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CPAs AND ADVISORS

MONTEREY PENINSULA AIRPORT DISTRICT

FOR THE FISCAL YEARS ENDED JUNE 30, 2019 AND 2018

ANNUAL FINANCIAL AND COMPLIANCE REPORT

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MONTEREY PENINSULA
AIRPORT DISTRICT

Board of Directors
at June 30, 2019

Name	Office	Term Expires
William J. Sabo	Chair	December 2020
Mary Ann Leffel	Vice-Chair	December 2020
Lisa Anne Sawhney	Director	December 2020
Carl M. Miller	Director	December 2022
Gary Cursio	Director	December 2022

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CPAs AND ADVISORS

INDEPENDENT AUDITORS' REPORT

Board of Directors
Monterey Peninsula Airport District
Monterey, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Monterey Peninsula Airport District, (the District) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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 Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

203 N. Brea Blvd., Suite 203 | Brea, CA 92821 | Phone: 714.672.0022

Board of Directors
Monterey Peninsula Airport District
Monterey, California

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Monterey Peninsula Airport District as of June 30, 2019, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, the schedule of the District's proportionate share of the net pension liability – miscellaneous & safety risk pools, the schedule of employer contributions – miscellaneous & safety risk pools, and the schedule of changes in the total OPEB liability and related ratios, be presented to supplement the basic financial statements. Such information, 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.

Prior Year Audited Financial Statements

The financial statements for the year ended June 30, 2018, were audited by other auditors whose report dated November 8, 2018 expressed an unmodified opinion on those financial statements. The previous auditor included an emphasis-of-matter for the adoption of accounting guidance of GASB Statement No. 75.

Other Information

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

Board of Directors
Monterey Peninsula Airport District
Monterey, California

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 7, 2019 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Lance, Soll & Lunghard, LLP

Sacramento, California
October 7, 2019

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The Management Discussion and Analysis (MD&A) is provided by the Monterey Peninsula Airport District (District) in compliance with requirements established by the Governmental Accounting Standards Board, Statement (GASB) No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB Statement No. 34). It is intended to serve as an introduction to the financial statements for the years ended June 30, 2019 (FY19) and 2018 (FY18). The information presented is to be read in conjunction with the financial statements, footnotes and supplementary information found in this report.

Mission Statement

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

Overview of the Monterey Peninsula Airport District

The District was created on March 22, 1941, by the passage of State Senate Bill No. 1300 that authorized an independent public airport district, which would qualify for federal funds. The District's enabling act was revised effective January 1, 2007; the revision updated the archaic language and provisions to allow the District to function more efficiently. The District is governed by five directors elected by voters at large residing in Monterey, Pacific Grove, Del Monte Forest, Pebble Beach, Carmel-by-the-Sea, greater Carmel, the west end of Carmel Valley, Del Rey Oaks, Sand City, and Seaside. Beginning FY20 the District's director elections have been changed from "voters at large" to five voting districts within the District's area. The District employs an Executive Director as its Chief Executive and a Corporate Legal Counsel.

The Monterey Regional Airport (Airport), 501 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 3,500 feet long and 65 feet wide, used solely by general aviation aircraft.

During FY19 and FY18, four commercial airlines served the airport with scheduled flights. Alaska, American Airlines, and United Express provided non-stop service to six gateway hubs: Dallas, Denver, Los Angeles, Phoenix, San Diego and San Francisco. Allegiant operated non-stop service, two days per week, to Las Vegas.

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

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

Overview of the Financial Statements

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

The *Statements of Net Position* present 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 a restatement of the FY17 net position for the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

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

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

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

Financial Highlights

✈ The assets and deferred outflows of resources of the District exceed liabilities and deferred inflows of resources by $63,708,008 and $66,341,558 at June 30, 2019 and 2018, respectively.

✈ In FY19, the District acquired and placed into service the capital assets listed below:
- Published Approved Airport Master Plan ($1,177,274)
- Replaced Airfield Electrical Vault and Lighting ($1,702,850)
- Constructed Recreation Vehicle Lot 2 ($32,294)
- Replaced Terminal Road Pavement (Fred Kane Drive) ($336,440)
- Performed Terminal Upgrades ($36,659)
- Acquired one (1) Used Airport Rescue Fire Fighting Vehicle ($223,250)
- Completed Infield Safety Area Rehab Phase A ($361,662)

✈ In FY18, the District acquired and placed into service the capital assets listed below:
- Installed Solar Panel Array ($2,977,734)
- Installed Taxi Automated Beacon Monitoring System ($16,450)
- Installed Terminal Air Conditioner ($76,722)
- Installed additional Terminal Security Cameras ($34,857)
- Completed RSA Mitigation Year 3 ($74,281)
- Replaced Airport Signage ($32,772)
- Acquired one (1) Maintenance Vehicle ($29,109),
- Acquired Mobile Paint Removal System ($50,697)
- Building 514 Roof Repair ($34,313)

Financial Highlights (Continued)

- The District met its obligations and reduced its taxable pension obligation bonds principal to $1,068,000 (FY18 $1,394,000) and California Energy Commission Loan principal to $2,802,761 (FY18 $2,931,320).

- 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, FY14 through FY19, are presented below in Table I.

Table I

TOTAL ENPLANEMENTS: FISCAL YEARS 2014 - 2019											
FY 2014		FY 2015		FY 2016		FY 2017		FY 2018		FY 2019	
7/13	18,756	7/14	15,980	7/15	16,239	7/16	17,679	7/17	18,068	7/18	16,262
8/13	17,680	8/14	16,622	8/15	16,248	8/16	17,589	8/17	16,450	8/18	15,537
9/13	17,798	9/14	15,280	9/15	14,682	9/16	17,304	9/17	16,374	9/18	14,630
10/13	18,307	10/14	17,102	10/15	15,507	10/16	17,856	10/17	17,151	10/18	17,933
11/13	16,235	11/14	15,168	11/15	15,762	11/16	16,444	11/17	15,576	11/18	17,071
12/13	16,362	12/14	13,882	12/15	15,348	12/16	16,275	12/17	15,740	12/18	15,477
1/14	14,157	1/15	12,728	1/16	13,046	1/17	14,802	1/18	13,302	1/19	14,284
2/14	14,191	2/15	13,010	2/16	13,562	2/17	15,102	2/18	13,758	2/19	15,242
3/14	16,886	3/15	15,823	3/16	16,040	3/17	18,986	3/18	15,758	3/19	17,533
4/14	16,278	4/15	15,926	4/16	15,844	4/17	17,677	4/18	16,400	4/19	19,159
5/14	17,932	5/15	16,336	5/16	17,813	5/17	18,832	5/18	15,622	5/19	20,760
6/14	16,302	6/15	15,110	6/16	17,872	6/17	18,359	6/18	15,857	6/19	21,774
	200,884		182,967		187,963		206,905		190,056		205,662

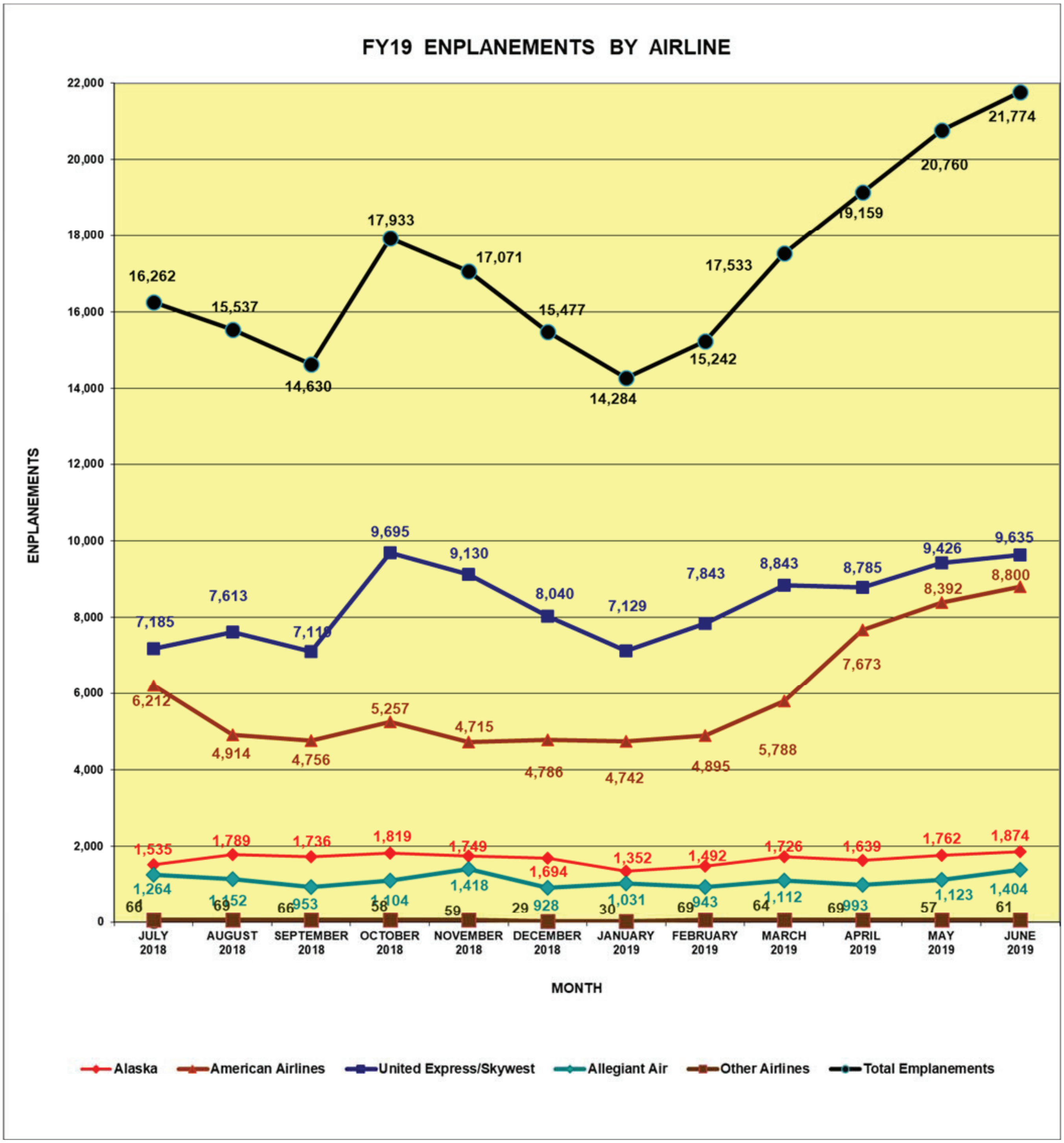
- FY19 enplanements increased 8.2% compared to FY18 to 205,662 primarily due to increases in scheduled flights. The increase resulted from an airline adding two daily flights to Denver International Airport and another adding one daily flight Dallas Fort Worth International Airport.

- FY18 enplanements decreased 8.1% compared to FY17 to 190,056 primarily due to decreases in scheduled flights. The decrease resulted from an airline's cancellation of its daily flights to Los Angeles International Airport.

