JOHN WAYNE AIRPORT
(An Enterprise Fund of
the County of Orange, California)

Financial Statements
and Independent Auditor's Reports

For the Year Ended June 30, 2021

JOHN WAYNE AIRPORT
Financial Statements

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EideBailly
CPAs & BUSINESS ADVISORS

Independent Auditor's Report

To the Board of Supervisors
County of Orange, California

Report on the Financial Statements
We have audited the accompanying financial statements of John Wayne Airport (Airport), an enterprise fund of the County of Orange, California (County) as of and for the year ended June 30, 2021, and the related notes to the 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. 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 opinion.

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Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Airport, as of June 30, 2021, and the 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.

Emphasis of Matter
As discussed in Note 1 to the financial statements, the financial statements present only the Airport, an enterprise fund of the County, and do not purport to, and do not present fairly the financial position of the County as of June 30, 2021, the changes in its financial position or its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as listed in the table of contents, be presented to supplement the 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.

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2021, on our consideration of the Airport'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 Airport'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 Airport's internal control over financial reporting and compliance.

Eide Bailly LLP

Laguna Hills, California
December 17, 2021

JOHN WAYNE AIRPORT
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2021
(To the Nearest Thousand)

As management of John Wayne Airport, Orange County (Airport), we offer readers of the Airport's financial statements this narrative overview and analysis of the financial activities of the Airport for the year ended June 30, 2021. We encourage readers to consider the information presented here in conjunction with the information furnished in the Airport's financial statements.

Financial Highlights

- The Airport's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by $770,564 (net position) at June 30, 2021. Of this amount, $210,242 (unrestricted net position) may be used to meet the ongoing obligations of the Airport, $21,791 (restricted net position) was externally restricted for specific purposes, and $538,531 was the net investment in capital assets.
- Total net position increased by $10,008 or 1.3% for the year ended June 30, 2021. This increase consists of operating loss of $25,616 and nonoperating revenues of $30,237.
- Noncurrent liabilities decreased by $18,298 or 14.8%.

Overview of the Financial Statements

The Airport is a department of the County of Orange (County) and uses an enterprise fund to account for its operations.

The Airport's financial statements are divided into two components:

- Financial statements: Statement of Net Position; Statement of Revenues, Expenses, and Change in Net Position; Statement of Cash Flows.
- Notes to Financial Statements.

The financial statements are prepared using the accrual basis of accounting and the economic resources measurement focus in accordance with accounting principles generally accepted in the United States of America.

- Statement of Net Position is the statement of financial position for the Airport. Airport assets and liabilities, both financial and capital, short-term and long-term, and deferred outflows and inflows, are presented in this statement. Current assets and liabilities are reasonably expected to be realized or liquidated within one year.
- Statement of Revenues, Expenses, and Change in Net Position is the statement of operations for the Airport. All Airport revenues and expenses during the year are presented in this statement, regardless of when cash is received or paid.

- Statement of Cash Flows is the financial statement classifying the Airport's cash and cash equivalent receipts (inflows) and payments (outflows) resulting from operating, noncapital financing, capital and related financing, or investing activities.
- Notes to Financial Statements provide additional information that is necessary to acquire a full understanding of the data provided in the financial statements.

Refer to Note 1 to the financial statements, Reporting Entity and Summary of Significant Accounting Policies, for additional information.

Financial Analysis

Net position may serve as a useful indicator of the Airport's financial position. At June 30, 2021, the Airport's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by $770,564.

Net Position:

	2021	2020	2021 vs 2020 $ Change	2021 vs 2020 % Change
ASSETS				
Current and other assets	$ 303,929	$ 309,737	$ (5,808)	(1.9) %
Capital assets	615,923	616,855	(932)	(0.2) %
TOTAL ASSETS	919,852	926,592	(6,740)	(0.7) %
TOTAL DEFERRED OUTFLOWS OF RESOURCES	10,644	9,893	751	7.6 %
LIABILITIES				
Current liabilties	45,426	46,941	(1,515)	(3.2) %
Noncurrent liabilities	105,295	123,593	(18,298)	(14.8) %
TOTAL LIABILITIES	150,721	170,534	(19,813)	(11.6) %
TOTAL DEFERRED INFLOWS OF RESOURCES	9,211	5,395	3,816	70.7 %
NET POSITION				
Net investment in capital assets	538,531	526,303	12,228	2.3 %
Restricted net position	21,791	20,749	1,042	5.0 %
Unrestricted net position	210,242	213,504	(3,262)	(1.5) %
TOTAL NET POSITION	$ 770,564	$ 760,556	$ 10,008	1.3 %

At June 30, 2021, the largest component of the Airport's net position (538,531 or 69.9% of total net position) was its net investment in capital assets (e.g., land, structures and improvements, equipment, infrastructure, construction in progress, intangible assets, and intangible assets in progress), less any related outstanding debt used to acquire these assets and debt-related deferred outflows and inflows of resources. The Airport uses these capital assets to provide services to its passengers and visitors. Accordingly, these assets are not available for future spending. Although the Airport's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay the debt must be provided from operating activities or other sources, since the capital assets cannot be liquidated to fulfill these liabilities.

At June 30, 2021, an additional component of the Airport's net position (21,791 or 2.8% of total net position) represents resources that are subject to external usage restrictions such as reserve for debt service, Passenger Facility Charges (PFC), and replacements and renewals for capital projects. The remaining net position balance of $210,242 (27.3% of total net position) is unrestricted and may be used to meet the Airport's ongoing obligations.

Comparison between the years ended June 30, 2021 and 2020:

The Airport's total assets decreased by $6,740 or 0.7%. Current and other assets decreased by $5,808 or 1.9%, primarily due to a decrease in cash and accounts receivable, partially offset by an increase in due from other governmental agencies. Capital assets decreased by $932 or 0.2%.

The Airport's total liabilities decreased by $19,813 or 11.6%. Current liabilities decreased by $1,515 or 3.2%, primarily due to a decrease in accounts payable and deposit from others, partially offset by an increase in unearned revenue. Noncurrent liabilities decreased by $18,298 or 14.8%, primarily due to a decrease in bonds payable for retirement of bonds and net pension liability.

The total deferred outflows of resources increased by $751 or 7.6%, primarily due to an increase in deferred outflows of resources related to pension.

The total deferred inflows of resources increased by $3,816 or 70.7%, primarily due to an increase in deferred inflows of resources related to pension.

JOHN WAYNE AIRPORT

Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2021
(To the Nearest Thousand)

During the year ended June 30, 2021, the Airport's net position increased by $10,008 or 1.3%.

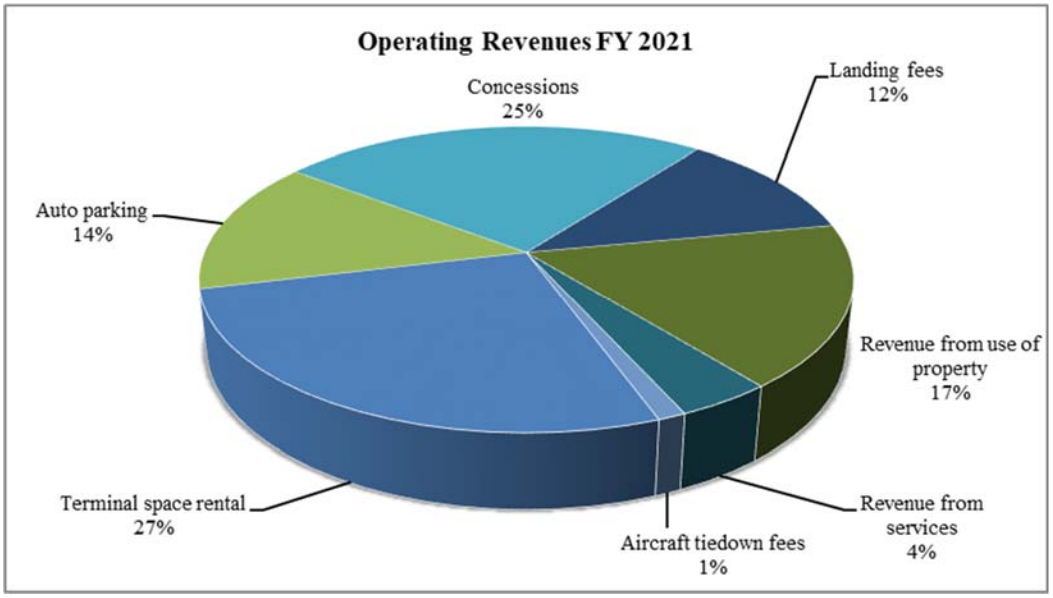
Revenues, Expenses, and Change in Net Position:

