follows:

Fiscal Year	Total Payment
2026	\$ 964,954
2027	964,954
2028	964,954
2029	964,954
2030	964,954
2031-2035	4,824,770
2036-2040	4,824,770
2041-2045	4,824,770
2046-2050	4,824,770
2051-2055	3,815,153
2056-2060	461,419
Total	<u>\$ 28,400,422</u>

MONTEREY PENINSULA AIRPORT DISTRICT
Notes to Financial Statements
For the Years Ended June 30, 2025 and 2024

NOTE 7: LEASES (CONTINUED)

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

<u>Fiscal Year</u>	<u>Total Payment</u>
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	<u>29,365,376</u>

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.

MONTEREY PENINSULA AIRPORT DISTRICT
Notes to Financial Statements
For the Years Ended June 30, 2025 and 2024

NOTE 8: PENSION PLANS (CONTINUED)

The Plans' provisions and benefits in effect as of the valuation date of June 30, 2023 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%-2.4 18%	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	\$509,186	\$297,260	\$5,399	\$234,412	\$13,560

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, 2025 and 2024, the employer contributions recognized as a reduction to the net pension liability were \$469,305 and \$628,029, respectively.

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

As of June 30, 2025 and 2024, the District's reported total net pension liability of \$8,103,169 and \$8,381,298, 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, 2025 and 2024, of the Plan is measured as of June 30, 2024 and 2023, 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, 2023 and 2022, respectively, rolled forward to June 30, 2024 and 2023 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, 2024 and 2023, were 0.06682% and 0.06718%, respectively.

MONTEREY PENINSULA AIRPORT DISTRICT
Notes to Financial Statements
For the Years Ended June 30, 2025 and 2024

NOTE 8: PENSION PLANS (CONTINUED)

For the years ended June 30, 2025 and 2024, the District recognized pension expense of \$1,011,280 and \$1,271,274, respectively. At June 30, 2025 and 2024, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

June 30, 2025	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 912,113	\$ —
Differences between expected and actual experiences	672,993	(23,239)
Change in assumptions	202,213	—
Net differences between projected and actual earnings on pension plan investments	413,949	—
Adjustment due to difference in proportions	702,460	(1,180,555)
Differences between actual contributions and the proportionate share of contributions	689,040	(900,999)
Total	\$ 3,592,768	\$ (2,104,793)

June 30, 2024	Deferred Outflows of Resources	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)

At June 30, 2025 and 2024, the District reported \$912,113 and \$469,305, 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, 2026 and 2025, 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
2026	\$ (20,621)
2027	888,500
2028	(150,307)
2029	(141,710)
Total	\$ 575,862

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

MONTEREY PENINSULA AIRPORT DISTRICT
Notes to Financial Statements
For the Years Ended June 30, 2025 and 2024

NOTE 8: PENSION PLANS (CONTINUED)

E. Actuarial Assumptions

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

	<u>2025</u>	<u>2024</u>
Valuation Date	June 30, 2023	June 30, 2022
Measurement Date	June 30, 2024	June 30, 2023
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%	2.80%
Projected Salary Increase	2.8% depending on Age, Service, and Type of Employment	2.3% depending on Age, Service, and Type of Employment
Investment Rate of Return	6.90% 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

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, 2025 and 2024 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, 2025 and 2024 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.

MONTEREY PENINSULA AIRPORT DISTRICT
Notes to Financial Statements
For the Years Ended June 30, 2025 and 2024

NOTE 8: PENSION PLANS (CONTINUED)

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

The target allocation for the June 30, 2025 and 2024, were as follows:

Asset Class	Assumed Asset Allocation	Real Return Years 1 - 10 (a,b)
Global Equity- cap-weighted	30.00%	4.54%
Global Equity non-cap-weighted	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 2021-22 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%	Current Discount	Increase Rate + 1%
(5.90%)	Rate (6.90%)	(7.90%)
\$13,740,188	\$8,103,169	\$3,782,704

MONTEREY PENINSULA AIRPORT DISTRICT
Notes to Financial Statements
For the Years Ended June 30, 2025 and 2024

NOTE 8: PENSION PLANS (CONTINUED)

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%	Current Discount	Increase Rate + 1%
(5.90%)	Rate (6.90%)	(7.90%)
<u>\$13,993,908</u>	<u>\$8,381,298</u>	<u>\$3,782,704</u>

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 <http://www.calpers.ca.gov/page/forms-publications>. The District had a payable to CalPERS in the amount of \$32,375, due at June 30, 2025.