Financial Highlights (Continued)

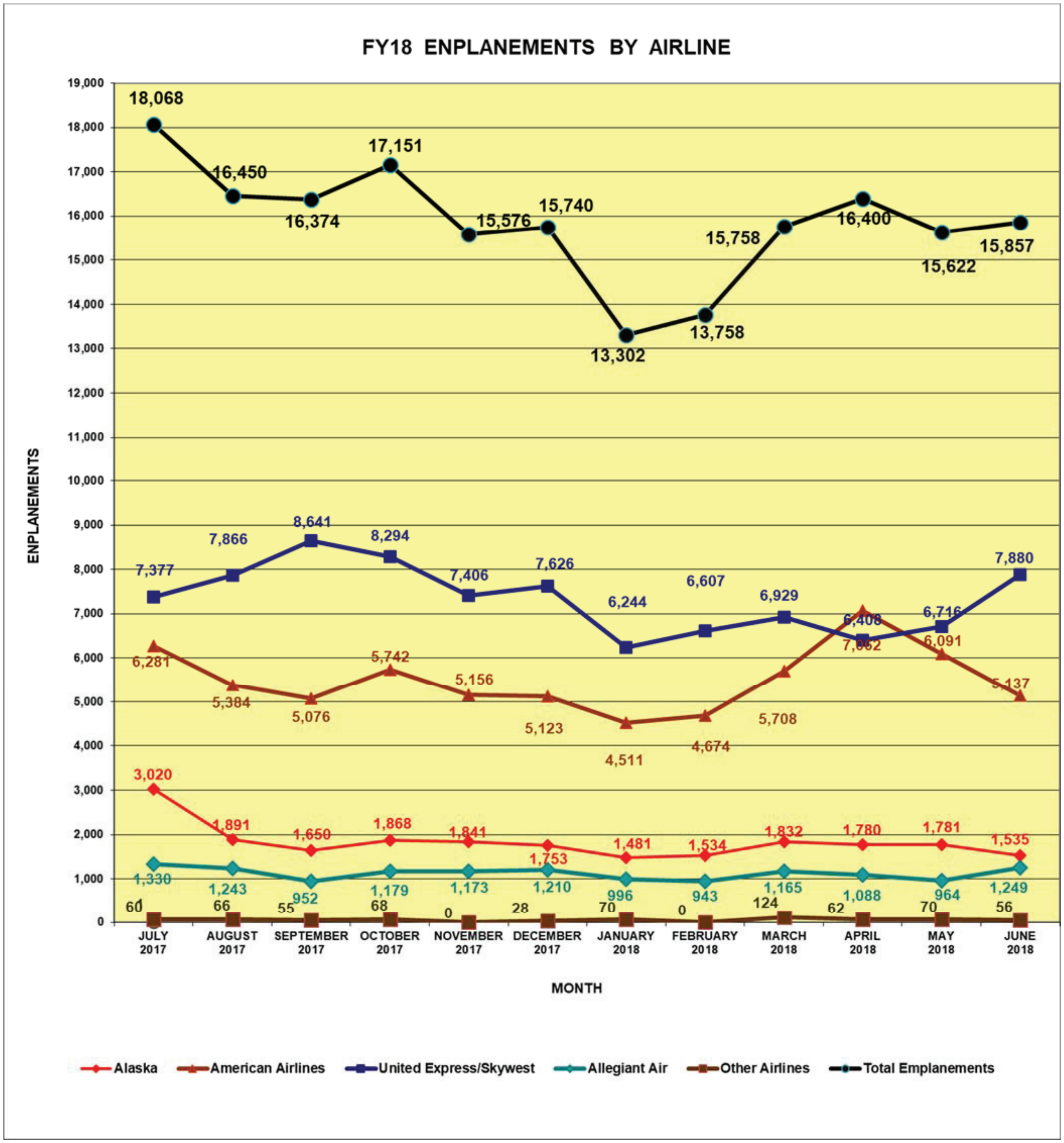
Charts A and B present the monthly enplanements for FY19 and FY18, respectively, in total and for the scheduled commercial airlines that serve the Airport.

Chart A



Financial Highlights (Continued)

Chart B



Summary of Net Position

Implementation of GASB Statement No. 75

In FY18, the District implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* effective July 1, 2017. The objective of the statement is to make other postemployment benefits (OPEB) accounting and financial reporting consistent with the pension standards outlined in GASB Statement No. 68. Similar to the changes made to the pension standards, this new OPEB standard provides a more comprehensive picture of what the District has committed to their employees and the associated costs.

GASB 75 changes how the long-term obligation and the annual expense of OPEB are measured, recognizes the net OPEB liability on the face of the financial statements, and presents more extensive note disclosures and related supplemental schedules. Additional information is contained in the notes to these financial statements.

In Table II, the FY17 information has not been restated for GASB 75.

Table II

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

Net Position

	2019	% Change	2018	% Change	2017
Current and other assets	$ 9,747,987	9.8%	$ 8,875,651	6.0%	$ 8,370,945
Capital assets, net	69,948,622	-4.4%	73,168,404	-2.6%	75,107,812
Total assets	79,696,609	-2.9%	82,044,055	-1.7%	83,478,757
Deferred outflow of resources	2,246,837	-15.2%	2,649,824	68.9%	1,569,047
Debt outstanding	3,870,761	-10.5%	4,325,320	153.5%	1,706,000
Other liabilities	13,402,170	4.6%	12,817,535	23.5%	10,380,624
Total liabilities	17,272,931	0.8%	17,142,855	41.8%	12,086,624
Deferred inflow of resources	962,507	-20.4%	1,209,466	15.1%	1,051,203
Net investment in capital assets	66,913,811	-4.6%	70,121,950	-5.4%	74,128,727
Restricted - unspent Passenger Facilities Charges	2,526,464	30.9%	1,929,982	36.2%	1,416,809
Unrestricted	(5,732,267)	0.4%	(5,710,374)	57.1%	(3,635,559)
Total net position	$63,708,008	-4.0%	$ 66,341,558	-7.7%	$71,909,977

Total Net Position decreased $2,633,550 from FY18 to FY19 compared to a $5,568,419 decrease from FY17 to FY18. The FY19 decrease in Total Net Position as compared to FY18 resulted from the annual depreciation of capital assets ($6.6M) which was offset by the addition of mostly AIP funded capital assets ($3.8M). See discussion below of changes in revenues and expenses between FY19 and FY18.

Net Position (Continued)

The FY18 decrease in Total Net Position as compared to FY17 primarily resulted from an increase in annual depreciation of capital assets and implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective July 1, 2017. The increase in Net Investment in Capital Assets was primarily due to the District's capital assets financed by the District and a secured California Energy Commission loan.

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 FY19, the District recognized $1,826,046 from FAA Airport Improvement Program (AIP) grants and $899,816 from PFCs receipts to fund capital project planning, engineering design, and construction costs. In FY18 the District received $1,762,726 from FAA AIP grants and $774,388 from PFCs to fund airport improvement projects during FY18.

Total Liabilities increased $130,076 from FY18 to FY19 primarily from an increase in account payable which included invoices related to capital assets.

Operating Revenues

An airport functions as a landlord. District revenue is derived from fees and lease revenues. Total operating revenues for the FY19 were $9,475,051, an increase of 3.1% or $281,308 when compared to FY18 ($9,193,743) and an increase of 2.3% when compared to FY17 ($8,984,949).

The FY19 operating revenue increases resulted from new air service by United and American Airlines. In October 2018 United restarted its twice daily flights from Monterey to Denver and in April 2019 American started daily flights to Dallas. These additional flights also had a positive impact on Airport concessions (parking, rental cars, etc.) which showed a 5.9% growth for the year.

The FY18 operating revenue increase resulted from changes in Other Operating Revenues. In FY18, the District signed a contract with the City of Del Rey Oaks to provide Police Chief services and also received worker's compensation insurance reimbursements for outstanding claims.

Revenues derived from the activities of commercial airlines and from airline passengers using services offered by the Airport account for 55.7% of FY19, 53.6% of FY18 and 55.4% of FY17 total operating revenues. This was an increase of 7.2% compared to FY18 and a 1.1% decrease comparing to FY18 to FY17 (see Table III, "Subtotal – Commercial Aviation"). Included in this category are revenues paid by commercial airlines for landing, apron, aircraft overnight parking fees and fuel flowage fees, and income received from tenants that rent space in the airport terminal. Commercial Airline fuel flowage fees were first included in the District's rates and charge schedules beginning August 1, 2018 and contributed $75,108 to commercial airline revenues in FY19.

The line item, "Terminal Leases & Concessions," includes lease and concession income from many sources: concessions such as *The Golden Tee Restaurant* and the *Gifts and More* gift shop; commercial airlines that rent ticket counters, offices, baggage make-up, hold rooms and baggage claim areas; five rental car companies (*Avis, Budget, Enterprise, Hertz, and National*); long and short-term parking lots and in-terminal advertising. This category of revenue in FY19 increased 5.9% when compared to FY18 and a 0.1% increase comparing FY18 to FY17.

Operating Revenues (Continued)

General Aviation activities generated 21.5% of FY19, 20.8% of FY18 and 20.8% of FY17 total operating revenues. Corporate aviation and general aviation tenants remit landing fees, fuel fees, and rental income for leased land, hangars, tie-downs, aircraft parking aprons, and offices. These revenues for FY19 increased 5.4% from FY18 and 2.8% from FY17 to FY18, respectively. Most of the increase comes from additional landing fees and fuel flowage fees from heavy general aviation aircraft.

Non-aviation tenants and Other Revenues produced 22.9% of FY19, 25.6% of FY18, and 23.8% % of FY17 total operating revenues, a decrease of 7.5% compared to FY18 and 9.9% increase from FY17 to FY18. The decrease in FY19 Non-aviation tenants and Other Revenues resulted from a change in contracted services. In FY19 the Airport discontinued its contract to provide Police chief services to the City of Del Rey Oaks and settled its worker's compensation claims resulting in lower revenues.

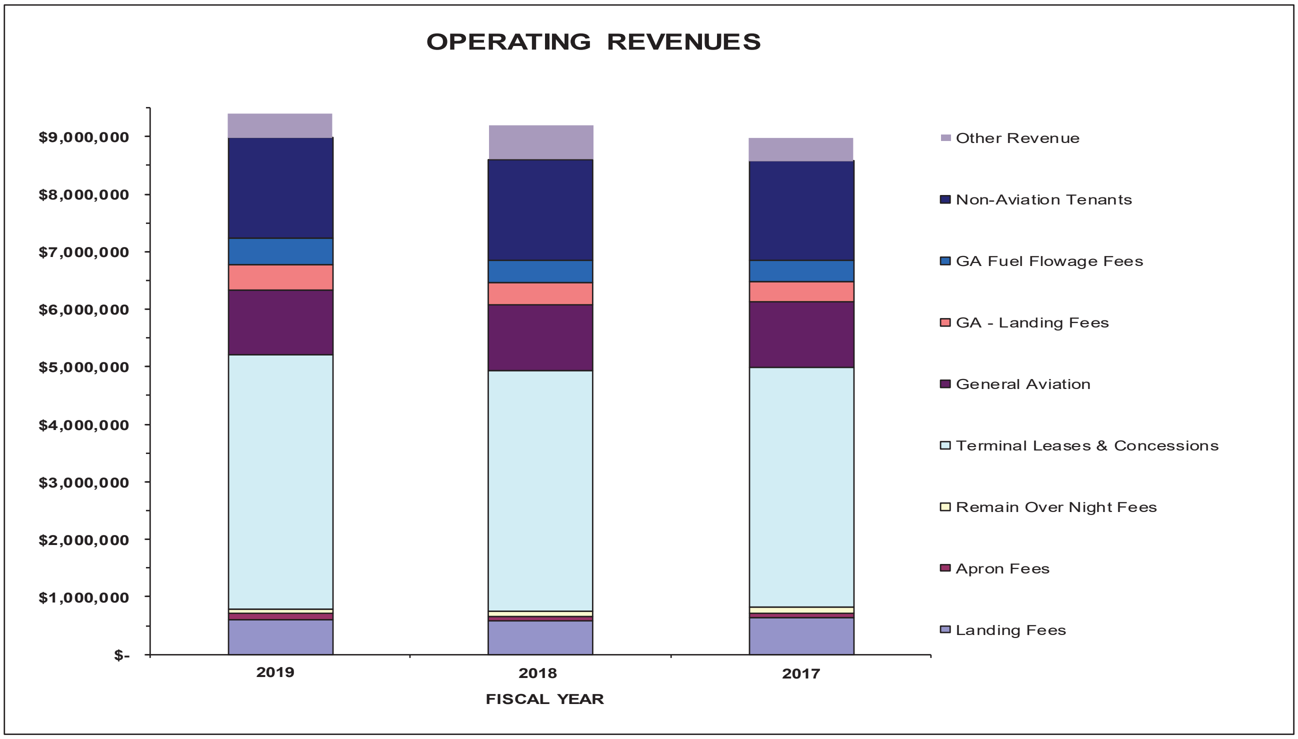
Table III presents a comparison of operating revenues for Fiscal Years 2019, 2018 and 2017. Chart C provides a graphic representation of operating revenues.