	2021	2020	2021 vs 2020 $ Change	2021 vs 2020 % Change
OPERATING REVENUES				
Terminal space rental	$ 26,708	$ 27,639	$ (931)	(3.4) %
Auto parking	14,130	24,397	(10,267)	(42.1) %
Concessions	24,992	30,523	(5,531)	(18.1) %
Landing fees	11,580	12,556	(976)	(7.8) %
Revenue from use of property	17,201	15,956	1,245	7.8 %
Revenue from services	4,028	7,576	(3,548)	(46.8) %
Aircraft tiedown fees	1,183	2,330	(1,147)	(49.2) %
Total operating revenues	99,822	120,977	(21,155)	(17.5) %
OPERATING EXPENSES				
Professional and specialized services	40,893	45,176	(4,283)	(9.5) %
Salaries and employee benefits	19,483	22,426	(2,943)	(13.1) %
Services and supplies	30,378	29,384	994	3.4 %
Operating leases	381	481	(100)	(20.8) %
Taxes and other fees	186	160	26	16.3 %
Depreciation and amortization	34,117	33,241	876	2.6 %
Total operating expenses	125,438	130,868	(5,430)	(4.1) %
Operating income (loss)	(25,616)	(9,891)	(15,725)	159.0 %
NONOPERATING REVENUES (EXPENSES)				
Interest income	243	5,876	(5,633)	(95.9) %
Interest expense	(1,740)	(1,998)	258	(12.9) %
Fines and penalties	318	427	(109)	(25.5) %
Gain (loss) on disposition of capital assets, net	23	2	21	1050.0 %
Intergovernmental revenues	22,066	5,281	16,785	317.8 %
Other revenue (expense), net	299	174	125	71.8 %
PFC revenue	9,028	13,869	(4,841)	(34.9) %
Total nonoperating revenues	30,237	23,631	6,606	28.0 %
INCOME BEFORE CAPITAL GRANT CONTRIBUTIONS	4,621	13,740	(9,119)	(66.4) %
Capital grant contributions	5,387	--	5,387	100.0 %
CHANGE IN NET POSITION	10,008	13,740	(3,732)	(27.2) %
TOTAL NET POSITION, BEGINNING OF YEAR	760,556	746,816	13,740	1.8 %
TOTAL NET POSITION, END OF YEAR	$ 770,564	$ 760,556	$ 10,008	1.3 %

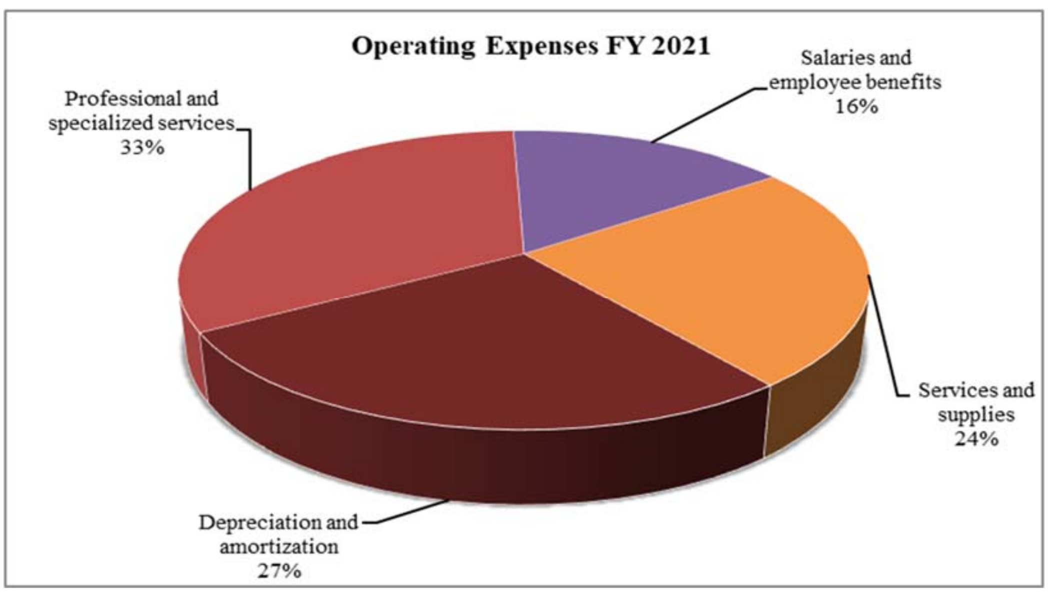
JOHN WAYNE AIRPORT
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2021
(To the Nearest Thousand)

Comparison between the years ended June 30, 2021 and 2020:

The Airport's operating revenues decreased by $21,155 or 17.5%, primarily due to a decrease in auto parking, concessions revenue, and revenue from services. The Airport's operating revenues were negatively affected as a result of the severely constricted air travel during the COVID-19 pandemic.



The Airport's operating expenses decreased by $5,430 or 4.1%, primarily due to a decrease in professional and specialized services and salaries and employee benefits.



For the year ended June 30, 2021, the Airport's nonoperating revenues increased by $6,606 or 28.0%, primarily due to an increase in intergovernmental revenues, partially offset by a decrease in interest income and PFC revenue. The significant increase in intergovernmental revenues was mainly due to the revenues received from the grants under the Coronavirus Aid, Relief, and Economic Security (CARES) Act and Coronavirus Response and Relief Supplemental Appropriations Act (CRRSA). Capital grant contributions increased by $5,387 or 100.0% due to an increase in cost reimbursements for federally funded construction projects.

Capital Assets

The Airport's capital assets as of June 30, 2021, amounted to $615,923, net of accumulated depreciation and amortization. The investment in capital assets includes land, construction in progress, intangible assets in progress, structures and improvements, equipment, infrastructure (runways, taxiways and aprons), and intangible assets. The total change in capital assets for the year ended June 30, 2021, was a decrease of $932 or 0.2%.

Capital Assets (Net of Accumulated Depreciation and Amortization):

	2021	2020	2021 vs 2020 $ Change	2021 vs 2020 % Change
CAPITAL ASSETS				
Land	$ 15,678	$ 15,678	$ --	0.0 %
Construction in progress	41,348	32,126	9,222	28.7 %
Intangible assets in progress	--	443	(443)	(100.0) %
Structures and improvements	510,938	519,963	(9,025)	(1.7) %
Equipment	6,666	3,284	3,382	103.0 %
Infrastructure	39,694	43,947	(4,253)	(9.7) %
Intangible assets	1,599	1,414	185	13.1 %
TOTAL CAPITAL ASSETS	$ 615,923	$ 616,855	$ (932)	(0.2) %

Additional information on the Airport's capital assets can be found in Note 10 to the financial statements, Changes in Capital Assets.

One major capital asset project completed during the year ended June 30, 2021 was Airport Operations Center improvement at an approximate cost of $18,754.

At June 30, 2021, the Airport was committed under major contracts for construction projects in the amount of $9,449. Refer to Note 9 to the financial statements, Commitments, for more information.

Long-Term Debt Obligations

At June 30, 2021, the Airport had total bond obligations of $79,910. The debt is secured by a pledge of operating revenues, net of specified operating expenses, interest earnings, other miscellaneous revenues, and available PFC revenue.

The following summarizes the Airport's outstanding bonds:

	2021	2020	2021 vs 2020 $ Change	2021 vs 2020 % Change
LONG-TERM DEBT OBLIGATIONS				
Airport Revenue Refunding Bonds, Series 2019A	31,010	33,990	(2,980)	(8.8) %
Airport Revenue Refunding Bonds, Series 2019B	40,815	49,090	(8,275)	(16.9) %
Add: Premium on Bonds Payable	8,085	10,382	(2,297)	(22.1) %
TOTAL LONG-TERM DEBT OBLIGATIONS	$ 79,910	$ 93,462	$ (13,552)	(14.5) %

During the year ended June 30, 2021, the decrease in the outstanding bonds was due to principal payments and amortization of bond premiums.

There was a change to the Airport's underlying debt ratings as compared to the previous year due to the material negative impact of the COVID-19 pandemic. The Airport maintains the following long-term underlying debt ratings (NR means not rated):

	Standard & Poor's	Moody's	Fitch
LONG-TERM DEBT RATINGS			
June 30, 2021			
Airport Revenue Refunding Bonds, Series 2019A and 2019B	A+	NR	NR
June 30, 2020			
Airport Revenue Refunding Bonds, Series 2019A and 2019B	AA-	NR	NR

Additional information on the Airport's long-term debt obligations can be found in Note 5 to the financial statements, Long-Term Obligations.

Other Potentially Significant Matters

Grant Awards:

On August 2, 2021, the Airport was awarded an Airport Improvement Program (AIP) grant from the Federal Aviation Administration (FAA) in the maximum amount of $1,149 to rehabilitate payment on taxiways and limited runway shoulder areas. It is a reimbursement type grant.

Airport Capital Improvement Program and Financial Planning:

Current ongoing capital projects include the Terminal Building Curtain Wall Modification, Perimeter Road West SIDA Gate Relocation, and the Rental Car Reconfiguration Project.

The Terminal Building Curtain Wall Modification Project in the Phase I Concession Development Project will modify the Terminal usable floor space by adding two curtain wall bays along the apron-facing curtain wall at gates 6 and 7 and gates 14 and 15. The two locations of the Terminal Curtain Wall Project are near completion. The Airport will continue to review the tenants' design plan submissions for these new sites. These two concessions are anticipated to be operational by the latter part of 2022.