MONTEREY PENINSULA AIRPORT DISTRICT
Notes to Financial Statements
For the Years Ended June 30, 2025 and 2024

NOTE 9: OTHER POSTEMPLOYMENT BENEFIT (OPEB) OBLIGATIONS

A. 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.

B. 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.

C. Number of Covered Employees

At June 30, 2025 and 2024 reporting dates, the following numbers of employees were covered.

<u>Measurement Date</u>	<u>6/30/2024</u>	<u>6/30/2023</u>
Active	25	25
Retirees	15	15
Total	<u>40</u>	<u>40</u>

D. 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, 2025 and 2024 were \$73,333 and \$65,700, respectively.

E. Employer's Total OPEB Liability

The total OPEB liability as of June 30, 2025 and 2024 are presented below:

<u>For Reporting at Fiscal Year End</u>	<u>June 30,</u> <u>2025</u>	<u>June 30,</u> <u>2024</u>
<u>Measurement Date</u>	<u>6/30/2024</u>	<u>6/30/2023</u>
Total OPEB Liability	\$ 1,444,275	\$ 1,386,786

MONTEREY PENINSULA AIRPORT DISTRICT
Notes to Financial Statements
For the Years Ended June 30, 2025 and 2024

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

F. 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	3.93% as of June 30, 2024
Discount Rate	4.13% as of June 30, 2023
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

G. 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 3.93% as of June 30, 2024 and 4.13% as of June 30, 2023.

H. Changes in the Total OPEB Liability

The following table shows the changes in the total OPEB liability for the years ended June 30, 2025 and 2024, respectively:

For Reporting at Fiscal Year End	June 30, 2025	June 30, 2024	Change During
<u>Measurement Date</u>	<u>6/30/2024</u>	<u>6/30/2023</u>	<u>Period</u>
Balance at beginning of period	\$ 1,386,786	\$ 1,560,497	\$ (173,711)
Changes for the year			
Service cost	30,186	24,994	5,192
Interest	57,164	63,370	(6,206)
Differences between expected and actual experience	—	(190,699)	190,699
Changes of assumptions	35,839	839	35,000
Contributions - employer			
Benefit payments	(65,700)	(72,215)	6,515
Net Changes	57,489	(173,711)	231,200
Balance at end of period	<u>\$ 1,444,275</u>	<u>\$ 1,386,786</u>	<u>\$ 57,489</u>

MONTEREY PENINSULA AIRPORT DISTRICT
Notes to Financial Statements
For the Years Ended June 30, 2025 and 2024

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

I. 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, 2024 and 2023:

Measurement Period June 30, 2024	1% Decrease (2.93%)	Current Discount Rate (3.93%)	1% Increase (4.93%)
Total OPEB Liability	\$1,647,040	\$1,444,275	\$1,278,613

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

J. 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, 2024 and 2023:

Measurement Period June 30, 2024	1% Decrease (5.5% decreasing to 2.9%)	Current Healthcare Cost Trend Rates (6.5% decreasing to 3.9%)	1% Increase (7.5% decreasing to 4.9%)
Total OPEB Liability	\$1,273,412	\$1,444,275	\$1,653,233

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

K. OPEB Expense for Fiscal Year

For the year ended June 30, 2025, the District recognized OPEB expense of \$(142,541). For the year ended June 30, 2024, the District recognized OPEB expense of \$(137,771).