Table III

FISCAL YEARS 2019, 2018 & 2017 OPERATING REVENUES						
	2019		2018		2017	
Landing Fees	$ 600,181	6.3%	$ 576,305	6.3%	$ 637,215	7.1%
Apron Fees	108,855	1.1%	83,673	0.9%	73,260	0.8%
Remain Over Night Fees	79,331	0.8%	94,627	1.0%	104,831	1.2%
CA Fuel Flowage Fees	75,108	0.8%	-	0.0%	-	0.0%
Terminal Leases & Concessions	4,417,644	46.7%	4,171,551	45.4%	4,165,518	46.4%
Subtotal - Commercial Aviation	$ 5,281,119	55.7%	$4,926,156	53.6%	$ 4,980,824	55.4%
General Aviation	$ 1,132,318	12.1%	$1,151,930	12.5%	$ 1,141,074	12.7%
Landing Fees	$ 435,218	4.6%	390,446	4.2%	366,773	4.1%
GA Fuel Flowage Fees	$ 454,130	4.8%	375,571	4.1%	357,366	4.0%
Subtotal - General Aviation	$ 2,021,666	21.5%	$1,917,947	20.8%	$ 1,865,213	20.8%
Non-Aviation Tenants	$ 1,756,559	18.5%	$1,759,318	19.1%	$ 1,729,424	19.2%
Other Revenues	415,707	4.4%	590,322	6.5%	409,488	4.6%
Subtotal - Non-Aviation and Other	$ 2,172,266	22.9%	$2,349,640	25.6%	$ 2,138,912	23.8%
Total	$ 9,475,051	100.1%	$9,193,743	100.0%	$ 8,984,949	100.0%

Operating Revenues (Continued)

Chart C



Operating Expenses Before Depreciation and Amortization

Operating expense before depreciation and amortization in FY19 ($8,526,337) increased 2.7% compared to FY18 ($8,307,876) and increased 6.5% when compared to FY17 ($8,086,505) (see Table V, "Fiscal Years 2019, 2018 and 2017 Operating Expenses Before Depreciation and Amortization"). As discussed below, most of the year over year expense increases are the result of staffing changes, GASB Statement No. 68 and 75 adjustments, CalPERS Unfunded Account Liability expense increases, and other changes to the Districts operations.

Table IV presents FY19 salary, payroll benefit expenses by District department. The District provides a wide variety of services and staffs the Airport for Planning and Development, Maintenance, Airport Operations and Administration functions. In FY14 the District contracted with the City of Monterey for five years of Airport Rescue and Fire Fighting (ARFF) services. In FY19 the District negotiated a five-year contract with the City of Del Rey Oaks for Law Enforcement services that began on October 1, 2018 and ends on June 30, 2024. The District then closed its police department.

Total FY19 salaries and payroll costs decreased $380,768 (8.7%) compared to FY18 and increased $238,253 (5.7%) from FY17 to FY18. In FY19 salaries and payroll costs, measured as a percentage of total operating expenses before depreciation and amortization, were 47.1% in FY19, 52.9% in FY18 and 51.4% in FY17. A significant portion of the FY19 salaries and payroll decrease compared to FY18 resulted from contracting for Law Enforcement services with the City of Del Rey Oaks. The increase in salaries and payroll costs in FY18 compared to FY17 is directly attributable to expense increases from recognizing

Operating Expenses Before Depreciation and Amortization (Continued)

required GASB 68 adjustments ($191,748). The District's receives "Law Enforcement Officer (LEO) Reimbursement Grant" from the U. S. Department of Homeland Security (DHS) that directly offsets Police Department labor expenses. The LEO grant reimbursements/offsets are not included in Table IV but are included in Other Revenues and Expenses (see Table VI.)

Table IV

FISCAL YEARS 2019, 2018 & 2017 SALARY & PAYROLL EXPENSES						
	2019		2018		2017	
Finance & Administration	$ 1,030,814	25.7%	$ 1,019,767	23.2%	$ 886,819	21.3%
Planning & Development	417,311	10.4%	337,693	7.7%	293,821	7.1%
Maintenance & Custodial Services	1,101,312	27.4%	1,085,270	24.7%	1,018,603	24.5%
Airport Operations	348,316	8.7%	356,847	8.1%	315,093	7.6%
Police Department	656,411	16.3%	1,340,201	30.5%	1,108,510	26.6%
ARFF / Fire Department	463,664	11.5%	258,818	5.9%	537,497	12.9%
Total	$ 4,017,828	100%	$ 4,398,596	100%	$ 4,160,343	100%

Table V compares operating expenses for Fiscal Years 2019, 2018 and 2017. Chart D provides a graphic representation of operating expenses. All department operating expenses were affected by changes in merit salaries, CalPERS Unfunded Account Liability and offset by lower GASB 68 and GASB 75 OPEB non-cash adjustments. These expenses are recognized as components of the compensation and retirement related expenses.

<u>Finance & Administration (F&A) operating expenses</u> decreased 5.2% or $110,417 compared to FY18 and increased 3.2% or $65,788 an increase from FY17 to FY18. The FY19 F&A expense decrease came from lower Electricity Utilities expenses from use of the solar array installed in November 2017 ($118,399) this decrease was offset by a variety of other expenses totaling $7,985. The FY18 F&A expense increase resulted from legal expenses related to the future 2801 Monterey Salinas Highway land acquisition.

<u>Planning & Development (PD) operating expenses</u> increased 8.2% or $39,334 compared to FY18 and a decrease of 23.5% or $91,047 from FY17 to FY18. The FY19 PD expense increase resulted from changes in personnel that increased salaries. The Senior Planning Manager was promoted to Deputy Director Strategy and Development, and a replacement Planning Manager was hired at a higher salary. These changes in staffing resulted in an increase of $46,890 including salaries and benefits that were offset by a decrease in a variety of other expenses totaling $7,559. The FY18 PD expense increase came from higher salaries related expenses ($43,872) and higher Architect & Engineer and Environmental expenses ($47,175).

<u>Maintenance & Custodial Services (MCS) operating expenses</u> increased 0.2% of $3,214 from FY18 and increased 12.1% or $166,407 from FY17 to FY18. MCS saw wide variety of variances in FY19. Salaries

Operating Expenses Before Depreciation and Amortization (Continued)

increased $39,013 but were offset by a decrease in GASB 68 expenses of $50,444. In addition to these two significant changes there was a decrease in a variety of other expenses totaling $8,217. The FY18 MCS expense increase from higher salaries related expenses ($66,667), higher Airfield Repairs for Airport Operating Area painting projects and consolidation of fuel expenses in MCS ($99,741). MCS' goal is to perform more projects internally and rely less on contractors.

Airport Operations (OPS) operating expenses decreased 9.0% or $45,182 compared to FY18 and a decreased 7.5% or $40,507 from FY17 to FY18. FY19 OPS expenses included lower salary and benefits related expenses ($8,446) and other/contracts services ($33,062). The lower other/contracts services expense came from cancelling the Taxi starter service effective October 2018. FY18 OPS expenses included higher salary related expenses ($41,754) that were offset by lower non-labor expenses ($82,261).

Police Department operating expenses increased 6.0% or $86,129 compared to FY18 and increased 5.4% or $73,295 from FY17 to FY18. In October 2018 the District contracted law enforcement services with the City of Del Rey Oaks and closed its Police department. Closing the Police department resulted in a net decrease in salaries and related expenses ($683,790) and a decrease in other operating expenses ($86,127), which combined totaled $739,128. The City of Del Rey Oaks purchased the District's police vehicles and supplies for a total of $65,000 which resulted in a gain on the sale of $51,555. The City of Del Rey Oaks FY19 partial year Law Enforcement contract services totaled $825,256. In future fiscal periods the District will benefit from lower staffing and variable operating expenses. The FY18 Police Department expense increased from higher salary and benefits related expenses ($231,691) and lower non-labor expenses of ($158,396). In FY18 the District moved the Police Department vehicle maintenance, repairs and fuel expenses ($14,265) to the maintenance department and reduced a variety of operating expenses ($18,051). The FY 19 and FY18 Police Department expenses in Table V excludes the annual LEO Grant reimbursement of $116,800, which is reported as operating grant revenue. In FY18, a significant portion of the decrease is directly attributed to reduced labor and related expenses, as the District budgeted for 7 full time officers but operated with 6 and utilized part-time officers.

ARFF / Fire operating expenses increased 10.9% or $228,872 compared to FY18 and decreased 6.8% or $154,340 from FY17 to FY18. In FY14 District eliminated its Aircraft Rescue and Fire Fighting (ARFF) department staff and contracted with the City of Monterey for fire department staffing services. The City of Monterey absorbed the District's fire department staff through a 5-year contract, which provides the ARFF services. The Airport's ARFF department is subject to CalPERS Pension Unfunded Account Liabilities payments and GASB 68 and 75 expense adjustments for ARFF department staff who worked for the airport before contracting with City of Monterey. The District negotiated a new contract with the City of Monterey to continue services beyond June 30, 2019. In FY19 ARFF department recognized an increase in pension expenses ($204,845) and ARFF vehicle repairs and other expenses ($24,026). The FY18 ARFF Department expense decreased ($154,340) from lower net pension expenses ($278,680) that were offset by a 3% increase in the City of Monterey ARFF service contract ($56,030.), and ARFF vehicle repairs and other expenses ($68,302).

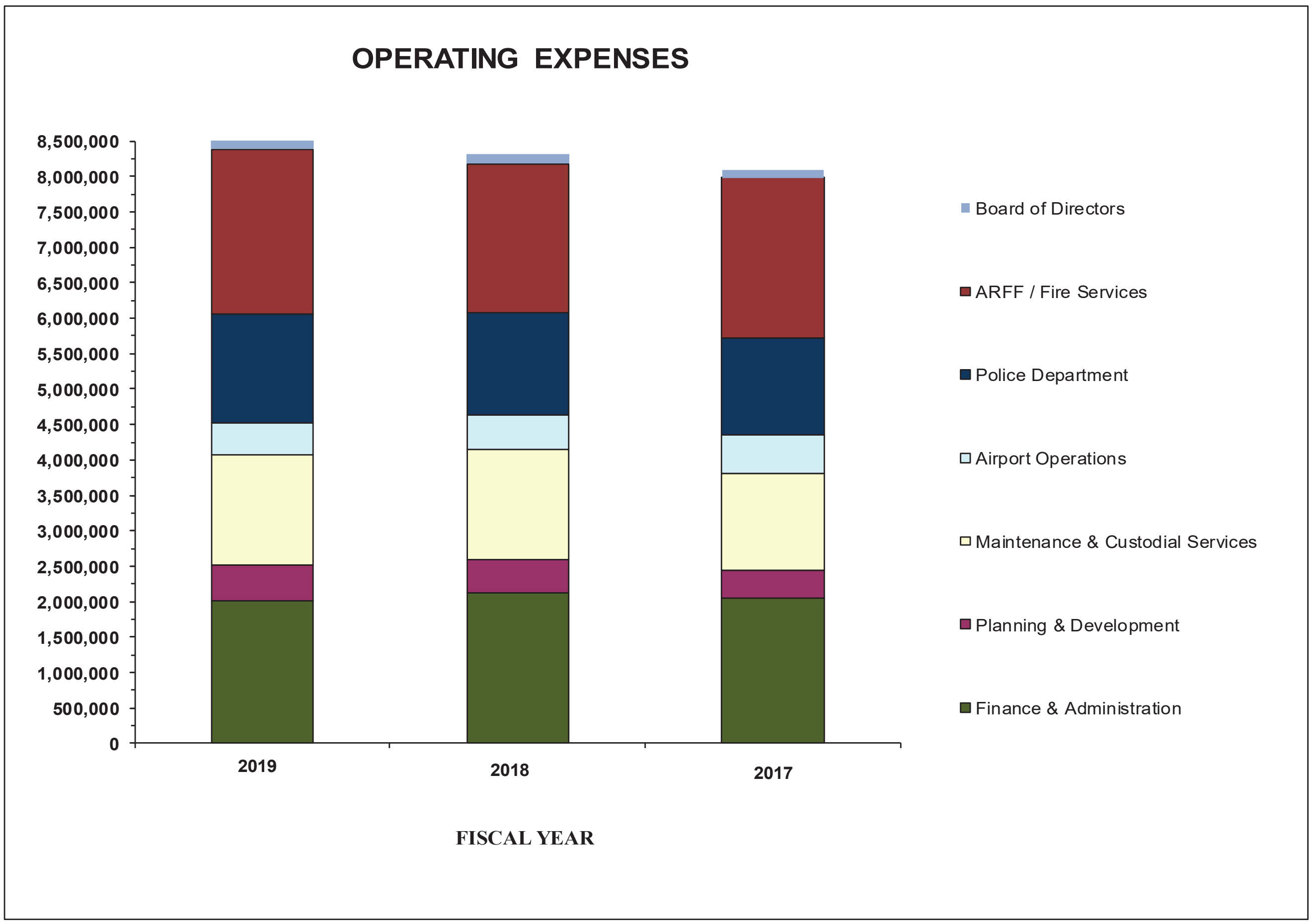
Board of Directors (Director) operating expenses increased 13.2% or $16,511 compared to FY18 and a decrease of 18.8% or $19,681 from FY17 to FY18. FY19 was an election year but the Directors up for reelection ran uncontested which saved the District $105,000. The increase in FY19 expenses relates to slightly higher Director stipends ($5,805), business travel ($8,558) and conference ($1,995) fees. FY18 was an off-election year therefore no Director election expenses were incurred.