The Perimeter Road West SIDA Gate Relocation Project involves relocating the existing SIDA (Secure Identification Display Area) gate along the west perimeter road to further south along the perimeter road to the airfield fuel farm. The work will encompass foundation and utility work to support the installation of the gate, including controls, security bollards, and striping/markings. The West SIDA gate will be operational by the end of 2021.

The Rental Car (RAC) Reconfiguration Project in the rental car operating area located within A-2 and B-2 parking garages aims to enrich the guest experience with safety improvements, heightened cleanliness, and enhance ease of rental car facility use. The scope includes cleaning, resurfacing, restriping, and painting of the 430,000 square feet RAC area, replacing transaction booths in strategic locations, directing passengers away from vehicular traversing lanes, adding a new exit and traffic signal to direct traffic off the congested lower roadway, upgrading restrooms, and updating lighting and signage. The construction of a new exit ramp and traffic lights is complete. The construction of the new RAC kiosks, restroom upgrade, and lighting and signage update is underway. All phases of the RAC project will be substantially completed by mid-2022.

The following upcoming projects are in various stages of planning and design: Baggage Claim Carousels Replacement (Terminals A & B), Terminal Roof Repair and Expansion Joint Replacement, Upper Roadway Methacrylate Rehabilitation and Improvement, and Main Street Parking Lot Electric Vehicle (EV) Bus Charging Improvements. The design phase for these projects will be completed within the next few months, followed by procurement and construction in the next 12-18 months, with projected completion throughout 2022 – 2024.

The Baggage Claim Carousels Replacement Project in Terminals A and B will replace aging baggage claim carousel units in Terminals A and B with newer units to achieve operational efficiency, reduce maintenance costs, and enhance guests' experience. The project design is almost complete and will go to plan check in the next few months. Project construction will begin in mid-2022, with planned completion in 2023.

The Terminal Roof Repair and Expansion Joint Replacement Project will address the Terminal's roof leak issues and replace the roof of the covered walkways between the Terminal and the Parking Structures A-2 and B-2. The Terminal Floor Expansion Joints Improvements Project will replace the existing expansion joints in all Terminals.

The Upper Roadway Methacrylate Rehabilitation and Improvement Project includes the application of sealant materials and repairing concrete spalls to preserve and extend the useful life of the roadways and bridge structures.

The following projects have varied design and construction dates:

The Airport initiated design work for the Main Street Parking Lot Improvement Project to add three electric vehicle (EV) charging stations and the associated infrastructure to accommodate the three new 35-foot electric buses. The electric buses will replace the compressed natural gas buses that shuttle passengers from the Airport remote parking lot to the Terminal. The work includes modifying the vehicular ingress and egress and existing vehicular pathways within the parking lot to accommodate the new EV buses. Construction will begin in spring 2022 for fall 2022 completion.

The Taxiways A-D-E Reconstruction Project will realign Taxiway A and include the reconstruction of Taxiways A, D, and E to provide a durable concrete pavement continuously from the primary exit points of Runway 2L-20R to the gates. The project design will begin mid-2022, and the construction will commence in the latter part of 2023, with completion in late 2024 into 2025.

The Common Use Passenger Processing System (CUPPS) project goal is to replace the current CUPPS within the Airport terminals with a more streamlined and up-to-date system. The intent is to improve the primary CUPPS components, including passenger processing, passenger information system, and airport information system, to enhance integration function with the Airport operations. The project is currently in the planning phase and will go into design in early 2022.

The Airport Power Generation and Distribution Upgrades Project includes enhancements to the power distribution system along with the installation of new microgrid controls, a battery for power conditioning and storage, new main switchgear, and the potential addition of a solar component. JWA completed numerous studies and approximately 90% design on the project. Based on these studies and the design, concerns were raised about the ability of the existing infrastructure, the generators in the central utility plant, and the two primary airport substations to handle the new equipment. JWA, in partnership with OCPW, initiated an engineering study to revisit the power infrastructure and revalidate the proposed components, phasing, and long-term power distribution improvement program. The study began in October 2021 and is scheduled for completion in mid-2022.

Other major capital projects in planning include the Terminal Grease Interceptor Improvements and Concessions Utility Infrastructure Phase II.

COVID-19 Related Federal Assistance

Coronavirus Aid, Relief, and Economic Security (CARES) Act

On May 21, 2020, the Airport received an allocation of $44,910 of Coronavirus Aid, Relief, and Economic Security (CARES) grant funds for Airport operating costs and debt service payments. The Airport claimed operating expenses and debt service payments of $4,782 for the year ended June 20, 2020 and $10,077 for the year ended June 30, 2021.

Coronavirus Response and Relief Supplemental Act (CRRSA)

On December 27, 2020, the President signed the Consolidated Appropriation Act, 2021, which provides $2 billion grants for airports under the CRRSA. On April 13, 2021, John Wayne Airport received CRRSA grant award of $11,038, of which $1,104 was for eligible airport concessions rent relief and $9,941 for reimbursement of airport operating expenses. The Airport used the entire amount of $11,038 in the year ended June 30, 2021.

American Rescue Plan Act (ARPA)

On March 11, 2021, the President signed the American Rescue Plan Act of 2021, which provides $8 billion in economic relief to airports to prevent, prepare for, and respond to the COVID-19 pandemic. On August 17, 2021, John Wayne Airport received the general grant award of $33,582 for airport operating expenses and debt service payments. As of today, the Airport is still awaiting the ARPA concession relief grant award of $4,415.

Request for Information

For questions and additional information provided in the report, please refer to the Airport's website at http://www.ocair.com or submit to John Wayne Airport, Finance Administration, 3160 Airway Ave., Costa Mesa, CA 92626.

JOHN WAYNE AIRPORT
Statement of Net Position
June 30, 2021
(To the Nearest Thousand)

ASSETS		
Current assets:		
Cash (Note 2)	$	4,646
Pooled cash and investments with Treasurer (Note 2)		181,881
Cash equivalents/specific investments with Treasurer (Note 2)		3,356
Imprest cash (Note 2)		14
Accounts receivable (Note 13)		7,436
Pollution remediation obligation recoveries (Note 12)		256
Interest receivable		198
Due from County of Orange (Note 8)		178
Due from other governmental agencies		11,552
Prepaid expenses		3,549
Restricted cash equivalents/deposits with trustee (Note 2)		14,494
Restricted pooled cash and investments held for others (Note 2)		2,313
Restricted pooled cash and investments with Treasurer (Note 2)		6,545
Restricted Passenger Facility Charges (PFC) receivable		2,548
Deposits in lieu of cash		6,128
Total current assets		245,094
Noncurrent assets:		
Specific investments with Treasurer (Note 2)		49,995
Restricted deposits with trustee (Note 2)		8,840
Capital assets (Note 10):		
Land		15,678
Construction in progress		41,348
Structures and improvements		908,079
Equipment		15,642
Infrastructure - runways, taxiways and aprons		240,224
Intangible assets		4,449
Less: accumulated depreciation/amortization		(609,497)
Total capital assets, net		615,923
Total noncurrent assets		674,758
TOTAL ASSETS		919,852
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charge on refunding		1,684
Deferred outflows of resources related to pension (Note 3)		8,759
Deferred outflows of resources related to OPEB (Note 4)		201
TOTAL DEFERRED OUTFLOWS OF RESOURCES		10,644

See accompanying notes to financial statements.

JOHN WAYNE AIRPORT

Statement of Net Position (Continued)

June 30, 2021

(To the Nearest Thousand)

LIABILITIES		
Current liabilities:		
Accounts payable	$	11,195
Retainage payable		1,716
Salaries and employee benefits payable		766
Interest payable		1,796
Unearned revenue		3,800
Due to County of Orange (Note 8)		2,354
Due to other governmental agencies		229
Compensated employee absences (Note 5)		1,078
Capital lease obligations payable (Note 5 and 7)		331
Bonds payable, net (Note 5)		13,720
Deposits from others		8,441
Total current liabilities		45,426
Noncurrent liabilities:		
Pollution remediation obligation (Notes 5 and 12)		994
Compensated employee absences (Note 5)		595
Capital lease obligations payable (Note 5 and 7)		663
Bonds payable, net (Note 5)		66,190
Net pension liability (Note 3)		34,352
Net OPEB liability (Note 4)		2,501
Total noncurrent liabilities		105,295
TOTAL LIABILITIES		150,721
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources related to pension (Note 3)		8,884
Deferred inflows of resources related to OPEB (Note 4)		327
TOTAL DEFERRED INFLOWS OF RESOURCES		9,211
NET POSITION		
Net investment in capital assets		538,531
Restricted for debt service		12,698
Restricted for PFC (Note 1)		8,093
Restricted for capital projects - replacements and renewals		1,000
Unrestricted		210,242
TOTAL NET POSITION	$	770,564

See accompanying notes to financial statements.