MONTEREY PENINSULA AIRPORT DISTRICT
Notes to Financial Statements
For the Years Ended June 30, 2025 and 2024

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

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

At June 30, 2025, 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	\$ 80,928	\$ 216,138
Differences Between Expected and Actual Experience	58,243	284,322
Contributions Made Subsequent to the Measurement Date	73,333	—
Total	\$ 212,504	\$ 500,460

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
2026	\$ (154,465)
2027	(113,901)
2028	(64,828)
2029	(24,065)
2030	(6,263)
Thereafter	2,233
Total	\$ (361,289)

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

MONTEREY PENINSULA AIRPORT DISTRICT
Notes to Financial Statements
For the Years Ended June 30, 2025 and 2024

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

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.

MONTEREY PENINSULA AIRPORT DISTRICT
Notes to Financial Statements
For the Years Ended June 30, 2025 and 2024

NOTE 10: RISK MANAGEMENT (CONTINUED)

The District's deductibles and maximum coverage follows:

<u>Coverage</u>	<u>Deductible</u>	<u>Coverage (aggregate)</u>
Buildings, Business Personal Property, and Business Interruption		
Except Tools & Maintenance Equipment	\$ 10,000	\$ 73,250,546
Tools & Maintenance Equipment	1,000	81,821
Boiler & Machinery	50,000	32,875,521
Solar Package	5,000/50,000	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:

<u>Coverage</u>	<u>Coverage</u>
Workers' Compensation	Statutory
Employers' Liability	\$ 5,000,000 (per Occurrence)

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.

MONTEREY PENINSULA AIRPORT DISTRICT
Notes to Financial Statements
For the Years Ended June 30, 2025 and 2024

NOTE 11: COMMITMENTS AND CONTINGENCIES (CONTINUED)

C. Fire Services

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.

<u>Year</u>	<u>Fire Service Fee</u>
2026	\$ 1,970,799
2027	2,069,339
2028	2,172,806
Total	<u>\$ 6,212,944</u>

NOTE 12: SUBSEQUENT EVENTS

The District evaluated subsequent events for recognition and disclosure through November 25, 2025, the date on which these financial statements were available to be issued. On September 18, 2025, Monterey Airport was awarded \$25.13M of Grants under the FAA's Airport Improvement Program, supporting the Airport plans for the Replacement Terminal Project.

The Monterey Peninsula Airport District had the following prior period adjustments for the years ended June 30, 2024 and 2023:

	<u>June 30, 2024 As Previously Reported</u>	<u>Changes to or Within the Reporting Entity</u>	<u>Error Correction</u>	<u>Changes in Accounting Principle</u>	<u>June 30, 2024 Restated</u>
Monterey Peninsula Airport District	\$ 117,177,613	\$ —	\$ —	\$ —	\$ 117,177,613
	<u>June 30, 2023 As Previously Reported</u>	<u>Changes to or Within the Reporting Entity</u>	<u>Error Correction</u>	<u>Changes in Accounting Principle</u>	<u>June 30, 2023 Restated</u>
Monterey Peninsula Airport District	\$ 98,176,090	\$ —	\$ 640,628	\$ —	\$ 98,816,718

During the fiscal year ended June 30, 2025, the District identified an error in the previously reported deferred inflow of resources related to lease receivables. The correction resulted in a restatement of the beginning net position as of June 30, 2023.

The adjustment reflects the proper amortization of deferred inflows under GASB Statement No. 87, which had not been accurately calculated in prior periods. The correction aligns the deferred inflow balance with the straight-line amortization schedule over the life of the lease.