Operating Expenses Before Depreciation and Amortization (Continued)

Table V

FISCAL YEARS 2019, 2018 & 2017 OPERATING EXPENSE BEFORE DEPRECIATION AND AMORTIZATION						
	2019		2018		2017	
Finance & Administration	$ 2,008,686	23.6%	$ 2,119,103	25.5%	$ 2,053,315	25.4%
Planning & Development	517,072	6.1%	477,738	5.8%	386,691	4.8%
Maintenance & Custodial Services	1,545,570	18.1%	1,542,356	18.6%	1,375,949	17.0%
Airport Operations	457,588	5.4%	502,770	6.1%	543,277	6.7%
Police Department	1,525,078	17.9%	1,438,949	17.3%	1,365,654	16.9%
ARFF / Fire Services	2,331,273	27.3%	2,102,401	25.3%	2,256,741	27.9%
Board of Directors	141,070	1.7%	124,559	1.5%	104,878	1.3%
Total	$ 8,526,337	100%	$ 8,307,876	100%	$ 8,086,505	100%

Chart D



Actual Financial Results – FY19, FY18 and FY17 Revenues, Expenses and Changes in Net Position

Table VI

	FY 2019 Actual	FY 2018 Actual	FY 2017 Actual
Operating Revenues			
Commercial Aviation - Fees	$ 863,475	$ 754,605	$ 815,305
General Aviation - Fees	435,218	390,446	366,773
Terminal Concessions and Leases	4,417,644	4,171,551	4,165,518
Heavy General Aviation	1,132,318	1,068,931	1,050,727
Light General & Other Aviation Tenants	454,130	458,570	447,714
Non-Aviation Tenants	1,756,559	1,759,318	1,729,424
Other Operating Revenues	415,707	590,322	409,488
Total Operating Revenues	9,475,051	9,193,743	8,984,949
Operating Expenses			
Finance & Administration	2,008,686	2,119,103	2,053,315
Planning & Development	517,072	477,738	386,691
Maintenance & Custodial Services	1,545,570	1,542,356	1,375,949
Airport Operations	457,588	502,770	543,277
Police Department	1,525,078	1,438,949	1,365,654
ARFF Services	2,331,273	2,102,401	2,256,741
Board of Directors	141,070	124,559	104,878
Total Operating Expenses	8,526,337	8,307,876	8,086,505
Operating Income before Depreciation	948,714	885,867	898,444
Depreciation & Amortization Expense	6,552,360	6,865,240	5,385,828
Net Operating Income / (Loss)	(5,603,646)	(5,979,373)	(4,487,384)
Other Revenue (Expense), net	2,970,096	2,578,263	3,047,713
Change in Net Position	$ (2,633,550)	$ (3,401,110)	$ (1,439,671)
Net Position Beginning of Year	66,341,558	71,909,977	73,349,648
Cumulative Effect of implemeting GASB 75	-	(2,167,309)	-
Net Position End of Year	63,708,008	66,341,558	71,909,977

Capital Assets and Debt Activity

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

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

Table VII

	2019	2018	2017
Tangible assets, net			
Land	$ 1,784,717	$ 1,784,717	$ 1,784,717
Land improvements	53,163,234	55,902,730	60,632,292
Buildings	5,419,808	6,254,984	7,031,086
Furniture, equipment and vehicles	3,284,269	3,464,208	720,451
Construction in progress	4,513,426	5,037,831	3,438,984
Total	68,165,454	72,444,470	73,607,530
Intangible assets, net	1,783,168	723,934	1,500,282
Total capital assets - net	$ 69,948,622	$ 73,168,404	$ 75,107,812

Contractual Commitments

The District approved capital expenditures for fiscal years 2019 and 2018 and authorized contracts for the construction of various capital assets. At June 30, 2019 and June 30, 2018, the District had approved construction in progress (CIP) projects totaling $8,383,853 and $8,364,816 respectively. As presented in the financial statements notes, worked completed on these approved CIP projects at June 30, 2019 totaled $3,870,428 and June 30, 2018 totaled $3,326,985. Remaining approved CIP expenditures and contracts for subsequent years beginning July 1, 2019 are $4,513,426 and July 1, 2018 are $5,037,831. Most of these commitments will be funded by AIP grants and PFCs when work is complete.

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

Debt

The Monterey Peninsula Airport District 2012 Taxable Pension Obligation Bonds (POB) were issued on June 27, 2012. The bonds' par value, coupon rate, and terms are $3,077,000, 4.40% and 10 years, respectively. POB Bond proceeds were used to eliminate the "side accounts" associated with the District's CalPERS's pension obligations and employer retirement expense rates. The POB principal balance on June 30, 2019 is $1,068,000.

Debt (continued)

On May 22, 2017, the Monterey Peninsula Airport District received approval for a $3,000,000, 1% and 16.1-year California Energy Commission (CEC) construction and term loan to finance development of a 1.51M kWh Solar Panel Array on airport property. The District made draws on the CEC construction loan totaling $2,931,320 through completion of the project in November 2017. The CEC loan will be repaid through the Airport's electricity savings from power generated by the Solar Panel Array. The Solar Panel Array power generation is expected to meet the power requirements of the District. The CEC loan principal balance on June 30, 2019 is $2,802,761.

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

Fiscal Year 2019 District Actions Impacting Future Operations

District and Management Focus

The District's FY19 operational and financial performance were a direct result of actions and changes implemented by the District's Board of Directors and Executive Management of the Airport. In FY19 the District continued to develop community awareness of the Airport's services, worked with commercial air service providers to increase available flights, continued infrastructure development and completed and approved an Airport Master Plan (Plan). The following are some of the events occurring during FY19, which are positioning the Airport for new services and growth.

Airport Master Plan

In 2013 the District began the process of developing a Master Plan to improve, upgrade or replace several components of the Airport's airside and landside facilities. On November 26, 2018 the District's Board of Directors passed resolutions 1730 which approved and certified the Final Environmental Impact Report and resolution 1731 Alternative 1 as the Monterey Regional Airport Master Plan. The Master Plan is a multiyear series of projects scheduled to begin in FY20 and continued for up to ten or more years. Information about the Airport Master Plan can be viewed online at http://montereyeir.airportstudy.com.

Commercial Air Service and Concessions

During FY19, the airlines realigned some flights and upgraded equipment servicing the Airport. In October 2018 two nonstop flights to Denver returned to the Airport and in April a new nonstop flight to Dallas was introduced. Both services have been well received by the District's customers and the financial benefits are presented in the FY 19 financial statements.

The addition of the Denver and Dallas flights resulted in an 8.2% increase in passenger enplanements in FY19. The District expects to see continued improvement in the enplanements in FY20.

The District's commercial airline service successes have been built on the local community's (travelers and businesses) demand for commercial air service. In FY19, 55.7% of the Airport's operating revenues are collected from the airlines that pay user fees and concessions that provide services to the passengers. In FY18 commercial airline service provided 53.6% of the operating revenues.

In FY20 the District is planning for modest increases in commercial airline service and concession revenues that tend to follow changes in enplanements. Commercial air service development is a continuing focus for the District and Executive Management.

Fiscal Year 2019 District Actions Impacting Future Operations (Continued)

General Aviation

Combined Heavy and Light general aviation revenues increased 5.4% from FY18 and 2.8% from FY17 to FY18. Heavy general aviation operations and charters continued the upward trend both landing and fuel fees. The District attributes these increases to both events and activities in Monterey county and also improvements in the economy. The District expects Heavy general aviation operations to increase about 1% in FY20.

Light general aviation hangar, tiedowns and hangar end space rentals are at capacity and revenues remained relatively flat since almost all hangars are occupied. As part of the Master Plan the District is considering increasing hangar capacity to meet market demand.

Non-Aviation and Other Operating Services

Non-Aviation and Other Operating Revenues (NAOO) decreased 7.5% from FY18 to FY19. Most of this decrease came from cancelling the Police Chief services contract with the City Del Rey Oaks (DRO) and settlement of worker's compensation insurance claims administered by Special District Risk Management Authority (SDRMA). With these two changes FY20 NAOO revenues were expected to revert back to the basic property taxes, tenant utilities charges and tenant employee parking permits and badging but in March the District received permission from the FAA to submit for a land acquisition grant to acquire property located at 2801 Monterey Salinas Highway (2801).

2801 properties were purchased on July 3, 2019 as part of the District's Master Plan but currently consist of office space which is leased to existing tenants. 2801 is expected to generate approximately $370,000 in annual revenues that will increase NAOO FY20 revenues by $337,000 over FY19 revenues.

Rates and Charges adopted for FY20 are unchanged from FY19. Given the District's historical performance and current economic indicators, the FY20 plan recognizes revenues similar FY19 with the addition of the 2801 properties revenue.

Operating Expenses

FY20 operating expenses are budgeted to increase modestly with the inclusion of the 2801 additional expenses ($360,781) over FY19. Included in the FY20 operating expenses are savings from the new service contracts with the Cities of Monterey and Del Rey Oaks discussed below.

Service Contracts

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

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. The District's goals included reducing management overhead while maintaining the needed services and improved flexibility in staffing with a larger pool of qualified officers. FY20 plan expenses includes a decrease in expenses before any CalPERS or GASB expenses adjustments.

Fiscal Year 2019 District Actions Impacting Future Operations (Continued)

Airport Infrastructure

To improve the Airport Infrastructure, the District has authorized the Executive Director to pursue grants or financing and make capital investments in FY19 and FY20. The follow is a summary of two significant capital projects.

- In FY19, the District received AIP 03-06-0159-069 (2019-10) grant for the purchase of 2801 Monterey Salinas Highway (2801) which includes 5.66 acres of land, four building site/lots and two occupied office buildings totaling approximately $7,512,895. The District's request for the grant was driven by the Airports Master Plan which designates the land as part of the proposed new Airport terminal operating area. On July 3, 2019 the District purchase the 2801 properties and assumed the lessor control of the occupied building that will generate annual revenues of approximately $370,000.

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

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 at June 30, 2019 total $199,733.

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

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, CA 93940.