JOHN WAYNE AIRPORT
Statement of Revenues, Expenses, and Change in Net Position
For the Year Ended June 30, 2021
(To the Nearest Thousand)

OPERATING REVENUES		
Terminal space rental	$	26,708
Auto parking		14,130
Concessions		24,992
Landing fees		11,580
Revenue from use of property		17,201
Revenue from services		4,028
Aircraft tiedown fees		1,183
Total operating revenues		99,822
OPERATING EXPENSES		
Professional and specialized services		40,893
Salaries and employee benefits		19,483
Services and supplies		30,378
Operating leases (Note 7)		381
Taxes and other fees		186
Depreciation and amortization (Note 10)		34,117
Total operating expenses		125,438
Operating income (loss)		(25,616)
NONOPERATING REVENUES (EXPENSES)		
Interest income		243
Interest expense		(1,740)
Fines and penalties		318
Gain (loss) on disposition of capital assets, net		23
Intergovernmental revenues		22,066
Other revenue (expense), net		299
PFC revenue (Note 1)		9,028
Total nonoperating revenues		30,237
INCOME (LOSS) BEFORE CONTRIBUTIONS		4,621
Capital grant contributions		5,387
CHANGE IN NET POSITION		10,008
TOTAL NET POSITION, BEGINNING OF YEAR		760,556
TOTAL NET POSITION, END OF YEAR	$	770,564

See accompanying notes to financial statements.

JOHN WAYNE AIRPORT

Statement of Cash Flows
For the Year Ended June 30, 2021
(To the Nearest Thousand)

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	$ 106,438
Payments to suppliers for goods and services	(72,269)
Payments to employees	(22,186)
Receipts from County of Orange	53
Payments for taxes and other fees	(186)
Other receipts	914
Net cash provided by operating activities	12,764
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Intergovernmental revenues	18,222
Net cash provided by noncapital financing activities	18,222
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(33,682)
Principal payments on long-term debt	(11,255)
Interest paid on long-term debt	(3,872)
Principal paid on capital lease obligations	(167)
Proceeds from capital grant contributions	2,781
Proceeds from sale of capital assets	37
Receipts from PFC	6,771
Net cash used in capital and related financing activities	(39,387)
CASH FLOWS FROM INVESTING ACTIVITIES	
Sales (purchases) of investments, net	(3,887)
Interest received on investments	634
Net cash used in investing activities	(3,253)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(11,654)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	224,903
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 213,249

See accompanying notes to financial statements.

JOHN WAYNE AIRPORT

Statement of Cash Flows (Continued)
For the Year Ended June 30, 2021
(To the Nearest Thousand)

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income (loss)		(25,616)
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Depreciation and amortization		34,117
Fines and penalties		318
Other revenue		299
(INCREASES) DECREASES IN:		
Accounts receivable		5,816
Due from County of Orange		8
Due from other governmental agencies		323
Prepaid expenses		(747)
Deposits in lieu of cash		957
Deferred outflows of resources related to pension		(1,226)
Deferred outflows of resources related to OPEB		29
INCREASES (DECREASES) IN:		
Accounts payable		(30)
Retainage payable		25
Salaries and employee benefits payable		88
Unearned revenue		1,696
Due to County of Orange		45
Due to other governmental agencies		72
Compensated employee absences		(168)
Deposits from others		(1,951)
Net pension liability		(4,911)
Net OPEB liability		(196)
Deferred inflows of resources related to pension		3,744
Deferred inflows of resources related to OPEB		72
Net cash provided by operating activities	$	12,764
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENT OF NET POSITION		
Cash	$	4,646
Pooled cash and investments with Treasurer		181,881
Specific investments with Treasurer		3,356
Imprest cash		14
Restricted deposits with trustee		14,494
Restricted pooled cash and investments held for others		2,313
Restricted pooled cash and investments with Treasurer		6,545
TOTAL CASH AND CASH EQUIVALENTS	$	213,249
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES		
Acquisition of capital assets with accounts payable	$	5,333
Acquisition of capital assets with retainage payable		1,680
Change in fair value of investments not considered cash or cash equivalents		3
Accrued capital grant contribution receivable		2,606
Amortization of bond premium		2,297
Amortization of deferred charge on refunding		446

See accompanying notes to financial statements.

Note 1 – Reporting Entity and Summary of Significant Accounting Policies

Description of Reporting Entity

The Orange County Airport began operations in 1941. Commercial jet service at an expanded airport with a new terminal, larger operations area and extended runway began in 1967. In 1979, the Orange County Airport was renamed John Wayne Airport, Orange County (Airport).

The Airport is operated as a department of the County of Orange, California (County), and is accounted for as a self-supporting enterprise fund in the basic financial statements of the County. The financial statements presented herein represent the financial position, changes in financial position, and cash flows of the Airport only and are not intended to present the financial position, changes in financial position or where applicable, the cash flows of the County in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP).

A variety of federal, state and local laws, agreements and regulations govern operations at the Airport. The Federal Aviation Administration (FAA) has jurisdiction over flying operations generally, including personnel, aircraft, ground facilities and other technical matters, as well as certain environmental matters. Pursuant to the Airport and Airway Improvement Act of 1982 and other statutes, the County is constrained from transferring Airport revenues to its General Fund; this restriction is embodied in the federal grant agreements entered into by the County. Additionally, federal law governs the reasonableness of fees that may be charged for use of Airport facilities, further governs Airport noise and capacity limits, and imposes certain other restrictions on the County and Airport operations.

In 1985, a Settlement Agreement (Agreement) was reached between the County, the City of Newport Beach and two community groups on a new 20-year Airport Master Plan (Plan). This Plan provided for a new, enclosed passenger terminal with 14 passenger loading bridges, baggage system, parking structures, airfield improvements and other Airport enhancements. In addition, strict noise and capacity regulations were imposed on the Airport's flight operations. Additional flight operations were permitted under the Plan and the cap on total passengers served was raised to 8.4 million annual passengers (MAP).

Financed by $242,440 of revenue bonds, construction on the new terminal and other Airport facilities began in 1987. In September 1990, the Thomas F. Riley Terminal opened to the public.

In 2003 and 2014, the four signatories extended the Agreement and approved a series of amendments that allowed for additional facilities and operational capacity, while continuing to provide environmental protections for the local community. These amendments enhanced the operational capacity at the Airport by increasing the number of passengers to 10.3 MAP through 2010, to 10.8 MAP through 2020, to 11.8 MAP through 2025, and to 12.2 MAP or 12.5 MAP through 2030 depending on the actual service level from 2021 to 2025. These amendments will maintain the Airport's curfew through 2035, increased the number of passenger loading bridges from 14 to 20 through 2020, and eliminated the limit on the number of passenger loading bridges beginning in 2021.

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

Description of Reporting Entity (Continued)

The Airport derives revenues primarily from terminal space rental, auto parking, concessions, landing fees, and revenue from use of property. The Airport's major expenses include professional and specialized services for security, fire protection, and parking management, revenue bond debt service, salaries and employee benefits, and other services and supplies such as maintenance, insurance, and utilities.

Basis of Presentation - Fund Accounting

The Airport operates as an enterprise fund. Enterprise funds account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that cost of providing services to the general public on a continuing basis be financed or recovered primarily through service charges.

Basis of Accounting and Estimates

The Airport prepares its financial statements on the flow of economic resources measurement focus and uses the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of related cash flows. The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations.

The principal operating revenues of the Airport's enterprise fund are charges to customers for use of property and for services provided. Operating expenses include the cost of services, administrative expenses, and depreciation and amortization on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

Capital Assets

Capital assets including infrastructure assets, purchased or constructed by the Airport are capitalized at cost, while donated capital assets are recorded at acquisition value when received. Assets are capitalized when the original unit cost is equal to or greater than the County's capitalization threshold of $5 for equipment, $150 for structures and improvements, $150 for intangible assets except $5 for commercially acquired software, $150 for infrastructure, and $0 for land. Depreciation and amortization are calculated on a straight-line basis over the estimated useful lives of the related assets, which range from 2 to 20 years for equipment and intangible assets and 5 to 60 years for infrastructure and structures and improvements. No depreciation or amortization is provided on construction in progress or intangible assets in progress until the project is completed and the asset is placed in service.

Bonds Payable and Bond Premiums/Discounts

Bonds payable is reported net of applicable premiums or discounts. Bond premiums and discounts are amortized over the term of the bond using the effective interest rate method.

Deposits in Lieu of Cash

The Airport requires security deposits from airport lease agreement operators and renters. These security deposits are comprised primarily of negotiable instruments and are held in a safe with the Airport.

Cash Equivalents

For purposes of the statement of cash flows, cash equivalents are defined as short-term, highly liquid investments, which are readily convertible to cash or mature within 90 days of the original purchase.

Deposits and Investments

Pooled cash and investments with Treasurer, pooled cash and investments held for others, and specific investments with Treasurer are funds that the Airport has on deposit with the Orange County Treasurer (Treasurer). These funds are invested in accordance with the Investment Policy Statement (IPS) approved by the County Board of Supervisors (Board). The Treasurer allocates interest earned on the pooled cash and investments in the County Investment Pool (Pool) to the Airport monthly based on average daily balances on deposit with the Treasurer and credits interest earned on specific investments directly to the Airport. The Airport's investments are stated at fair value.