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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, 2025, For the Last Ten Fiscal Years

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>
<i>Measurement Period</i>	2024	2023	2022	2021
Miscellaneous Rate Plan				
Rate Plan's Proportion of the Net Pension Liability	0.01990%	0.01966%	0.02124%	0.02815%
Rate Plan's Proportionate Share of the Net Pension Liability	\$2,412,888	\$2,453,152	\$2,315,937	\$1,522,216
Rate Plan's Covered Payroll	<u>\$2,152,669</u>	<u>\$1,890,776</u>	<u>\$1,788,853</u>	<u>\$1,640,763</u>
Rate Plan's Proportionate Share of the Net Pension Liability as				
Percentage of Covered Payroll	<u>112.09%</u>	<u>129.74%</u>	<u>129.46%</u>	<u>92.77%</u>
Safety Rate Plan				
Rate Plan's Proportion of the Net Pension Liability	0.04692%	0.04752%	0.03019%	0.09221%
Rate Plan's Proportionate Share of the Net Pension Liability	\$5,690,281	\$5,928,146	\$3,486,953	\$4,986,961
Rate Plan's Covered Payroll	<u>\$—</u>	<u>\$—</u>	<u>\$—</u>	<u>\$—</u>
Rate Plan's Proportionate Share of the Net Pension Liability as				
Percentage of Covered Payroll	—%	—%	—%	—%
Total Plan				
Plan Proportion of the Net Pension Liability	<u>0.06682%</u>	<u>0.06718%</u>	<u>0.05024%</u>	<u>0.12036%</u>
Plan Proportionate Share of the Net Pension Liability	\$8,103,169	\$8,381,298	\$5,802,890	\$6,509,179
Plan Covered Payroll	<u>\$2,152,669</u>	<u>\$1,890,776</u>	<u>\$1,788,853</u>	<u>\$1,640,763</u>
Plan Proportionate Share of the Net Pension Liability as				
Percentage of Covered Payroll	<u>376.42%</u>	<u>443.27%</u>	<u>324.39%</u>	<u>396.72%</u>
The Pension Plan's (PERF-C) Fiduciary Net Position as a Percentage of the Total Pension Liability	78.08%	76.21%	76.70%	88.29%

Notes to Schedule:

Benefit Changes:

There were no changes to benefit terms that applied to all members of the Public Agency Pool. However, individual employers in the Plan may have provided a benefit improvement to their employees such as Golden Handshakes, service purchases, and other prior service costs. Employers that have done so may need to report this information as a separate liability in their financial statement as CalPERS considers such amounts to be separately financed employer-specific liabilities. These employers should consult with their auditors. Additionally, the figures above do not include any liability impact that occurred after the June 30, 2023, valuation date, unless the liability impact is deemed to be material to the Public Agency Pool.

Changes of Assumptions:

There were no assumption changes in 2023 or 2024. Effective with the June 30, 2021, valuation date (June 30, 2022, measurement date), the accounting discount rate was reduced from 7.15% to 6.90%. In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. In addition, demographic assumptions and the price inflation assumption were changed in accordance with the 2021 CalPERS Experience Study and Review of Actuarial Assumptions. The accounting discount rate was 7.15% for measurement dates June 30, 2017, through June 30, 2021, and 7.65% for measurement dates June 30, 2015, through June 30, 2016.

MONTEREY PENINSULA AIRPORT DISTRICT
Cost Sharing Multiple-Employer Plan
Schedule of Proportionate of the Net Pension Liability (Continued)
As of June 30, 2025, For the Last Ten Fiscal Years

2021	2020	2019	2018	2017	2016
<i>2020</i>	<i>2019</i>	<i>2018</i>	<i>2017</i>	<i>2016</i>	<i>2015</i>
0.02496%	0.02409%	0.02308%	0.02270%	0.02172%	0.02008%
\$2,715,215	\$2,468,530	\$2,223,790	\$2,251,219	\$1,879,150	\$1,378,489
\$1,751,206	\$1,783,112	\$1,671,567	\$1,577,199	\$1,677,728	\$1,723,531
<u>155.05%</u>	<u>138.44%</u>	<u>133.04%</u>	<u>142.74%</u>	<u>112.01%</u>	<u>79.98%</u>
0.07062%	0.06953%	0.06914%	0.06670%	0.06681%	0.06574%
\$7,683,882	\$7,124,443	\$6,662,340	\$6,614,914	\$5,781,218	\$4,512,232
\$—	\$188,737	\$643,653	\$547,264	\$601,667	\$549,603
<u>—%</u>	<u>3774.80%</u>	<u>1035.08%</u>	<u>1208.72%</u>	<u>960.87%</u>	<u>821.00%</u>
0.09558%	0.09362%	0.09222%	0.08940%	0.08853%	0.08582%
\$10,399,097	\$9,592,973	\$8,886,130	\$8,866,133	\$7,660,368	\$5,890,721
\$1,751,206	\$1,971,849	\$2,315,220	\$2,124,463	\$2,279,395	\$2,273,134
<u>593.82%</u>	<u>486.50%</u>	<u>383.81%</u>	<u>417.34%</u>	<u>336.07%</u>	<u>259.15%</u>
75.10%	75.26%	75.26%	73.31%	74.06%	78.40%