MONTEREY PENINSULA AIPRORT DISTRICT

STATEMENTS OF NET POSITION
JUNE 30, 2019 AND 2018

	2019	2018
Assets:		
Current Assets:		
Unrestricted:		
Cash (Note 2)	$ 1,470,315	$ 1,252,411
Investments (Note 2)	4,267,386	4,463,157
Accounts receivable, net	799,149	543,906
Accrued interest receivable	29,973	13,065
Prepaid costs and other assets	153,927	234,421
Total unrestricted current assets	6,720,750	6,506,960
Restricted:		
Cash (Note 2)	2,018,661	1,201,039
Investments (Note 2)	1,008,576	1,167,652
Total restricted current assets	3,027,237	2,368,691
Total Current Assets	**9,747,987**	**8,875,651**
Noncurrent Assets:		
Capital assets (Note 3)		
Non depreciable capital assets	6,298,143	6,822,548
Depreciable capital assets, net	63,650,479	66,345,856
Total Noncurrent Assets	**69,948,622**	**73,168,404**
Total Assets	**79,696,609**	**82,044,055**
Deferred Outflows of Resources:		
Deferred outflows related to pensions (Note 8)	2,110,560	2,580,126
Deferred outflows related to OPEB (Note 9)	136,277	69,698
Total Deferred Outflows of Resources	**2,246,837**	**2,649,824**
Liabilities:		
Current liabilities:		
Accrued liabilities (Note 4)	667,501	358,010
Unearned revenues	50,559	53,054
Accrued compensated absences (Note 5)	20,956	29,942
Due to the City of Monterey (Note 6 & 11)	19,966	19,966
Pension obligation bonds payable, current portion (Note 6)	341,000	326,000
CEC secured loan payable, current portion (Note 6)	151,979	128,559
Funds held in trust	199,733	141
Total Current Liabilities	**1,451,694**	**915,672**
Long-term liabilities:		
Security deposits	443,406	429,279
Unearned revenues - rent received in advance from tenants	256,675	268,429
Accrued compensated absences, net of current portion (Note 5)	126,021	204,976
Due to the City of Monterey, net of current portion (Note 6 & 11)	59,898	79,865
Pension obligation bonds payable, net of current portion (Note 6)	727,000	1,068,000
CEC secured loan payable, net of current portion (Note 6)	2,650,782	2,802,761
Net pension liability (Note 8)	8,886,130	8,866,133
Total OPEB liability (Note 9)	2,671,325	2,507,740
Total Long-Term Liabilities	**15,821,237**	**16,227,183**
Total Liabilities	**17,272,931**	**17,142,855**
Deferred Inflows of Resources:		
Deferred inflows related to pensions (Note 8)	834,475	1,048,265
Deferred inflows related to OPEB (Note 9)	128,032	161,201
Total Deferred Inflows of Resources	**962,507**	**1,209,466**
Net Position:		
Net investment in capital assets	66,913,811	70,121,950
Restricted - unspent Passenger Facilities Charges	2,526,464	1,929,982
Unrestricted	(5,732,267)	(5,710,374)
Total Net Position	**$ 63,708,008**	**$ 66,341,558**

MONTEREY PENINSULA AIPRORT DISTRICT

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE FISCAL YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
Operating Revenues:		
Commercial aviation	$ 863,475	$ 754,605
General aviation	435,218	390,446
Terminal leases and concessions	4,417,644	4,171,551
Heavy general aviation	1,132,318	1,068,931
Light general aviation and other aviation tenants	454,130	458,570
Non-aviation tenants	1,756,559	1,759,318
Other operating revenue	415,707	590,322
Total Operating Revenues	**9,475,051**	**9,193,743**
Operating Expenses:		
Finance and administration	2,008,686	2,119,103
Planning and development	517,072	477,738
Maintenance and custodial services	1,545,570	1,542,356
Airport operations	457,588	502,770
Police department	1,525,078	1,438,949
Fire department	2,331,273	2,102,401
Board of directors	141,070	124,559
Total Operating Expenses Before Depreciation	**8,526,337**	**8,307,876**
Depreciation and amortization	6,552,360	6,865,240
Total Operating Expenses	**15,078,697**	**15,173,116**
Operating Income (Loss)	(5,603,646)	(5,979,373)
Nonoperating Revenues (Expenses):		
Passenger Facility Charges	899,816	774,388
Operating grants	116,800	116,800
Investment income	162,695	18,719
Interest expense	(86,816)	(94,370)
Gain (loss) on disposal of capital assets	51,555	-
Net Nonoperating Revenues (Expenses)	**1,144,050**	**815,537**
(Loss) Before Contributed Capital	(4,459,596)	(5,163,836)
Capital Contributions		
Grants from government agencies	1,826,046	1,762,726
Changes in Net Position	(2,633,550)	(3,401,110)
Net Position:		
Beginning of Fiscal Year	66,341,558	71,909,977
Restatements	-	(2,167,309)
Beginning of Fiscal Year, as restated	66,341,558	69,742,668
End of Fiscal Year	**$ 63,708,008**	**$ 66,341,558**

MONTEREY PENINSULA AIPRORT DISTRICT

STATEMENTS OF CASH FLOWS
FOR THE FISCAL YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
Cash Flows from Operating Activities:		
Receipts from customers	$ 9,219,686	$ 9,252,727
Payments to vendors for goods and services	(4,347,281)	(3,725,477)
Payments for employees pension and OPEB benefits	(761,310)	(703,767)
Payments to employees for services	(3,028,109)	(3,865,242)
Net Cash Provided by Operating Activities	**1,082,986**	**958,241**
Cash Flows from Non-Capital Financing Activities:		
Interest paid on pension obligation bond	(57,750)	(71,612)
Principal payments on pension obligation bond	(326,000)	(312,000)
Proceeds from operating grants	116,800	116,800
Net Cash (Used) in Non-Capital Financing Activities	**(266,950)**	**(266,812)**
Cash Flows from Capital and Related Financing Activities:		
Proceeds from capital grants and Passenger Facility Charges	2,725,862	2,615,913
Proceeds from CEC loan	-	2,931,320
Proceeds from funds held in trust	199,592	-
Acquisition and construction of capital assets	(3,113,973)	(5,789,783)
Interest paid on CEC loan	(29,066)	-
Principal paid on CEC loan	(128,559)	-
Proceeds from sale of capital assets	65,000	-
Net Cash (Used) in Capital and Related Financing Activities	**(281,144)**	**(242,550)**
Cash Flows from Investing Activities:		
Investment income received	24,346	29,397
Investments matured	476,288	(814,951)
Net Cash Provided (Used) by Investing Activities	**500,634**	**(785,554)**
Net Change in Cash and Cash Equivalents	**1,035,526**	**(336,675)**
Cash and Cash Equivalents at Beginning of Year	2,453,450	2,790,125
Cash and Cash Equivalents at End of Year	**3,488,976**	**2,453,450**
Reconciliation of cash and cash equivalents to amounts reported on the statement of Net Position		
Unrestricted cash and equivalents	1,470,315	1,252,411
Restricted cash and equivalents	2,018,661	1,201,039
	3,488,976	**2,453,450**
Reconciliation of Operating Income to Net Cash (Used) by Operating Activities:		
Operating (loss)	(5,603,646)	(5,979,373)
Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:		
Depreciation	6,552,360	6,865,240
(Increase) decrease in accounts receivable	(255,243)	18,833
(Increase) decrease in prepaid costs and other assets	80,494	(134,740)
Increase (decrease) in accrued liabilities	77,441	(85,773)
Increase (decrease) in due to the City of Monterey	(19,967)	(19,966)
Increase (decrease) in security deposits	14,127	17,444
Increase (decrease) in unearned revenue	(14,249)	22,707
Increase (decrease) in compensated absences	(87,941)	(2,578)
Increase (decrease) in pension related items	275,773	191,748
Increase (decrease) in OPEB related items	63,837	64,699
Total Adjustments	**6,686,632**	**6,937,614**
Net Cash Provided by Operating Activities	**$ 1,082,986**	**$ 958,241**
Non-Cash Capital and Related Financing Activities:		
Acquisiton and construction of capital assets in accrued liabilities	$ 232,050	$ 115,134
Accrued interest on CEC loan	660	22,758

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 501 acres. For financial reporting purposes, the District's basic financial statements include all financial activities that are controlled y or are dependent upon actions taken the District's Board of Directors. There are no component units considered for inclusion in the District's financial reporting entity.

b. Measurement Focus and Basis of Accounting

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

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

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

c. Cash and Cash Equivalents

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

d. Investments

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

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

Note 1: Summary of Significant Accounting Policies (Continued)

e. Receivables

Receivables from tenants are recorded when the revenues are earned under the accrual method of accounting and accounted for using the allowance method. The allowance is estimated using historical collection experience as well as management's judgment about collectability of individual receivables. The allowance at both June 30, 2019 and 2018 was $10,000.

f. Prepaid Expenses

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

g. Capital Assets

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

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

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

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

h. Employee Benefits

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

i. Accrued Compensated Absences

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

Note 1: Summary of Significant Accounting Policies (Continued)

j. Unearned Revenues

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

k. Deferred Outflows and Inflows of Resources

Deferred outflows and inflows of resources related to pensions are certain changes in total pension liabilities and fiduciary net position that are to be recognized in future pension expense. Excluding deferred pension contributions, the remaining pension related deferred outflows and inflows of resources are amortized over the remaining expected average remaining service lifetime (approximately four 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 (5.86 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 pension plan investments.

l. Net Position

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

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

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

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

Note 1: Summary of Significant Accounting Policies (Continued)

m. Passenger Facility Charges

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

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

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

n. Operating Grants and Capital Contributions

Certain expenditures for airport capital improvements, airport safety and security operations, are significantly funded through the Airport Improvement Program (AIP) of the FAA and Transportation Security Administration (TSA), with certain matching funds provided by the District. Funding provided under government grants is considered earned as the related allowable expenditures are incurred.

Grants awarded by TSA to reimburse certain police department's costs are reported in the statement of revenues, expenses and changes in net position as nonoperating revenues. For the years ended June 30, 2019 and 2018, the District requested and received $116,800 and $116,800, respectively, as reimbursement of certain police department costs. Grants for capital asset acquisition, facility development and rehabilitation are reported as capital contributions, after nonoperating revenues and expenses. For the years ended June 30, 2019 and 2018, the District recognized $1,826,046 and $1,762,726, respectively, as capital contributions funded by AIP grants.

o. Use of Estimates

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

p. Reclassifications and Presentation

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

Note 1: Summary of Significant Accounting Policies (Continued)

q. New Accounting Standards Adopted

During the year ended June 30, 2019, the District adopted the following Governmental Accounting Standards Board (GASB) Statements:

GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to financial statements related to debt, this statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The requirements of this statement are effective for reporting periods beginning after June 15, 2018.

r. New Accounting Standards to be Implemented

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

GASB Statement No. 84, *Fiduciary Activities*, improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The statement is effective for fiscal years beginning after December 15, 2018.

GASB Statement No. 87, *Leases*, increases the usefulness of government financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The statement is effective for fiscal years beginning after December 15, 2019.

Note 1: Summary of Significant Accounting Policies (Continued)

GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, requires that interest cost incurred before the end of a construction period be recognized as an expenditure/expense in the period in which the cost is incurred. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset. The requirements of this statement are effective for reporting periods beginning after December 15, 2019.

Note 2: Cash and Investments

Cash and investments at June 30, 2019 and 2018 comprised of the following:

	2019	2018
Unrestricted:		
Deposits with banks	$ 1,470,315	$ 1,252,411
Investments	4,267,386	4,463,157
Total unrestricted	5,737,701	5,715,568
Restricted		
Deposits with banks	2,018,661	1,201,039
Investments	1,008,576	1,167,652
Total restricted	3,027,237	2,368,691
Total cash and investments	$ 8,764,938	$ 8,084,259

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 deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

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

Note 2: Cash and Investments (Continued)

b. Investments Permitted

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

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

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

c. Investments

The following is a summary of the District's investments at June 30, 2019:

		(Maturity in Years)		
	Fair Value	Less than 1	1 - 5	Credit Ratings (Standard & Poor's)
Negotiable certificates of deposits	$ 2,728,247	$ 599,945	$ 2,128,302	Not Rated
Local Agency Investment Fund	2,547,715	2,547,715	-	Not Rated
Total investment	$ 5,275,962	$ 3,147,660	$ 2,128,302	

The following is a summary of the District's investments at June 30, 2018:

		(Maturity in Years)		
	Fair Value	Less than 1	1 - 5	Credit Ratings (Standard & Poor's)
Negotiable certificates of deposits	$ 3,127,783	$ 756,537	$ 2,371,246	Not Rated
Local Agency Investment Fund	2,503,026	2,503,026	-	Not Rated
Total investment	$ 5,630,809	$ 3,259,563	$ 2,371,246	

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, 2019 and 2018 was 173 and 193 days, respectively.