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

Self Insurance

Liability, property and business interruption insurance is purchased by the County to provide insurance coverage for the Airport for a total insurable value amount of $1,144,039. The related insurance premium is recorded as an Airport expense. The Airport also participates in the County's self-insured programs for general and automobile liability insurance, workers' compensation, group health indemnified insurance plans, group salary continuance plan, group dental plan, and unemployment benefits plan. The Airport records its portion of the related self-insurance premiums charged by the County as an expense. The related liabilities are accrued by the County's self-insurance internal service fund based on estimated future amounts to be paid on known claims and incurred but not reported claims, including loss adjustment expenses.

Pension

The Airport recognizes a net pension liability to reflect its proportionate share of the County's net pension liability.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pension, and pension expense, information about the fiduciary net position of the Airport's share of the County's cost-sharing defined benefit retirement plans administered by the Orange County Employees Retirement System (OCERS) and the Extra-Help Defined Benefit Plan and additions to/deductions from OCERS and the Extra-Help Defined Benefit Plan fiduciary net position have been determined on the same basis as they are reported by OCERS and the Extra-Help Defined Benefit Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Postemployment Benefit

The Airport recognizes a net Other Postemployment Benefit (OPEB) liability to reflect its proportionate share of the County's net OPEB liability.

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Airport's share of the County's Retiree Medical Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Retiree Medical Plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

Deferred Outflows/Inflows of Resources

When applicable, the statement of net position reports a separate section for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent outflows of resources (consumption of net position) that apply to future periods and that, therefore, will not be recognized as an expense until that time. Conversely, deferred inflows of resources represent inflows of resources (acquisition of net position) that apply to future periods and that, therefore, are not recognized as a revenue until that time.

The deferred outflows/inflows of resources, included in the Statement of Net Position, relate to the deferred charge on refunding and deferred outflows/inflows of resources related to pension and OPEB. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Deferred resources related to pension and OPEB result from the net difference between projected and actual investment earnings on the plan investments, changes of assumptions and changes in proportion and differences between employer contributions and the proportionate share of contributions calculated by the actuarial study. The deferred outflows of resources related to pension and OPEB also includes employer contributions made after the measurement date and a portion of the County's prepaid retirement contribution.

Compensated Employee Absences

Compensated employee absences (vacation, compensatory time off, performance incentive plan time off, annual leave, and sick leave) are accrued as an expense and liability when incurred.

Components of Net Position

Net investment in capital assets - This amount is derived by subtracting the outstanding debts incurred by the Airport to buy or construct capital assets, net of accumulated depreciation, shown in the Statement of Net Position. Capital assets cannot readily be sold and converted to cash.

Restricted - This category represents restrictions imposed on the use of the Airport's resources by parties outside of the government or by law through constitutional provisions or enabling legislation. As of June 30, 2021, the Airport reported restricted net position of $21,791 for debt service, Passenger Facility Charges (PFC) and replacements and renewals for capital projects, of which $8,093 was restricted by the PFC Program Guidelines.

Unrestricted - This category consists of net position that does not meet the definition of net investment in capital assets or restricted. These assets are resources of the Airport that can be used for any purpose, though they may not necessarily be liquid.

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

Policy Regarding Use of Restricted vs. Unrestricted Resources

When an expense is incurred for purposes for which both restricted and unrestricted resources are available, the Airport will utilize restricted resources first, and then unrestricted resources as needed.

Passenger Facility Charges

In 1990, the Aviation Safety and Capacity Expansion Act authorized the imposition of local PFC and use of resulting PFC revenue for allowable costs on FAA approved projects, including debt service.

The FAA approved the Airport's PFC application to collect $4.50 (not in thousand) per enplaned passenger effective July 1, 2006. The total approved PFC revenue to be collected was $321,351 through December 31, 2021. In March 2016, the FAA approved the Airport's amendment to the PFC application. The amended total approved PFC revenue to be collected is $311,602 through December 31, 2021. In June 2021, the FAA approved the Airport's request to change the charge expiration date from January 1, 2022 to January 1, 2024.

All PFC collected are restricted and are categorized as nonoperating revenues. PFC collected are maintained in an interest-bearing account administered by the Treasurer. Collected but unexpended PFC revenues are reported on the Airport's Statement of Net Position as current restricted assets, restricted pooled cash and investments with Treasurer and restricted cash equivalents/deposits with trustee. Related PFC receivables are also reported as current restricted assets.

During the year ended June 30, 2021, $9,028 PFC revenue was reported and $8,985 was expended on approved PFC projects.

Concentrations

A significant portion of the Airport's revenues are directly or indirectly attributed to the activity of a number of major airlines. The Airport's revenues could be materially and adversely affected should any of these major airlines discontinue operations and should the Airport be unable to replace those airlines with similar activity. The level of operations is determined based upon the relative share of enplaned passengers. The three largest airlines in terms of enplaned passengers accounted for approximately 39%, 20%, and 10% of market share during the year ended June 30, 2021.

Note 2 – Deposits and Investments

The Airport's investment policy guidelines allow for the same types of investments as the Board approved IPS. Investments maintained by trustees are governed by the related bond indentures.

Total Airport cash and investments at fair value as of June 30, 2021, was as follows:

Cash and pooled cash and investments:		
Cash on hand	$	4,660
Pooled cash and investments, restricted		8,858
Pooled cash and investments		181,881
Total cash and pooled cash and investments		195,399
Deposits and investments:		
Specific Investments with Treasurer		53,351
Deposits with trustee, restricted		23,334
Total deposits and investments		76,685
Total cash and investments	$	272,084

Cash

Cash represents amounts held by the Airport in a separate, insured and fully collateralized bank account, which was established upon the authorization of the Board shortly following the County bankruptcy.

Specific Investments with Treasurer

In December 1997, the Treasurer deposited $45,000 of Airport monies in a separate custodial account pursuant to a Memorandum of Understanding between the Airport and the Treasurer. Monies on deposit are invested by the Treasurer in accordance with the IPS. Additional monies may periodically be deposited in the account.

The investment balance was $53,351 at June 30, 2021, of which $3,356, are considered cash equivalents with original maturities of 90 days or less.

Pooled Cash and Investments

The Treasurer maintains the Pool for the County and other non-County entities for the purpose of benefiting from economies of scale through pooled investment activities. Interest is apportioned to individual funds based generally on the average daily balances on deposit with the Treasurer.

Note 2 – Deposits and Investments (Continued)

Deposits with Trustee

Deposits with trustee represent amounts held by a trustee bank that are restricted for use in either acquiring certain assets or servicing long-term debt of the Airport as required by the bond indentures. The trustee as fiscal agent is mandated by the bond indentures as to the government obligations in which the debt issuance proceeds can be invested. Investments, if any, are stated at fair value based on quoted market prices provided by the trustee's independent valuation service. Deposits held in the money market deposit accounts are insured by Federal Depository Insurance Corporation (FDIC) up to $250.

Interest Rate Risk

Interest rate risk refers to the risk that changes in interest rates will affect the fair value of an investment. In accordance with the IPS, the Treasurer manages exposure to declines in fair value by limiting the weighted average maturity (WAM) to 60 days for any short-term pool and the maximum maturity to 397 days for short-term investments and 5 years for long-term investments. At June 30, 2021, the WAM for the Pool and specific investments with Treasurer approximated 400 days and 77 days, respectively.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Airport will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. At fiscal year-end, in accordance with the IPS, the Airport's external investment pools and specific investments did not have any securities exposed to custodial credit risk, and there was no securities lending.

Credit Risk

This is the risk that an issuer or other counterparty to an investment may not fulfill its obligations. The IPS sets forth the minimum acceptable credit ratings for investments from at least two of the following nationally recognized statistical rating organizations: Standard & Poor's (S&P), Moody's, or Fitch. For purchases of short-term debt, the issuer rating must be no less than A-1 (S&P), P-1 (Moody's), or F1 (Fitch). For purchases of long-term debt, the issuer rating must be no less than AA for purchases with remaining maturities longer than 397 days. Municipal debt issued by the County is exempt from the above credit rating requirements.

Note 2 – Deposits and Investments (Continued)

Concentration of Credit Risk

This is the risk of loss attributed to the magnitude of a government's investment in a single issuer. In accordance with the IPS, the following diversification limits must be applied at the time of purchase of a security.

Type of Investment	Orange County IPS	IPS Maximum Final Maturity (Long-Term Fund)	IPS Maximum Final Maturity (Short-Term Fund)
U.S. Treasury Securities	100%	5 Years	397 Days
U.S. Government Agency Securities	100%	5 Years	397 Days
Municipal Debt	20% Total, no more than 5% in one issuer except 10%-County of Orange	3 Years	397 Days
Medium-Term Notes	20% Total, no more than 5% in one issuer	2 Years	397 Days
Bankers' Acceptances	40% Total, no more than 5% in one issuer	180 Days	180 Days
Commercial Paper	40% Total, no more than 5% in one issuer	270 Days	270 Days
Negotiable Certificates of Deposits	20% Total, no more than 5% in one issuer	18 Months	397 Days
State of California Local Agency Investment Fund	State limit (currently $75 million per pool)	N/A	N/A
Repurchase Agreements	20% Total, no more than 10% in one issuer	180 Days	1 Year
Money Market Mutual Funds (MMMF)	20% Total, no more than 10% in one MMMF account	N/A	N/A
Joint Powers Agency (JPA) Investment Pools	20% Total, no more than 10% in one JPA pool	N/A	N/A
Supranationals	30% Total, no more than 5% in one issuer	5 Years	397 Days

The Airport's pooled cash and investments are combined with the County's pooled investments, and therefore, do not represent specific identifiable investments and are not discretely rated. For the credit ratings of the Pool investments, refer to the County's Comprehensive Annual Financial Report. The County's Comprehensive Annual Financial Report is available by accessing the Auditor-Controller's website at http://www.ac.ocgov.com.