MONTEREY PENINSULA AIRPORT DISTRICT
Cost Sharing Multiple-Employer Plan
Schedule of Plan Contributions ⁽¹⁾
As of June 30, 2025, For the Last Ten Fiscal Years

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>
Miscellaneous Rate Plan				
Actuarially Determined Contribution	\$ 717,572	\$ 147,695	\$ 163,779	\$1,375,701
Contribution in Relation to Actuarially Determined Contribution	<u>(717,572)</u>	<u>(147,695)</u>	<u>(163,779)</u>	<u>(1,375,701)</u>
Contribution Deficiency (Excess)	—	—	—	—
Covered Payroll	<u>2,555,952</u>	<u>2,152,669</u>	<u>1,890,776</u>	<u>1,788,853</u>
Contributions as a Percentage of Covered Payroll	<u>(28.07)%</u>	<u>6.86 %</u>	<u>8.66 %</u>	<u>76.90 %</u>
Safety Rate Plan				
Actuarially Determined Contribution	194,541	321,610	464,250	3,659,920
Contribution in Relation to Actuarially Determined Contribution	<u>(194,541)</u>	<u>(321,610)</u>	<u>(464,250)</u>	<u>(3,659,920)</u>
Contribution Deficiency (Excess)	—	—	—	—
Covered Payroll	—	—	—	—
Contributions as a Percentage of Covered Payroll	<u>— %</u>	<u>— %</u>	<u>— %</u>	<u>— %</u>
Total Plan				
Actuarially Determined Contribution	912,113	469,305	628,029	5,035,621
Contribution in Relation to Actuarially Determined Contribution	<u>(912,113)</u>	<u>(469,305)</u>	<u>(628,029)</u>	<u>(5,035,621)</u>
Contribution Deficiency (Excess)	—	—	—	—
Covered Payroll	<u>\$2,555,952</u>	<u>\$2,152,669</u>	<u>\$1,890,776</u>	<u>\$1,788,853</u>
Contributions as a Percentage of Covered Payroll	<u>(35.69)%</u>	<u>21.80 %</u>	<u>33.22 %</u>	<u>281.50 %</u>

Note to Schedule:

Valuation Date: June 30, 2023

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	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	—%	—%	—%	—%	—%
Ramp Up	5	5	5	5	0
Ramp Down	5	5	5	5	0

Asset valuation method: Direct rate smoothing

Inflation: 2.30%

Payroll Growth: 2.80%

Projected Salary Increases: —%

Investment Rate of Return: 6.90% (net of pension plan investment and administrative expenses, includes inflation)

Mortality: The mortality table was developed based on CalPERS-specific data. The rates incorporate Generational Mortality to capture ongoing mortality improvement using 80% of Scale MP 2020 published by the Society of Actuaries. For more details, please refer to the 2021 experience study report that can be found on the CalPERS website.