Note 2: Cash and Investments (Continued)

As of June 30, 2019, and 2018, the District had unrestricted investments of $2,547,715 and $2,503,026, respectively invested in LAIF, which had invested 1.77% and 2.67% 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 $105.7 billion and $88.8 billion in its investment portfolio as of June 30, 2019 and 2018, respectively. The District valued its investments in LAIF as of June 30, 2019 and 2018, by multiplying its account balance with LAIF times a fair value factor determined y 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 1.00171179 and 0.983528789 as of June 30, 2019 and 2018, respectively.

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

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

d. Restricted Cash and Investments

At June 30, 2019 and 2018, cash and investments were restricted for the following:

	June 30, 2019			June 30, 2018		
	Cash in Bank	Investments	Total	Cash in Bank	Investments	Total
Security deposits from tenants	$ 443,467	$ -	$ 443,467	$ 428,971	$ -	$ 428,971
Passenger facility charge program	1,410,121	1,008,576	2,418,697	757,127	1,167,652	1,924,779
Debt service	21,348	-	21,348	14,941	-	14,941
Debt service	143,725	-	143,725	-	-	-
Total restricted cash and investments	$ 2,018,661	$ 1,008,576	$ 3,027,237	$ 1,201,039	$ 1,167,652	$ 2,368,691

Note 3: Capital Assets

Capital assets activity for the year ended June 30, 2019 was as follows:

	Balance at July 1, 2018	Additions/ Transfers	Disposals/ Transfers	Balance at June 30, 2019
Capital assets not being depreciated:				
Land	$ 1,784,717	$ -	$ -	$ 1,784,717
Construction in progress	5,037,831	3,346,023	(3,870,428)	4,513,426
Total Capital Assets Not being Depreciated	6,822,548	3,346,023	(3,870,428)	6,298,143
Capital assets being depreciated:				
Intangible assets	21,909,735	1,538,936	-	23,448,671
Land improvements	84,262,484	2,071,582	-	86,334,066
Buildings and improvements	21,278,481	36,659	(988)	21,314,152
Furniture, equipment and vehicles	7,102,148	223,251	(117,861)	7,207,538
Total Capital Assets being Depreciated	134,552,848	3,870,428	(118,849)	138,304,427
Less accumulated depreciation for:				
Intangible assets	(21,185,801)	(479,702)	-	(21,665,503)
Land improvements	(28,359,754)	(4,811,078)	-	(33,170,832)
Buildings and improvements	(15,023,497)	(871,835)	988	(15,894,344)
Furniture, equipment and vehicles	(3,637,940)	(389,745)	104,416	(3,923,269)
Less Accumulated Depreciation	(68,206,992)	(6,552,360)	105,404	(74,653,948)
Total Capital Assets, Being Depreciated, Net	66,345,856	(2,681,932)	(13,445)	63,650,479
Total Capital Assets, Net	$ 73,168,404	$ 664,091	$ (3,883,873)	$ 69,948,622

Construction in progress activity for the year ended June 30, 2019 was as follows:

Projects		Balance July 1, 2018	Additions/ Transfers	Completed Transferred to Depreciable	Balance July 1, 2019
2013-02	Airport Master Plan	$ 1,177,274	$ -	$ (1,177,274)	$ -
2015-03	Infield Safety Area Rehabilitation - Phase 1	313,147	48,515	(361,662)	-
2016-01	NEPA/CEQA Safety Initiative	1,753,766	504,758	-	2,258,524
2017-06	Airfield Electrical Vault Upgrade	1,598,387	104,462	(1,702,849)	-
2017-07	FAA Disparity Study	6,990	8,005	-	14,995
2018-04	10R-28L Procedure Development	21,080	3,374	-	24,454
2018-09	Runway 10L-28R Overlay & Papi	167,187	1,555,380	-	1,722,567
2019-01	Infield Safety Area Rehab Phase 1	-	187,551	-	187,551
2019-02	RSA MITIGATION - YEAR 4	-	65,777	-	65,777
2019-03	Water Distribution System	-	18,150	-	18,150
2019-04	ARFF Vehicle Purchase	-	223,250	(223,250)	-
2019-05	Inside Terminal Refresh	-	36,659	(36,659)	-
2019-06	Pavement Rehabilitation	-	336,440	(336,440)	-
2019-07	RV LOT 2 Construction	-	32,294	(32,294)	-
2019-10	Land Acquisition	-	211,160	-	211,160
2019-11	ARFF BLDG Exhaust	-	10,248	-	10,248
	Total	$ 5,037,831	$ 3,346,023	$ (3,870,428)	$ 4,513,426

Note 3: Capital Assets (Continued)

Capital assets activity for the year ended June 30, 2018 was as follows:

	Balance at July 1, 2017	Additions/ Transfers	Disposals/ Transfers	Balance at June 30, 2018
Capital assets not being depreciated:				
Land	$ 1,784,717	$ -	$ -	$ 1,784,717
Construction in progress	3,438,984	4,925,832	(3,326,985)	5,037,831
Total Capital Assets Not being Depreciated	5,223,701	4,925,832	(3,326,985)	6,822,548
Capital assets being depreciated:				
Intangible assets	21,909,735	-	-	21,909,735
Land improvements	84,188,203	74,281	-	84,262,484
Buildings and improvements	21,099,767	178,714	-	21,278,481
Furniture, equipment and vehicles	4,028,158	3,073,990	-	7,102,148
Total Capital Assets being Depreciated	131,225,863	3,326,985	-	134,552,848
Less accumulated depreciation for:				
Intangible assets	(20,409,453)	(776,348)	-	(21,185,801)
Land improvements	(23,555,911)	(4,803,843)	-	(28,359,754)
Buildings and improvements	(14,068,681)	(954,816)	-	(15,023,497)
Furniture, equipment and vehicles	(3,307,707)	(330,233)	-	(3,637,940)
Less Accumulated Depreciation	(61,341,752)	(6,865,240)	-	(68,206,992)
Total Capital Assets, Being Depreciated, Net	69,884,111	(3,538,255)	-	66,345,856
Total Capital Assets, Net	$ 75,107,812	$ 1,387,577	$ (3,326,985)	$ 73,168,404

Construction in progress activity for the year ended June 30, 2018 was as follows:

Projects		Balance July 1, 2017	Additions/ Transfers	Completed Transferred to Depreciable	Balance July 1, 2018
2013-02	Airport Master Plan	$ 1,177,274	$ -	$ -	$ 1,177,274
2015-03	Infield Safety Area Rehabilitation - Phase 1	235,009	78,138	-	313,147
2016-01	NEPA/CEQA Safety Initiative	1,053,806	699,960	-	1,753,766
2016-02	Solar Panel Array Study	688,793	2,288,941	(2,977,734)	-
2017-06	Airfield Electrical Vault Upgrade	244,733	1,353,654	-	1,598,387
2017-07	FAA Disparity Study	706	6,284	-	6,990
2017-09	Terminal Security Cameras	-	34,857	(34,857)	-
2017-10	Building 514 Roof Repair	34,313	-	(34,313)	-
2017-12	DB500 Mobile Paint Removal System	4,350	46,347	(50,697)	-
2018-01	RSA Mitigation Year 3	-	74,281	(74,281)	-
2018-03	Automated Beacon Technology	-	16,450	(16,450)	-
2018-04	10R-28L Procedure Development	-	21,080	-	21,080
2018-05	Terminal Air Conditioner	-	76,772	(76,772)	-
2018-06	Airport Signage Improvement	-	32,772	(32,772)	-
2018-09	Runway 10L-28R Overlay & Papi	-	167,187	-	167,187
2018-10	2018 Chevloret 1/2T 4WD Pickup	-	29,109	(29,109)	-
	Total	$ 3,438,984	$ 4,925,832	$ (3,326,985)	$ 5,037,831

Note 3: Capital Assets (Continued)

At June 30, 2019 and 2018, intangible assets consist of the following:

	2019	2018
Noise safety study and sound proofing easements	$21,549,356	$21,549,356
Master plan	1,747,376	208,440
Wildlife hazard assessment plan	151,939	151,939
Total intangible assets, gross	23,448,671	21,909,735
Less accumulated amortization	(21,665,503)	(21,185,801)
Total intangible assets, net	$ 1,783,168	$ 723,934

Note 4: Accrued Liabilities

At June 30, 2019 and 2018, accrued liabilities consist of the following:

	2019	2018
Accrued employee benefits	$ 31,630	$ 44,290
Accounts payable	605,432	247,606
Other accrued expenses	30,439	66,114
Total accrued liabilities	$ 667,501	$ 358,010

Note 5: Accrued Compensated Absences

A summary of the changes in compensated absences for the year ended June 30, 2019 is as follows:

Balance July 1, 2018	Additions	Reductions	Balance June 30, 2019	Due in One Year
$ 234,918	$ 177,871	$ (265,812)	$ 146,977	$ 20,956

A summary of the changes in compensated absences for the year ended June 30, 2018 is as follows:

Balance July 1, 2017	Additions	Reductions	Balance June 30, 2018	Due in One Year
$ 237,496	$ 283,869	$ (286,447)	$ 234,918	$ 29,942

Note 6: Long-Term Obligations

A summary of the changes in long-term obligations for the year ended June 30, 2019 is as follows:

Notes From Direct Borrowings and Direct Placements	Balance July 1, 2018	Additions	Reductions	Balance June 30, 2019	Due in One Year
Due to the City of Monterey (Note 11)	$ 99,831	$ -	$ (19,967)	$ 79,864	$ 19,966
Pension obligation bonds	1,394,000	-	(326,000)	1,068,000	341,000
CEC secured loan	2,931,320	-	(128,559)	2,802,761	151,979
Total	$4,425,151	$ -	$ (474,526)	$ 3,950,625	$ 512,945

Note 6: Long-Term Obligations (Continued)

A summary of the changes in long-term obligations for the year ended June 30, 2018 is as follows:

Notes From Direct Borrowings and Direct Placements	Balance July 1, 2017	Additions	Reductions	Balance June 30, 2018	Due in One Year
Due to the City of Monterey (Note 11)	$ 119,797	$ -	$ (19,966)	$ 99,831	$ 19,966
Pension obligation bonds	1,706,000	-	(312,000)	1,394,000	326,000
CEC secured loan	-	2,931,320	-	2,931,320	128,559
Total	$ 1,825,797	$ 2,931,320	$ (331,966)	$ 4,425,151	$ 474,525

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

The future debt service requirements for the pension obligation bonds at June 30, 2019 are as follows:

Year	Principal	Interest	Total Requirement
2020	$ 341,000	$ 43,230	$ 384,230
2021	356,000	28,072	384,072
2022	371,000	12,254	383,254
Total	$ 1,068,000	$ 83,556	$ 1,151,556

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 $2,931,320. The 2019 payment includes the principal reduction and accrued interest during construction and the first year of operation. The remainder of the CEC loan will be repaid through the Airport's electricity savings earned from the solar farm. The solar farm was operational in November of fiscal year 2018. The outstanding note from this direct borrowing contains a provision that in the occurrence of any event of default, the Energy Commission may, to the extent permitted by law, declare all or any portion of the principal and accrued interest on this promissory note to be immediately due and payable.

Note 6: Long-Term Obligations (Continued)

The future debt service requirements for the California Energy Commission (CEC) Loan at June 30, 2019 are as follows:

Year	Principal	Interest	Total Requirement
2020	$ 151,979	$ 27,724	$ 179,703
2021	153,577	26,126	179,703
2022	155,117	24,586	179,703
2023	156,672	23,031	179,703
2024	158,185	21,518	179,703
2025-2029	815,283	83,231	898,514
2030-2034	856,995	41,519	898,514
2035-2036	354,953	4,005	358,958
Total	$ 2,802,761	$ 251,740	$ 3,054,501

Note 7: Operating Leases

A significant portion of the District's revenue comes from operating leases of which the District is the lessor. The District leases parts of the terminal building, parking areas, north side buildings, land, hangars and ramps to various businesses and individuals under long-term leases with terms from 5 – 60 years. Rental revenues from these operating leases were $2,321,005 and $2,306,564, included in terminal leases and concessions, for the years ended June 30, 2019 and 2018, respectively. The cost of property held for leasing is not readily determinable.