Note 2 – Deposits and Investments (Continued)

Concentration of Credit Risk (Continued)

At June 30, 2021, the credit ratings of the specific investments with Treasurer, and investments with trustee, and the related concentration of credit risk by investment type were as follows:

Specific Investments with Treasurer:	Fair Value	Principal	WAM (Years)	Rating (1)	% of Total
U.S. Government Agencies	$ 24,997	$ 25,000	0.25	AA	46.85%
U.S. Treasuries	24,998	25,000	0.20	AA	46.86%
Money Market Mutual Funds	3,356	3,356	0.00	AAA	6.29%
Total	$ 53,351	$ 53,356	0.21 (2)		100.00%

(1) The County obtains credit ratings from S&P, Moody's, and Fitch. The ratings indicative of the greatest degree of risk have been disclosed. NR means not rated.
(2) Portfolio weighted average maturity.

Fair Value Measurements

The investments are categorized into 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 the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Part of the Airport's cash and investments are combined with the County's pooled investments, and therefore, do not represent specific identifiable investments. The County categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles as described above. For additional details regarding the Pool investment portfolio and fair value measurements, refer to the County's Comprehensive Annual Financial Report. The County's Comprehensive Annual Financial Report is available by accessing the Auditor-Controller's website at http://www.ac.ocgov.com.

As of June 30, 2021, the Airport had the following investments by fair value level:

		Fair Value Measurement		
	Total	Level 1	Level 2	Level 3
Specific Investments with Treasurer:				
U.S. Government Agencies	$ 24,997	$ --	$ 24,997	$ --
U.S. Treasuries	24,998	--	24,998	--
Total investments by fair value level	49,995	$ --	$ 49,995	$ --
Investments not subject to fair value hierarchy:				
Money Market Mutual Funds	3,356			
Total	$ 53,351			

Note 3 – Defined Benefit Pension Plan

Plan Description

All full-time employees of the Airport participate in the County's cost-sharing multiple-employer defined benefit pension plans administrated by OCERS.

OCERS provides for retirement, death, disability and cost-of-living benefits, and is subject to the provisions of the County Employees Retirement Law of 1937, California Government Code Section 31451 et. seq. (the Retirement Law). OCERS is an independent, defined-benefit retirement plan in which employees of the County participate. Under OCERS, each employee receives a defined benefit pension at retirement, that is, a specific amount per month determined in accordance with the Retirement Law, which amount is not dependent upon the amount of money credited to the employee's account at the time of retirement.

The OCERS Board of Retirement (OCERS Board) does not set the benefit amounts. OCERS administers benefits that are set by the County Board through the collective bargaining process with County employees in accordance with the Retirement Law. The OCERS Board supervises the investment of OCERS assets and the distribution of benefits to retired employees. The OCERS Board also determines the annual contributions required of the County and other participating local governmental entities to fund OCERS.

The Retirement Law requires an actuarial valuation to be performed at least once every three years. OCERS' practice has been to conduct an actuarial valuation annually as of December 31, which is the end of the OCERS fiscal year.

Effective July 1, 2005, as part of collective bargaining agreements with County employees, most General members who work for the County (approximately 14,000) became eligible for an annual annuity equal to a retirement benefit formula of 2.7% of the member's "final compensation" for each year of service rendered at age 55. In collective bargaining agreements with General members, the employee associations agreed to pay the increased retirement costs related to the difference between the prior retirement benefit formulas and the new 2.7% at age 55 formula, as well as the annual amortization of the unfunded liability created by the retroactive application of the increased benefit. Due to the passage of the Public Employees' Pension Reform Act (PEPRA) of 2013, most new employees (non-safety) hired on or after January 1, 2013 receive an annual annuity equal to a retirement benefit formula of 1.62% of the member's "final compensation" for each year of service rendered at age 65. The 1.62% at age 65 retirement formula includes a voluntary defined contribution component with an employer match.

Note 3 – Defined Benefit Pension Plan (Continued)

Contributions

In accordance with various Board resolutions, the County's funding policy is to make periodic contributions to OCERS in amounts such that, when combined with employee contributions and investment income, will fully provide for member benefits by the time they retire. Covered employees are required to contribute a percentage of their annual compensation to OCERS as a condition of employment. Base employee contributions are calculated using a formula defined in the Retirement Law. In the 1997 Ventura decision of the California Supreme Court, the Court stated that for the purpose of calculating pension benefits, "final compensation" can mean not only base salaries, but also other components. The County employee contributions under current contracts are calculated on base salary, eligible premium pay, and some categories of overtime as defined in the 1997 Ventura decision.

Employer contributions are based on what is needed to properly fund the system. The Retirement Law, however, does allow employers and employees to negotiate some variation in who pays the contributions. OCERS' responsibility is to make certain the total required contribution is paid, regardless of how the employers and employees share the cost. For the year ended June 30, 2021, the employer's contribution rate as a percentage of covered payroll for general members was 37.36%. The Airport's total contribution to OCERS for the year ended June 30, 2021 was $4,060.

Net Pension Liability, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2021, the County reported a liability of $3,547,851 for its proportionate share of the net pension liability, of which the Airport's allocated share of the County's net pension liability totaled $34,353, for the OCERS retirement plan. The County's net pension liability was measured as of December 31, 2020, and the total pension liability used to calculate the net pension liability was determined using actuarial valuation results.

For the year ended June 30, 2021, the Airport recognized pension expense of $1,874. At June 30, 2021, the Airport reported deferred outflows of resources and deferred inflows of resources related to pension for the OCERS retirement plan as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	$ --	$ 6,544
Difference Between Expected and Actual Experience	906	1,253
Changes of Assumptions	2,952	1,053
Changes in Proportion and Differences Between Airport Contributions and Proportionate Share of Contributions	189	32
Contributions Subsequent to Measurement Date	2,287	--
Prepaid Pension Contribution	2,425	--
Total	$ 8,759	$ 8,882

Note 3 – Defined Benefit Pension Plan (Continued)

Net Pension Liability, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

$2,287 reported as deferred outflows of resources related to pension resulting from Airport contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2022.

The Airport reported the full amount of prepaid pension contribution as a part of the prepaid expenses. However, due to the difference in the Airport's fiscal year end date and the net pension liability measurement date, half of the prepaid pension contribution, $2,425 was recognized as deferred outflows of resources related to pension, and the other half remained in prepaid expenses, which will be recognized as a reduction of the net pension liability in the year ending June 30, 2022.

Amounts, provided by OCERS' actuarial study reported as deferred outflows of resources and deferred inflows of resources related to pension, will be recognized as follows:

Year Ending June 30,	Amount
2022	(1,541)
2023	68
2024	(2,763)
2025	(924)
2026	325
Total	$ (4,835)

For additional details on the defined benefit pension plan, actuarial assumptions, the net pension liability, and the required supplementary information, as well as other retirement plans, refer to the County's Comprehensive Annual Financial Report. The County's Comprehensive Annual Financial Report is available by accessing the Auditor-Controller's website at http://www.ac.ocgov.com.

Note 4 – Postemployment Health Care Benefits

Plan Description

The Airport is a participant in the County's Retiree Medical Plan. The Retiree Medical Plan is a cost-sharing multiple-employer defined benefit OPEB plan, intended to assist career employees in maintaining health insurance coverage following retirement from County service. Eligible retired County employees receive a monthly grant (the Grant), which helps offset the cost of monthly County-offered health plan and/or Medicare A and/or B premiums.

In order to be eligible to receive the Grant upon retirement, the employee must have completed at least 10 years of continuous County service (although exceptions for disability retirements exist), be enrolled in a County sponsored health plan and/or Medicare, qualify as a retiree as defined by the Retiree Medical Plan, and be able to receive a monthly benefit payment from OCERS. To qualify as a retiree as defined by the Retiree Medical Plan, the employee upon retirement must be at least 50 years of age or have at least 30 years of service for a general member of OCERS.

In addition to the Grant, the Retiree Medical Plan provides a frozen lump sum payment to terminated employees not eligible for the Grant. The frozen lump sum payment is equal to 1% of the employee's final average hourly pay (as defined in the Retiree Medical Plan) multiplied by the employee's qualifying hours of service (as defined) since the Retiree Medical Plan's effective date.

Contributions

As an enterprise fund of the County, the Airport was required to contribute 3.44% of its payroll for the year ended June 30, 2021. The Airport's contribution was $449, which was 100% of the required contribution.