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

MONTEREY PENINSULA AIRPORT DISTRICT
Cost Sharing Multiple-Employer Plan
Schedule of Plan Contributions (Continued)
As of June 30, 2025, For the Last Ten Fiscal Years⁽¹⁾

2021	2020	2019	2018	2017	2016
\$ 308,686	\$ 279,219	\$ 246,088	\$ 204,396	\$ 186,903	\$ 183,331
(308,686)	(279,219)	(246,088)	(204,396)	(186,903)	(183,331)
—	—	—	—	—	—
1,640,763	1,751,206	1,783,112	1,671,567	1,577,199	1,677,728
18.81 %	15.94 %	13.80 %	12.23 %	11.85 %	10.93 %
544,039	517,276	431,855	429,673	371,546	294,509
(544,039)	(517,276)	(431,855)	(429,673)	(371,546)	(294,509)
—	—	—	—	—	—
—	—	188,737	643,653	547,264	601,667
— %	— %	228.81 %	66.76 %	67.89 %	48.95 %
852,725	796,495	677,943	634,069	558,449	477,840
(852,725)	(796,495)	(677,943)	(634,069)	(558,449)	(477,840)
—	—	—	—	—	—
\$1,640,763	\$1,751,206	\$1,971,849	\$2,315,220	\$2,124,463	\$2,279,395
51.97 %	45.48 %	34.38 %	27.39 %	26.29 %	20.96 %

MONTEREY PENINSULA AIRPORT DISTRICT

**Schedule of Changes in Total OPEB Liability and Related Ratios
As of June 30, 2025, For the Last Ten Fiscal Years⁽¹⁾**

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>
Total OPEB Liability				
Service cost	\$ 30,186	\$ 24,994	\$ 36,220	\$ 38,344
Interest on the total OPEB liability	57,164	63,370	44,147	55,829
Actual and expected experience difference	—	(190,699)	—	(232,053)
Changes in assumptions	35,839	839	(465,393)	152,978
Changes in benefit terms	—	—	—	—
Benefit payments	(65,700)	(72,215)	(86,729)	(86,695)
Net change in total OPEB liability	57,489	(173,711)	(471,755)	(71,597)
Total OPEB liability - beginning	1,386,786	1,560,497	2,032,252	2,103,849
Total OPEB liability - ending	\$ 1,444,275	\$ 1,386,786	\$ 1,560,497	\$ 2,032,252
Covered-employee payroll	\$2,242,950	\$ 1,890,776	\$ 1,788,853	\$ 1,640,763
Total OPEB liability as a percentage of covered-employee payroll	64.39%	73.34%	87.23%	123.86%

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⁾ (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.

MONTEREY PENINSULA AIRPORT DISTRICT
Schedule of Changes in Total OPEB Liability and Related Ratios (Continued)
As of June 30, 2025, For the Last Ten Fiscal Years

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
<u>\$ 2,103,849</u>	<u>\$ 2,052,174</u>	<u>\$ 2,671,325</u>	<u>\$ 2,507,740</u>
\$ 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, 2025 and 2024, 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 25, 2025.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the 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.

Report on Compliance and Other Matters

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



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

Purpose of This Report

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

LSL, LLP

Sacramento, California
November 25, 2025



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, 2025. 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, 2025.

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 Auditors' 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

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 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.

LSL, LLP

Sacramento, California
November 25, 2025

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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, 2025

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal Assistance Listing Number</u>	<u>Award Number</u>	<u>Expenditures</u>
<u>U.S. Department of Transportation</u>			
Federal Aviation Administration			
Direct Programs			
Airport Improvement Program*	20.106	DFTA08-06-C-31719	\$ 21,978,105
Total U.S. Department of Transportation			<u>\$ 21,978,105</u>
Total Federal Expenditures			<u>\$ 21,978,105</u>

Notes to Schedule:

*Major Program

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

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

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

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MONTEREY PENINSULA AIRPORT DISTRICT

Notes to the Schedule of Expenditures of Federal Awards (SEFA) For the Fiscal Year Ended June 30, 2025

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 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.