Future minimum rentals on noncancelable leases as of June 30, 2019 are as follows:

Year	Total Payment
2020	$ 2,697,676
2021	2,759,539
2022	2,831,191
2023	2,892,685
2024	2,812,269
2025-2029	12,283,683
2030-2034	10,814,443
2035-2039	11,124,032
2040-2044	11,764,055
2045-2049	5,459,488
2050-2054	545,269
Total	$ 65,984,330

Note 8: Pension Plan

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

Note 8: Pension Plan (Continued)

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.

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

The Plans' provisions and benefits in effect at June 30, 2019, 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%	3%	2.7%	1.426%-2.418%	2%
Required employee contribution rates	0%	9%	11.50%	7%	6.25%
Required employer contribution rates	0.00%	36.69%	12.09%	14.68%	6.55%

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

For the years ended June 30, 2019 and 2018, the employer contributions recognized as deferred outflows of resources were $677,943 and $634,069, respectively.

Note 8: Pension Plan (Continued)

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

As of June 30, 2019, and 2018, the District's reported total net pension liability of $8,886,130 and $8,866,133, 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, 2019 and 2018, of the Plan is measured as of June 30, 2018 and 2017 (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, 2017 and 2016, respectively, rolled forward to June 30, 2018 and 2017 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, 2018 and 2017, were 0.09222% and 0.08940%, respectively.

For the years ended June 30, 2019 and 2018, the District recognized pension expense of $953,716 and $825,817, respectively. At June 30, 2019 and 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

June 30, 2019	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 677,943	$ -
Differences between expected and actual experiences	223,676	29,712
Change in assumptions	884,576	147,422
Net differences between projected and actual earnings on pension plan investments	54,504	-
Adjustment due to difference in proportions	269,861	148,127
Differences between actual contributions and the proportionate share of contributions	-	509,214
Total	$ 2,110,560	$ 834,475

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

June 30, 2018	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 634,069	$ -
Differences between expected and actual experiences	72,297	66,250
Change in assumptions	1,417,722	108,574
Net differences between projected and actual earnings on pension plan investments	312,513	-
Adjustment due to difference in proportions	143,525	380,284
Differences between actual contributions and the proportionate share of contributions	-	493,157
Total	$ 2,580,126	$ 1,048,265

Note 8: Pension Plan (Continued)

At June 30, 2019 and 2018, the District reported $677,943 and $634,069, 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, 2020 and 2019, 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
2020	$ 600,955
2021	321,835
2022	(260,086)
2023	(64,562)
Total	$ 598,142

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

	2019	2018
Valuation Date	June 30, 2017	June 30, 2016
Measurement Date	June 30, 2018	June 30, 2017
Actuarial Cost Method	Entry Age Normal Cost Method	Entry Age Normal Cost Method
Actuarial Assumptions		
Discount Rate	7.15%	7.15%
Inflation	2.50%	2.75%
Payroll Growth	3.00%	3.00%
Projected Salary Increase	3.30% to 14.20% depending on Age, Service, and Type of Employment	3.30% to 14.20% depending on Age, Service, and Type of Employment
Investment Rate of Return	7.15% net of pension plan investment expenses, includes inflation	7.15% net of pension plan investment expenses, includes inflation
Mortality	Derived using CalPERS' Membership Data for all Funds	Derived using CalPERS' Membership Data for all Funds

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

The mortality table used in the June 30, 2016 valuation was developed based on CalPERS' specific data. The tale includes 20 years of mortality improvements using Society of Actuaries Scale. For more details on this tale, please refer to the CalPERS 2014 experience study report available on CalPERS website.

All other actuarial assumptions used in the June 30, 2017 and 2016 valuations were based on the results of an actuarial experience study for the period 1997 to 2015, including updates to salary increase, mortality and retirement rates. Further details of the experience study can be found on the CalPERS website under Forms and Publications.

Note 8: Pension Plan (Continued)

Changes of Assumptions – In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate in 2018. In 2017, the accounting discount rate reduced from 7.65 percent to 7.15 percent.

Discount Rate – The discount rates used to measure the total pension liability at June 30, 2019 and 2018 were 7.15% and 7.15%, respectively. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

The target allocation for the June 30, 2019 measurement date was as follows:

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

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

Note 8: Pension Plan (Continued)

The target allocation for the June 30, 2018 measurement date was as follows:

Asset Class	Current Target Allocation	Real Return Year 1-10 (a)	Real Return Year 1-10 (b)
Global Equity	47.00%	4.90%	5.38%
Global Fixed Income	19.00%	0.80%	2.27%
Inflation Sensitive	6.00%	0.60%	1.39%
Private Equity	12.00%	6.60%	6.63%
Real Estate	11.00%	2.80%	5.21%
Infrastructure and Forestland	3.00%	3.90%	5.36%
Liquidity	2.00%	-0.40%	-0.90%
Total	100.00%		

(a) An expected inflation of 2.50% used for this period.
(b) An expected inflation of 3.00% used for this period.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the District's proportionate share of the net pension liability of the Plan as of the June 30, 2018 measurement date, calculated using the discount rate of 7.15 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.15 percent) or 1 percentage-point higher (8.15 percent) than the current rate:

Proportionate Share of Net Pension Liability	Decrease Rate -1% (6.15%)	Current Discount Rate (7.15%)	Decrease Rate + 1% (8.15%)
Total	$ 13,566,944	$ 8,886,130	$ 5,042,689

The following presents the District's proportionate share of the net pension liability of the Plan as of the June 30, 2017 measurement date, calculated using the discount rate of 7.15 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.15 percent) or 1 percentage-point higher (8.15 percent) than the current rate:

Proportionate Share of Net Pension Liability	Decrease Rate -1% (6.15%)	Current Discount Rate (7.15%)	Decrease Rate + 1% (8.15%)
Total	$ 13,546,644	$ 8,866,133	$ 5,025,208

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

Note 9: Other Post-Employment Benefits

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

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

Number of Covered Employees

At June 30, 2019 and June 30, 2018 reporting dates, the following numbers of employees were covered

Measurement Date	6/30/2018	6/30/2017
Active	24	28
Retirees	16	15
Total	40	43

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, 2018 and 2017 were $69,698 and $40,270, respectively.

Employer's Total OPEB Liability

The total OPEB liability as of June 30, 2019 and 2018 are presented below:

For Reporting at Fiscal Year End *Measurement Date*	June 30, 2019 *6/30/2018*	June 30, 2018 *6/30/2017*
Total OPEB Liability	$ 2,671,325	$ 2,507,740

Note 9: Other Postemployment Benefits (Continued)

Significant Actuarial Assumptions Used in Calculating the Total OPEB Liability

The total OPEB liability was determined by an actuarial valuation as of June 30, 2017 using the following actuarial assumptions:

June 30, 2017
Entry Age Normal Cost, level percent of pay
Market value of assets ($0; plan is not yet funded)
3.13% as of June 30, 2017
2.98% as of June 30, 2018
Only current active employees and retired participants and covered dependents are valued. No future errants are considered in this valuation.

3.25% per year; since benefits do not depend on pay, this is used only to allocate the costs of benefits between service years.

3.0% per year: a component of assumed salary increases.
2.75% per year

Discount Rate

When an agency finances retiree benefits on a pay-as-you-go basis, GASB Statement No. 75 requires the use of a discount rate equal to a 20-year high grade municipal bond rate. The District intends to continue financing its OPEB liability on a pay-as-you-go basis. Therefore, the District's discount rate used in this valuation is based on the S&P Municipal Bond 20 Year High Grade Index. As of the beginning and end of the Measurement Period this index requires use of discount rates of 2.98% as of June 30, 2018 and 3.13% as of June 30, 2017.

Changes in the Total OPEB Liability

The following table shows the changes in the total OPEB liability for the years ended June 30, 2019 and June 30, 2018, respectively:

For Reporting at Fiscal Year End *Measurement Date*	June 30, 2019 *6/30/2018*	June 30, 2018 *6/30/2017*	Change During Period
Balance at beginning of period	$ 2,507,740	$ 2,574,814	$ (67,074)
Changes for the year			
Service cost	89,300	96,514	(7,214)
Interest	80,196	71,052	9,144
Changes of assumptions	63,787	(194,370)	258,157
Benefit payments	(69,698)	(40,270)	(29,428)
Net Changes	163,585	(67,074)	230,659
Balance at end of period	$ 2,671,325	$ 2,507,740	$ 163,585

Note 9: Other Postemployment Benefits (Continued)

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

The following presents the total OPEB liability of the District if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for measurement periods ended June 30, 2018 and June 30, 2017:

Measurement Period June 30, 2018	1% Decrease (1.98%)	Current Discount Rate (2.98%)	1% Increase (3.98%)
Total OPEB Liability	$ 3,165,767	$ 2,671,325	$ 2,288,378

Measurement Period June 30, 2017	1% Decrease (2.13%)	Current Discount Rate (3.13%)	1% Increase (4.13%)
Total OPEB Liability	$ 2,973,378	$ 2,507,740	$ 2,147,544

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

The following presents the Total OPEB liability of the City 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, 2018 and June 30, 2017:

Measurement Period June 30, 2018	1% Decrease (7% decreasing to 4%)	Current Healthcare Cost Trent Rates (8% decreasing to 5%)	1% Increase (9% decreasing to 6%)
Total OPEB Liability	$ 2,317,859	$ 2,671,325	$ 3,265,477

Measurement Period June 30, 2017	1% Decrease (7% decreasing to 4%)	Current Healthcare Cost Trent Rates (8% decreasing to 5%)	1% Increase (9% decreasing to 6%)
Total OPEB Liability	$ 2,175,919	$ 2,507,740	$ 3,065,508

OPEB Expense for Fiscal Year

For the year ended June 30, 2019, the District recognized OPEB expense of $147,213. For the year ended June 30, 2018, the District recognized OPEB expense of $134,397.

Note 9: Other Postemployment Benefits (Continued)

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

At June 30, 2019, the District reported deferred outflows of resources and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions	$ 52,901	$ 128,032
Differences Between Expected and Actual Experience	-	-
Net Difference Between Projected and Actual Earnings on Investments	-	-
Contributions Made Subsequent to the Measurement Date	83,376	-
Total	$ 136,277	$ 128,032

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
2020	$ (22,283)
2021	(22,283)
2022	(22,283)
2023	(17,639)
2024	9,357
Total	$ (75,131)

At June 30, 2018, 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	$ -	$ 161,201
Differences Between Expected and Actual Experience	-	-
Net Difference Between Projected and Actual Earnings on Investments	-	-
Contributions Made Subsequent to the Measurement Date	69,698	-
Total	$ 69,698	$ 161,201

Note 9: Other Postemployment Benefits (Continued)

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

For the Fiscal Year Ending June 30		Recognized Deferred Outflows (Inflows) of Resources
2019	$	(33,169)
2020		(33,169)
2021		(33,169)
2022		(33,169)
2023		(28,525)
Total	$	(161,201)

Note 10: Risk Management

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

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

The District's deductibles and maximum coverage follows:

Coverage		Deductible		Coverage (aggregate)
Buildings & Business Personal Property				
Except Tools & Maintenance Equipment	$	10,000	$	46,631,170
Tools & Maintenance Equipment		1,000		
Boiler & Machinery		50,000		31,180,175
Solar Package		5,000/50,000		3,035,000
Automobile		2,500		1,000,000
Fire Truck Physical Damage		5,000		2,938,476
Airport Liability				50,000,000
Bodily Injury & Property		10,000 per occurrence		
Personal Injury		10,000 per occurrence		
Combined		10,000 per occurrence		
Public Officials Liability		100,000		5,000,000
Fiduciary Liability		5,000		1,000,000
Crime		5,000		1,000,000

Note 10: Risk Management (Continued)

Workers' Compensation Insurance

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

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

Note 11: Commitments and Contingencies

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

Grants and Contracts - The District participates in various federally assisted grant programs that are subject to review and audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements.

and applicable federal and other regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a review or audit may become a liability of the District; however, as of the date of this report, no such reviews exist, and accordingly, no liabilities are reflected in the accompanying basic financial statements.