Net OPEB Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2021, the County reported a liability of $305,411 for its proportionate share of the collective net OPEB liability, of which the Airport's allocated share of the County's net OPEB liability totaled $2,501. The County's collective net OPEB liability was measured as of December 31, 2020, and the total OPEB liability used to calculate the collective net OPEB liability was determined by an actuarial valuation as of June 30, 2019.

Note 4 – Postemployment Health Care Benefits (Continued)

Net OPEB Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

For the year ended June 30, 2021, the Airport recognized OPEB expense of $241. At June 30, 2021, the Airport reported deferred outflows of resources and deferred inflows of resources related to OPEB as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net Difference Between Projected and Actual Investment Earnings on OPEB Plan Investments	$ --	$ 136
Difference Between Expected and Actual Experience	--	62
Changes of Assumptions	--	104
Changes in Proportion and Differences Between Airport Contributions and Proportionate Share of Contributions	35	25
Contributions Subsequent to Measurement Date	166	--
Total	$ 201	$ 327

$166 reported as deferred outflows of resources related to OPEB resulting from Airport contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2022.

Amounts, provided by the actuarial study reported as deferred outflows of resources and deferred inflows of resources related to OPEB, will be recognized as follows:

Year Ending June 30,	Amount
2022	$ (65)
2023	(39)
2024	(81)
2025	(47)
2026	(24)
Thereafter	(36)
Total	$ (292)

For additional details on the Retiree Medical Plan, actuarial assumptions, funded status of the plan, and the required supplemental information, refer to the County's Comprehensive Annual Financial Report. The County's Comprehensive Annual Financial Report is available by accessing the Auditor-Controller's website at http://www.ac.ocgov.com.

Note 5 – Long-Term Obligations

General

The Airport has outstanding bonds, issued primarily to fund the Airport Improvement Program (AIP). These bonds are payable solely from revenues of the Airport and are not general obligations of the County. Interest is payable semi-annually on July 1 and January 1. The bond indenture agreement requires the Airport to deposit monthly with the trustee 1/12th of the principal amount of bonds maturing on the next July 1 and 1/6th of the interest payable on the next ensuing interest payment date.

Airport Revenue Refunding Bonds, Series 2019A and 2019B

On July 9, 2009, the Airport issued the Airport Revenue Bonds, Series 2009A and 2009B (2009A and 2009B Bonds) in the aggregate principal amount of $233,115, with an original issue net premium of $288 and interest rates ranging from 3.00% to 5.75%. The 2009A and 2009B Bonds were issued to finance a portion of the Airport Improvement Program (AIP), fund the debt service requirement for the bonds, fund capitalized interest on a portion of the bonds and pay costs relating to the issuance of the bonds. The AIP consist of numerous direct improvements to the Airport facilities such as construction of Terminal C, Parking Structure C and two commuter/regional holdrooms at the north and south ends of the extended Terminal.

On May 14, 2019, the Airport issued the Airport Revenue Refunding Bonds, Series 2019A and 2019B (2019A and 2019B Bonds) in the principal amount of $85,030, with a premium of $13,404 and an interest rate of 5.00%. The 2019A and 2019B Bonds were issued to refund and defease the 2009A and 2009B Bonds, fund a debt service reserve subaccount for the bonds, and pay certain expenses in connection with the issuance of the bonds. As of June 30, 2021, the outstanding principal amount, including premium, of the 2019A and 2019B Bonds were $34,861 and $45,049, respectively.

The 2019 Bonds are secured by a pledge of (1) operating revenues, net of specified operating expenses, (2) interest earnings, (3) other miscellaneous revenue and (4) available PFC revenue. In the event of default, the trustee may exercise any remedies available under the bond indentures and under state and federal law. The 2019A and 2019B Bonds are payable through July 2030. For each fiscal year, the pledged net operating revenues are expected to be a minimum of 125% of the aggregate debt service requirement over the life of the bonds. For the year ended June 30, 2021, the total debt service principal and interest paid and total net revenues were $15,128 and $40,548, respectively. The total net revenues include $9,173 available PFC revenue for the year ended June 30, 2021.

Note 5 – Long-Term Obligations (Continued)

Airport Revenue Refunding Bonds, Series 2019A and 2019B (Continued)

Revenue bonds outstanding and related activity for the year ended June 30, 2021, were as follows:

	Balance at July 1, 2020	Additions	Deductions	Balance at June 30, 2021	Due in 1 year
Airport Revenue Refunding Bonds					
Series 2019A	33,990	--	(2,980)	31,010	3,130
Bond Premium	4,831	--	(980)	3,851	882
Airport Revenue Refunding Bonds					
Series 2019B	49,090	--	(8,275)	40,815	8,685
Bond Premium	5,551	--	(1,317)	4,234	1,023
Total	$ 93,462	$ --	$ (13,552)	$ 79,910	$ 13,720

The following is a schedule of debt service payments to maturity on an annual basis:

	2019A Bonds		2019B Bonds		
Year Ending June 30,	Principal	Interest	Principal	Interest	Total
2022	$ 3,130	$ 1,472	$ 8,685	$ 1,823	$ 15,110
2023	3,290	1,312	3,460	1,520	9,582
2024	3,455	1,143	3,640	1,343	9,581
2025	3,625	966	5,220	1,121	10,932
2026	3,800	781	7,335	807	12,723
2027-2031	13,710	1,270	12,475	1,217	28,672
Total	$ 31,010	$ 6,944	$ 40,815	$ 7,831	$ 86,600

Other Long-term Liabilities

Other long-term liability activities for the year ended June 30, 2021, were as follows:

	Balance at July 1, 2020	Additions	Deductions	Balance at June 30, 2021	Due in 1 year
Compensated Employee Absences	$ 1,841	$ 1,417	$ (1,585)	$ 1,673	$ 1,078
Capital Lease Obligations Payable	--	1,161	(167)	994	331
Intangible Asset Obligations Payable	72	--	$ (72)	--	--
Pollution Remediation Obligation	994	--	--	994	--
Total	$ 2,907	$ 2,578	$ (1,824)	$ 3,661	$ 1,409

Note 6 – Property Leased to Others

The Airport leases a portion of its capital assets under noncancelable operating lease agreements for airline operations, concessions, fixed-base operators (FBO), and other commercial purposes. The cost and carrying value of the Airport's property under operating leases as of June 30, 2021, were as follows:

	Cost of Leased Property	Accumulated Depreciation	Total Carrying Value of Leased Property
Structures and improvements	$ 87,319	$ (32,318)	$ 55,001
Land	3,314	--	3,314
Balance at June 30, 2021	$ 90,633	$ (32,318)	$ 58,315

Future minimum rental revenues to be received under these noncancelable operating leases as of June 30, 2021, are as follows:

Year Ending June 30,	Future Minimum Rent
2022	$ 48,757
2023	50,121
2024	49,929
2025	49,866
2026	36,721
2027-2031	72,529
2032-2036	19,901
2037-2041	19,901
2042-2046	19,901
2047-2051	19,692
2052-2056	16,056
Total	$ 403,374

Airline minimum rental revenues are based on rates adopted by the Board and are subject to change semi-annually in accordance with the related airlines' operating lease agreements. FBO and concession minimum rental revenues are adjusted annually as outlined in the lessees' operating leases.

The Airport also leases property through contingent rentals. Revenues from these contingent rentals arise primarily from airline fees and a percentage of the concessioners' gross revenues. Contingent rental payments received by the Airport totaled $25,092 for the year ended June 30, 2021.

Note 7 – Leases

Operating Leases

Lease expense was $381 for the year ended June 30, 2021. As of June 30, 2021, there was $107 in outstanding lease commitments.

Capital Leases

In the year ended June 30, 2021, the Airport entered into a lease agreement as lessee for financing the acquisition of network equipment valued at $2,717. The equipment has a 5-year estimated useful life. For the year ended June 30, 2021, $22 was included in depreciation expense. This lease agreement qualifies as a capital lease for accounting purposes.

Future minimum payments under capital lease obligations as of June 30, 2021, are as follows:

Year Ending June 30,	Future Minimum Payment	
2022	$	331
2023		331
2024		332
Total	$	994

Note 8 – Related Party Transactions

The Airport reimburses the County for the cost of providing security, insurance and other administrative services to the Airport. Amounts charged by other County departments are reported as operating expenses during the year incurred, and totaled $24,976 for the year ended June 30, 2021.

Interfund receivable/payable balances are the result of the time lag between the time goods and services are provided by other County departments to the Airport and payment from the Airport to the other funds is made.