MONTEREY PENINSULA AIRPORT DISTRICT
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2025

SECTION 1. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Internal control over financial reporting:

- Material weaknesses identified? _____ Yes X No
- Significant deficiencies identified? _____ Yes X None reported
- Noncompliance material to financial statements noted? _____ Yes X No

Type of auditors' report issued: Unmodified Opinion

Federal Awards

Internal control over major programs:

- Material weaknesses identified? _____ Yes X No
- Significant deficiencies identified? _____ Yes X None reported

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? _____ Yes X No

MONTEREY PENINSULA AIRPORT DISTRICT
Schedule of Findings and Questioned Costs (Continued)
For the Fiscal Year Ended June 30, 2025

SECTION 2. FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION 3. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.



MONTEREY

REGIONAL AIRPORT

Summary Schedule of Prior Year Findings and Questioned Costs For the Year Ended June 30, 2024

SECTION 1. FINANCIAL STATEMENT FINDINGS

2024-001 and 2024-002 have been resolved in the current fiscal year.

SECTION 2. 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, 2025.

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, 2025.

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.

LSL, LLP

Sacramento, California
November 25, 2025

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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, 2025

	PFC Revenues	Interest Earned	Total Revenues	Expenditures on approved projects	Under (over) Expenditures on approved projects
Balance to date as of June 30, 2024	<u>\$22,456,257</u>	<u>\$470,958</u>	<u>\$22,927,215</u>	<u>\$22,079,343</u>	<u>\$847,872</u>
Fiscal year 2024-2025 transactions:					
Quarter ended September 30, 2024	\$ 326,097	\$ 9,965	\$ 336,063	\$ 764,871	\$ (428,808)
Quarter ended December 31, 2024	270,226	4,412	274,638	691,811	(417,173)
Quarter ended March 31, 2025	336,904	507	337,410	380,854	(43,444)
Quarter ended June 30, 2025	<u>332,459</u>	<u>332</u>	<u>332,790</u>	<u>766,127</u>	<u>(433,337)</u>
Total fiscal year 2024-2025 transactions	<u>\$ 1,265,686</u>	<u>\$ 15,216</u>	<u>\$ 1,280,901</u>	<u>\$ 2,603,663</u>	<u>\$ (1,322,762)</u>
Balance to date as of June 30, 2025	<u><u>\$23,721,943</u></u>	<u><u>\$ 486,174</u></u>	<u><u>\$24,208,116</u></u>	<u><u>\$24,683,006</u></u>	<u><u>\$(474,890)</u></u>

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, 2025

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, 2025 are as follows:

Passenger Facility Charge Project Number/ Description	Identifying Number	Passenger Facility Charge Approved Amount	Expenditures
Runway 10R/28L Airfield Lighting Replacement	18-22-U-00-MRY	\$ 160,000	\$ 159,045
Conduct DBE Disparity Report	18-22-U-00-MRY	5,000	2,206
Runway 10L/28R Overlay and PAPI	18-22-U-00-MRY	185,000	235,172
Land Acquisition Part A	18-22-U-00-MRY	310,000	804,168
Safety Enhance Project Phase 1	21-25-U-00-MRY	5,775,000	5,234,409
Terminal Rehab to Preserve ADA Compliance	20-24-C-00-MRY	375,000	244,157
Install Security Cameras in the Terminal Bldg	20-24-C-00-MRY	100,000	109,401
Runway Safety Area Mitigation Ph 6-7	20-24-C-00-MRY	100,000	95,866
Terminal Enhancement for ADA	20-24-C-00-MRY	45,000	47,900
SEP Landside Terminal Improvements	25-26-C-00-MRY	5,685,481	63,400
SEP Terminal Building Relocation	25-26-C-00-MRY	13,924,572	140,961
Taxiway A Relocation Design & Construct	25-26-C-00-MRY	256,047	—
Runway 10R/28L Rehabilitation	25-26-C-00-MRY	287,071	145,427
ARFF Vehicle Replacement	25-26-C-00-MRY	98,723	—
SEP Southside Apron Construct	25-26-C-00-MRY	3,148,489	714,988
Total Passenger Facility Charge Projects		\$ 30,455,383	\$ 7,997,100

E. Excess Project Expenditures

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, 2025

PASSENGER FACILITY CHARGE COMPLIANCE FINDINGS

No matters were reported.