Fire Services – On October 31, 2013, the District and the City of Monterey (City) entered into an agreement to share resources to provide fire and emergency services to the area of Monterey along the Highway 68 corridor. The City agreed to assume the difference between the actual cost of providing fire and emergency services, which amount will fluctuate over the term of the agreement and the Fire Service Fee charged by the City to the District. The initial term of the agreement is from January 1, 2014, through July 1, 2019, with an automatic extension in five-year terms unless either party gives written notice of its intent to allow the agreement to lapse. The District will provide access to the property and equipment to enable the City to provide services to the District as well as to provide local mutual aid and assistance and the City will provide fire department administration, fire prevention, incident response within the geographic boundaries of the District, and Statewide mutual aid and assistance services.

In consideration for these services, the District agreed to compensate the City with an initial fee for the period from January 1, 2014 through June 30, 2016 in the amount of $1,650,000 per fiscal year (Fire Service Fee), payable monthly. During fiscal year 2019, the District paid the City $1,769,284 pursuant to increases based on the consumer price index. The District transferred to the City its unused and unpaid compensated absence balances excluding sick leave in the amount of $199,661 of which $79,864 and $99,831 remains outstanding at June 30, 2019 and 2018, respectively. The District will pay off the balance due to the City at a rate of 10% per year for a period of ten years until the City is 100% compensated for the initial value of the unpaid compensated absence balance.

Note 12: Subsequent Event

In March 2019, the District adopted a resolution to renew the agreement between the District and the City of Monterey (City) to share resources to provide fire and emergency services to the area of Monterey along the Highway 68 corridor. The initial term of the new agreement is from July 1, 2019 through June 30, 2023, with an option to extend in five-year terms, however the extension is not automatic. In consideration for these services, the District agrees to compensate the City with fees ranging between $1,344,720 - $1,613,074 per fiscal year (Fire Service Fee), payable monthly.

During fiscal year 2018-19 the District began negotiations to acquire a 5.65-acre property adjacent to the District. The acquisition of the land will provide space for the development of future airport improvements and will ensure contiguous control of property south of Airport Operations. In addition, the acquisition will increase the existing safety conditions preventing incompatible land uses providing for safety, noise compatibility, and airspace protection purposes. The acquisition of land for about $7.4 million was finalized in July 2019 and will be reflected in the fiscal year 2019-20 financial statements.

MONTEREY PENINSULA AIRPORT DISTRICT

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

	2015	2016	2017	2018	2019
Measurement Period	*2014*	*2015*	*2016*	*2017*	*2018*
Miscellaneous Rate Plan					
Rate Plan's Proportion of the Net Pension Liability	0.02158%	0.02008%	0.02172%	0.02270%	0.02308%
Rate Plan's Proportionate Share of the Net Pension Liability	$ 1,342,879	$ 1,378,489	$ 1,879,150	$ 2,251,219	$ 2,223,790
Rate Plan's Covered Payroll	$ 1,921,962	$ 1,723,531	$ 1,677,728	$ 1,577,199	$ 1,671,567
Rate Plan's Proportionate Share of the Net Pension Liability as Percentage of Covered Payroll	69.87%	79.98%	112.01%	142.74%	133.04%
Safety Rate Plan					
Rate Plan's Proportion of the Net Pension Liability	0.06163%	0.06574%	0.06681%	0.06670%	0.06914%
Rate Plan's Proportionate Share of the Net Pension Liability	$ 3,834,741	$ 4,512,232	$ 5,781,218	$ 6,614,914	$ 6,662,340
Rate Plan's Covered Payroll	$ 1,330,599	$ 549,603	$ 601,667	$ 547,264	$ 643,653
Rate Plan's Proportionate Share of the Net Pension Liability as Percentage of Covered Payroll	288.20%	821.00%	960.87%	1208.72%	1035.08%
Total Plan					
Plan Proportion of the Net Pension Liability	0.08321%	0.08582%	0.08853%	0.08940%	0.09222%
Plan Proportionate Share of the Net Pension Liability	$ 5,177,620	$ 5,890,721	$ 7,660,368	$ 8,866,133	$ 8,886,130
Plan Covered Payroll	$ 3,252,561	$ 2,273,134	$ 2,279,395	$ 2,124,463	$ 2,315,220
Plan Proportionate Share of the Net Pension Liability as Percentage of Covered Payroll	159.19%	259.15%	336.07%	417.34%	383.81%
The Pension Plan's (PERF-C) Fiduciary Net Position as a Percentage of the Total Pension Liability	80.43%	78.40%	74.06%	73.31%	75.26%

Notes to Schedule:

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

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

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

MONTEREY PENINSULA AIRPORT DISTRICT

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

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

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

Note to Schedule:

Valuation Date: June 30, 2016

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry Age Normal Cost Method
Amortization method	Level percentage of payroll, closed
Asset valuation method	Direct rate smoothing
Inflation	2.75%
Payroll Growth	3.00%
Projected Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.375% (net of pension plan investment and administrative expenses, includes inflation)
Retirement Age	All other actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report may be accessed on the CalPERS website at www.calpers.ca.gov under Forms and Publications.
Mortality	The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report.

MONTEREY PENINSULA AIRPORT DISTRICT

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

	2018	2019
Total OPEB Liability		
Service cost	$ 96,514	$ 89,300
Interest on the total OPEB liability	71,052	80,196
Actual and expected experience difference		
Changes in assumptions	(194,370)	63,787
Changes in benefit terms		
Benefit payments	(40,270)	(69,698)
Net change in total OPEB liability	**(67,074)**	**163,585**
Total OPEB liability - beginning	**2,574,814**	**2,507,740**
Total OPEB liability - ending	**$ 2,507,740**	**$ 2,671,325**
Covered-employee payroll	$ 2,115,913	$ 2,266,251
Total OPEB liability as a percentage of covered-employee payroll	118.52%	117.87%

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

Notes to Schedule: None

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

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CPAs AND ADVISORS

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

Board of Directors
Monterey Peninsula Airport District
Monterey, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Monterey Peninsula Airport District (the District) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 7, 2019.

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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

Compliance and Other Matters

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

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Board of Directors
Monterey Peninsula Airport District
Monterey, California

Purpose of this Report

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

Lance, Soll & Lunghard, LLP

Sacramento, California
October 7, 2019

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CPAs AND ADVISORS

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

Board of Directors
Monterey Peninsula Airport District
Monterey, California

Report on Compliance for Each Major Federal Program

We have audited the Monterey Peninsula Airport District's (District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2019. 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.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

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, 2019.

203 N. Brea Blvd., Suite 203 | Brea, CA 92821 | Phone: 714.672.0022

Board of Directors
Monterey Peninsula Airport District
Monterey, California

Report on Internal Control over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's 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 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

We have audited the financial statements of the District, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated October 7, 2019, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Board of Directors
Monterey Peninsula Airport District
Monterey, California

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

Lance, Soll & Lunghard, LLP

Sacramento, California
October 7, 2019

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MONTEREY PENINSULA AIRPORT DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Award Number	Expenditures
U.S. Department of Transportation			
Federal Aviation Administration			
Airport Improvement Program*	20.106	DTFA08-06-C-31719	$ 1,931,221
Total U.S. Department of Transportation			**1,931,221**
U.S. Department of Homeland Security			
Transportation Security Administration			
Law Enforcement Officer Reimbursement Program	97.090	HSTS02-16-H-SLR640	116,800
Total U.S. Department of Homeland Security			**116,800**
Total Federal Expenditures			**$ 2,048,021**

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

a. Scope of Presentation

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

b. Basis of Accounting

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

c. Relationship to Federal Financial Reports

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

d. Relationship to Basic Financial Statements

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified Opinion

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? ____yes __X__no

Federal Awards

Internal control over major programs:

- Significant deficiencies identified? ____yes __X__no
- Material weaknesses 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:

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

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

Auditee qualified as low-risk auditee? __X__yes ____no

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III - 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 CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE
PASSENGER FACILITY CHARGE AUDIT GUIDE FOR PUBLIC AGENCIES AND THE SCHEDULE OF
PASSENGER FACILITY CHARGE REVENUES AND EXPENDITURES

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

Report on Compliance

We have audited the compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies* (the Guide), issued by the Federal Aviation Administration, for the Monterey Peninsula Airport District (the District) passenger facility charge program for the year ended June 30, 2019.

Management's Responsibility

Management is responsible for compliance with the requirements of the Guide.

Auditor's Responsibility

Our responsibility is to express opinions on compliance with the requirements described in the Guide based on our audit. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States, and the Guide. Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a material effect on the District's passenger facility charge program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides reasonable basis for our opinion on compliance. However, our audit does not provide a legal determination of the District's compliance with those requirements.

Opinions

In our opinion, the District is in compliance, in all material respects with the requirements referred to above that are applicable to the passenger facility charge program for the year ended June 30, 2019.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the type of compliance requirements referred to above.

Board of Directors
Monterey Peninsula Airport District
Monterey, California

In planning and performing our audit, we considered the District's internal control over compliance to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

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

Schedule of Passenger Facility Charge Revenues and Expenditures

We have audited the basic financial statements of the District as of and for the year ended June 30, 2019 and have issued our report thereon dated October 7, 2019, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the District as a whole. The accompanying Schedule of Passenger Facility Charge Revenues and Expenditures is presented for the purpose of additional analysis as required by the Guide and is not a required part of the District's basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Passenger Facility Charge Revenues and Expenditures is fairly stated in all material respects in relation to the basic financial statements as a whole.

Lance, Soll & Lunghard, LLP

Sacramento, California
October 7, 2019

MONTEREY PENINSULA AIRPORT DISTRICT
PASSENGER FACILITY CHARGE (PFC)

SCHEDULE OF PASSENGER FACILITY CHARGE (PFC) REVENUES AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	PFC Revenues	Interest Earned	Total Revenues	Expenditures on approved projects	Under (over) Expenditures on approved projects
Balance to date as of June 30, 2018	$ 17,375,834	$ 312,338	$ 17,688,172	$ 15,730,845	$ 1,957,327
Fiscal year 2018-2019 transactions:					
Quarter ended September 30, 2018	191,937	6,123	198,060	28,009	
Quarter ended December 31, 2018	177,455	9,456	186,911	28,585	
Quarter ended March 31, 2019	246,105	7,827	253,932	67,297	
Quarter ended June 30, 2019	253,541	7,372	260,913	206,788	
Total fiscal year 2018-2019 transactions	869,038	30,778	899,816	330,679	569,137
Balance to date as of June 30, 2019	$ 18,244,872	$ 343,116	$ 18,587,988	$ 16,061,524	$ 2,526,464

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

NOTES TO SCHEDULE OF PASSENGER FACILITY CHARGE (PFC) REVENUES AND EXPENDITURES FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Note 1: General

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

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

Note 2: Basis of Presentation

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

Note 3: Relationship to Federal Financial Reports

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

Note 4: PFC Approved Projects and Expenditures

The general description of the approved projects and cumulative expenditures to date as of June 30, 2019 are as follow:

Passenger Facility Charge Project Number/Description	Identifying Number	Passenger Facility Charge Approved Amount	Expenditures
Acquire One Standard Police Vehicle - Security Improvement	14-19-C-00-MRY	$ 50,000	$ 40,117
Improve Runway Safety Area Runway 10R/28L - Phase 4	14-19-C-00-MRY	1,936,000	1,431,144
Environmental Assessment Infield Rehabilitation Project	16-21-C-00-MRY	35,000	31,770
Acquire Airport Sweeper	16-21-C-00-MRY	26,000	374
EA proposed Safety Enhancement Project	16-21-C-00-MRY	251,000	147,516
Infield Rehabilitation-Design & Constructon	16-21-C-00-MRY	650,000	-
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	1,331
Runway 10L/28R Overlay and PAPI	18-22-U-00-MRY	185,000	213,215
Land Acquisition Part A	18-22-U-00-MRY	310,000	-
Safety Enhance Project Phase 1	18-22-U-00-MRY	5,775,000	-
Total Passenger Facility Charge Projects		$ 9,383,000	$ 2,024,512

Note 5: Excess Project Expenditures

The expenditure of the Improve runway 10L/28R Overlay and PAPI was in excess of the authorized PFC application line item amount. However, in accordance with FAA guidelines, if the approved PFC application total is not exceeded the public agency application and revenue collections are considered in compliance with §158.37 (a) of Title 14 Code of Federal Regulations (CFR) 158.

PASSENGER FACILITY CHARGE COMPLIANCE FINDINGS

No matters were reported.

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