The composition of interfund balances as of June 30, 2021, was as follows:

Due To	Due From	Amount	
Airport	General Fund	$	178
Total Due From County of Orange		$	178

Due To	Due From	Amount	
General Fund	Airport	$	1,871
Internal Service Funds	Airport		411
Other Governmental Funds	Airport		72
Total Due To County of Orange		$	2,354

Note 9 – Commitments

At June 30, 2021, the Airport was committed under major contracts for the following construction projects:

Rental Car Reconfiguration	$	6,801
Terminal Building Curtain Wall Modifications		2,648
Total	$	9,449

Note 10 – Changes in Capital Assets

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

	Balance at July 1, 2020	Additions	Deductions	Balance at June 30, 2021
Capital assets, not depreciated/amortized:				
Land	$ 15,678	$ --	$ --	$ 15,678
Construction in progress	32,126	28,476	(19,254)	41,348
Intangible assets in progress	443	--	(443)	--
Total capital assets, not depreciated/amortized	48,247	28,476	(19,697)	57,026
Capital assets, depreciated/amortized:				
Structures and improvements	891,517	19,432	(2,870)	908,079
Equipment	13,477	4,276	(2,111)	15,642
Infrastructure	240,224	--	--	240,224
Intangible assets	3,693	756	--	4,449
Total capital assets, depreciated/amortized	1,148,911	24,464	(4,981)	1,168,394
Less accumulated depreciation/amortization:				
Structures and improvements	(371,554)	(28,457)	2,870	(397,141)
Equipment	(10,193)	(836)	2,053	(8,976)
Infrastructure	(196,277)	(4,253)	--	(200,530)
Intangible assets	(2,279)	(571)	--	(2,850)
Total accumulated depreciation/amortization	(580,303)	(34,117)	4,923	(609,497)
Total capital assets depreciated/amortized, net	568,608	(9,653)	(58)	558,897
Total capital assets, net	$ 616,855	$ 18,823	$ (19,755)	$ 615,923

Total depreciation and amortization expense for the year ended June 30, 2021, was $34,117.

Note 11 – New Accounting Pronouncements

The following summarizes recent GASB pronouncements implemented or effective in the year ended June 30, 2021:

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. This Statement establishes criteria for identifying fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement also describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019, which requires the Airport to implement this Statement in the year ending June 30, 2021. The Airport implemented this Statement in the year ended June 30, 2021; however, this Statement did not have any impact on the Airport's financial statements.

In August 2018, GASB issued Statement No. 90, *Majority Equity Interests*. This Statement improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and the relevance of financial statement information for certain component units. The Statement also requires that a component unit in which a government has a 100% equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired 100% equity interest in the component unit. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019, which requires the Airport to implement this Statement in the year ending June 30, 2021. The Airport implemented this Statement in the year ended June 30, 2021; however, this Statement did not have any impact on the Airport's financial statements.

The following summarizes recent GASB Pronouncements that will be implemented in future financial statements, as amended by GASB Statement No. 95. The Airport has not determined what, if any, impact implementation of the following Statements may have on future financial statements:

In June 2017, GASB issued Statement No. 87, *Leases*. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. 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 inflows of resources. The requirements of this Statement are effective for financial statements beginning after June 15, 2021, which requires the Airport to implement this Statement in the year ending June 30, 2022.

Note 11 – New Accounting Pronouncements (Continued)

In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. This Statement provides a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with commitments extended by issuers, arrangements associated with conduit debt obligations, and related note disclosures. This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. The requirements of this statement are effective for reporting periods beginning after December 15, 2021, which requires the Airport to implement this Statement in the year ending June 30, 2023.

In January 2020, GASB issued Statement No. 92, *Omnibus 2020*. This Statement enhances comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The requirements of this Statement are effective for reporting periods after June 15, 2021, which requires the Airport to implement this Statement in the year ending June 30, 2022.

In March 2020, GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. This Statement is to address accounting and financial reporting implications that result from the replacement of an interbank offered rate due to global reference rate reform. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021, which requires the Airport to implement this Statement in the year ending June 30, 2022.

In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. This Statement improves financial reporting by addressing issues related to public-private and public-public partnership arrangements. It also provides guidance for accounting and financial reporting for availability payment arrangements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2022, which requires the Airport to implement this Statement in the year ending June 30, 2023.

In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2022, which requires the Airport to implement this Statement in the year ending June 30, 2023.

Note 11 – New Accounting Pronouncements (Continued)

In June 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board, and (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution OPEB plans by clarifying the financial burden criteria in Statement No. 84. It also extends the accounting and financial reporting requirements related to the Pension Plans, to Section 457 plans that meet the definition of a pension plan. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021, which requires the Airport to implement this Statement in the year ending June 30, 2022.

In October 2021, GASB issued Statement No. 98, *The Annual Comprehensive Financial Report*. This Statement establishes the term annual comprehensive financial report and its acronym ACFR. The new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments. The requirements of this Statement are effective for fiscal years beginning after December 15, 2021, which requires the Airport to implement this Statement in the year ending June 30, 2022.

Note 12 – Pollution Remediation Obligation

In 1988, the Airport was named as a responsible party in a cleanup and abatement order (CAO) issued by the Regional Water Quality Control Board (RWQCB). The CAO identified four sites on Airport property as having chemical impacts to soil and groundwater. Site investigation and remedial action activities were completed, and in 2003, the RWQCB issued No Further Action letters to the Airport for the sites except the Old Fuel Farm site. At the Old Fuel Farm, site investigation activities were completed, and on-going remedial activities include removal of residual free hydrocarbon product and monitored natural attenuation of groundwater. Annual groundwater sampling and reporting is currently conducted at the Old Fuel Farm, and the reports are prepared and submitted to the RWQCB.

Note 12 – Pollution Remediation Obligation (Continued)

In 1993, hydrocarbon-impacted soils were documented following removal of two 1,000-gallon underground storage tanks (USTs) at Former Fire Station #33. Following over-excavation and off-site disposal of hydrocarbon-impacted soils, the Orange County Health Care Agency issued a Completion of Corrective Action Letter to the Airport in 1994 related to the UST removal activities. During geotechnical assessment activities conducted at Former Fire Station #33 in 1999, soils appearing to be impacted with hydrocarbons were encountered and the soil boring logs were submitted to the RWQCB. In 2002, the RWQCB requested that the Airport assess the presence and distribution of chemical impacts to soil and groundwater. Site investigation activities were conducted between 2002 and 2006, and on-going remedial activities include monitored natural attenuation of groundwater. Currently, semi-annual groundwater sampling and reporting is conducted at Former Fire Station #33, and the reports prepared are submitted to the RWQCB.

In 2009, a new estimated pollution remediation liability was calculated based on a more active method of remediation for each of the Old Fuel Farm and Former Fire Station #33 sites. Active remediation has been delayed pending further guidance from the RWQCB, which could possibly affect the estimated pollution remediation liability as well as cause changes to the remedial technologies used to remediate the sites. As of June 30, 2021, the Airport had a liability of $994 based on management's assessment and the results of the consultant's evaluation of potential remediation costs. The liability is not expected to decrease until active remediation begins or a closure plan is accepted by the RWQCB.

In 1995, the Airport entered into a Memorandum of Understanding (MOU) with one of its FBO lessees to address the remediation of the Old Fuel Farm. The FBO was identified as the operator of the site and the other responsible party. The lessee agreed to be obligated to pay 50% of the remediation costs associated with the Old Fuel Farm site. Reported in the Statement of Net Position as part of accounts receivable, the total expected recovery for the Old Fuel Farm site is $256 as of June 30, 2021.

The estimated pollution remediation obligation as of June 30, 2021, was:

Old Fuel Farm Site	$	785
Former Fire Station #33 Site		692
Less: Remediation Activity		(483)
Net Pollution Remediation Obligation	$	994

Note 13 – Accounts Receivable

Accounts receivable had a balance of $7,436 as of June 30, 2021. In April and July 2020, the Airport took measures to respond to the COVID-19 crisis and offered a deferment of rents or Minimum Annual Guarantees (MAG) to tenants, including airlines, rental cars, and concessions from March 1, 2020 through September 30, 2020, expecting payments in full by June 30, 2021. The Airport reported a receivable balance of $3,745 for rent deferrals as of June 30, 2021 as some tenants paid after June 30, 2021 or required extension with structured repayments. The Airport expects the majority or full amount paid in the upcoming year.

Note 14 – Contingency

Federal Assistance for COVID-19

On May 21, 2020, the Airport received an allocation of $44,910 from the Coronavirus Aid, Relief, and Economic Security (CARES) Act Airport Grants under the CARES Act. This grant can be used to reimburse the Airport for allowable costs incurred from January 20, 2020 to May 20, 2024. As of June 30, 2021, the Airport had claimed and received reimbursements in a total of $14,859, including $10,077 and $4,782 for the years ended June 30, 2021 and 2020 respectively. The grant balance was $30,051 as of June 30, 2021.

Note 15 – Subsequent Event

Federal Assistance for COVID-19

On August 17, 2021, the Airport received an allocation of $33,582 from the Airport Rescue Grants under the American Rescue Plan Act. This grant can be used to reimburse the Airport for allowable costs incurred from January 20, 2020 to August 16, 2025.

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Supervisors
County of Orange, California

We have audited, 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, the financial statements of John Wayne Airport (Airport), an enterprise fund of the County of Orange, California (County) as of and for the year then ended June 30, 2021, and the related notes to the financial statements and have issued our report thereon dated December 17, 2021. Our report includes an emphasis of matter paragraph stating that the financial statements of the Airport do not purport to, and do not, present fairly the financial position of the County as of June 30, 2021.

Internal Control over Financial Reporting

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

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

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 Airport'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 Airport's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Eide Bailly LLP

Laguna Hills, California
December 17, 2021