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, 2022

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JOHN WAYNE AIRPORT
Financial Statements

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Independent Auditor's Report

To the Board of Supervisors
County of Orange, California

Report on the Audit of the Financial Statements

Opinion

We have audited the 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, 2022, and the related notes to the financial statements, which collectively comprise the Airport's basic financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Airport, as of June 30, 2022, 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.

Basis for Opinion

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

Emphasis of Matter

As discussed in Note 1, 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, 2022, the changes in its financial position, or, where applicable, 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.

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Adoption of New Accounting Standard

As discussed in Note 2 to the financial statements, the Airport has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, for the year ended June 30, 2022. Accordingly, a restatement has been made to the Airport's net position as of July 1, 2021, to restate beginning net position. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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 basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2022, 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 16, 2022

JOHN WAYNE AIRPORT
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2022
(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, 2022. We encourage readers to consider the information presented here in conjunction with the information furnished in the Airport's financial statements.

<u>Financial Highlights</u>

- The Airport's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by $817,992 (net position) at June 30, 2022. Of this amount, $246,608 (unrestricted net position) may be used to meet the ongoing obligations of the Airport, $33,835 (restricted net position) was externally restricted for specific purposes, and $537,549 was the net investment in capital assets.

- Total deferred inflows of resources increased by $116,143 or 1,260.9% from June 30, 2021 primarily due to an increase in deferred inflows of resources related to leases for the implementation of Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases* (GASB Statement No. 87), in the year ended June 30, 2022.

- Total net position increased by $47,428 or 6.2 % for the year ended June 30, 2022. This increase consists of operating income of $9,704, capital contributions and transfers of $665, and nonoperating revenues of $37,059.

- Noncurrent liabilities decreased by $22,061 or 21.0%.

<u>Overview of the Financial Statements</u>

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.

- <u>Statement of Net Position</u> 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, 2022, the Airport's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by $817,992.

Net Position:

	2022	2021	2022 vs 2021 $ Change	2022 vs 2021 % Change
ASSETS				
Current and other assets	$ 460,771	$ 303,929	$ 156,842	51.6 %
Capital assets	598,580	615,923	(17,343)	(2.8) %
TOTAL ASSETS	1,059,351	919,852	139,499	15.2 %
TOTAL DEFERRED OUTFLOWS OF RESOURCES	9,573	10,644	(1,071)	(10.1) %
LIABILITIES				
Current liabilities	42,344	45,426	(3,082)	(6.8) %
Noncurrent liabilities	83,234	105,295	(22,061)	(21.0) %
TOTAL LIABILITIES	125,578	150,721	(25,143)	(16.7) %
TOTAL DEFERRED INFLOWS OF RESOURCES	125,354	9,211	116,143	1260.9 %
NET POSITION				
Net investment in capital assets	537,549	538,531	(982)	(0.2) %
Restricted net position	33,835	21,791	12,044	55.3 %
Unrestricted net position	246,608	210,242	36,366	17.3 %
TOTAL NET POSITION	$ 817,992	$ 770,564	$ 47,428	6.2 %

At June 30, 2022, the largest component of the Airport's net position ($537,549 or 65.7% of total net position) was its net investment in capital assets (e.g., land, structures and improvements, equipment, infrastructure, construction in progress, and intangible assets), 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, 2022, an additional component of the Airport's net position ($33,835 or 4.1% 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 $246,608 (30.2% of total net position) is unrestricted and may be used to meet the Airport's ongoing obligations.

Comparison between the years ended June 30, 2022 and 2021:

The Airport's total assets increased by $139,499 or 15.2%. Current and other assets increased by $156,842 or 51.6%, primarily due to an increase in pooled cash and investments with Treasurer, cash equivalents/specific investments with Treasurer and leases receivable, partially offset by a decrease in specific investments with Treasurer. Capital assets decreased by $17,343 or 2.8%.

The Airport's total liabilities decreased by $25,143 or 16.7%. Current liabilities decreased by $3,082 or 6.8%, primarily due to a decrease in accounts payable and bonds payable, net, partially offset by an increase in unearned revenue. Noncurrent liabilities decreased by $22,061 or 21.0%, primarily due to a decrease in bonds payable for retirement of bonds and net pension liability.

The total deferred outflows of resources decreased by $1,071 or 10.1%, primarily due to a decrease in deferred outflows of resources related to pension.

The total deferred inflows of resources increased by $116,143 or 1,260.9 %, primarily due to an increase in deferred inflows of resources related to leases.

JOHN WAYNE AIRPORT

Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2022
(To the Nearest Thousand)

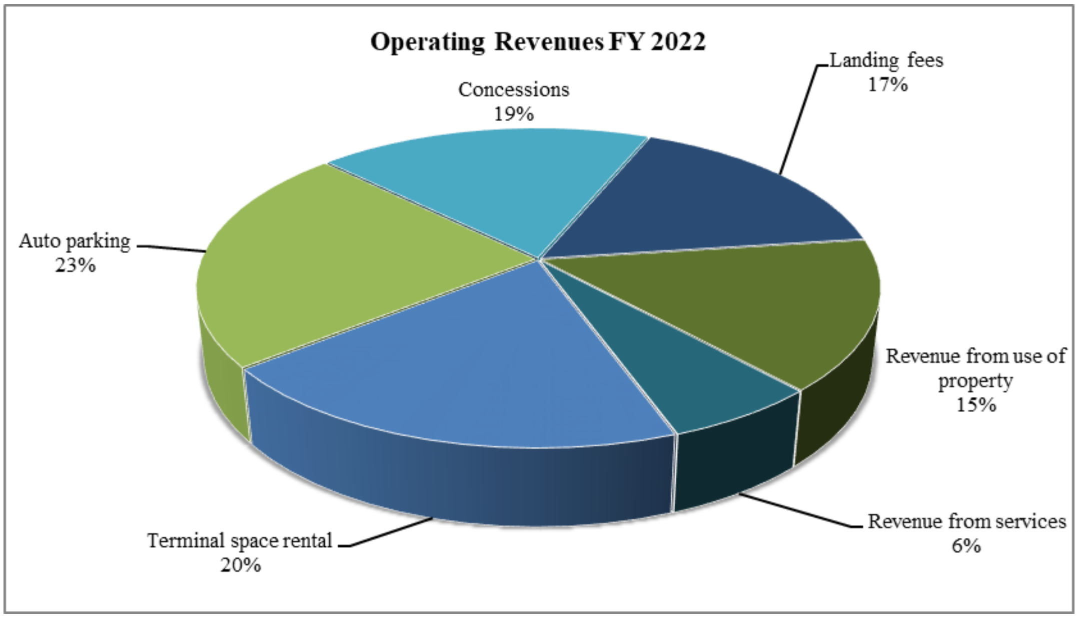
During the year ended June 30, 2022, the Airport's net position increased by $47,428 or 6.2%.

Revenues, Expenses, and Change in Net Position:

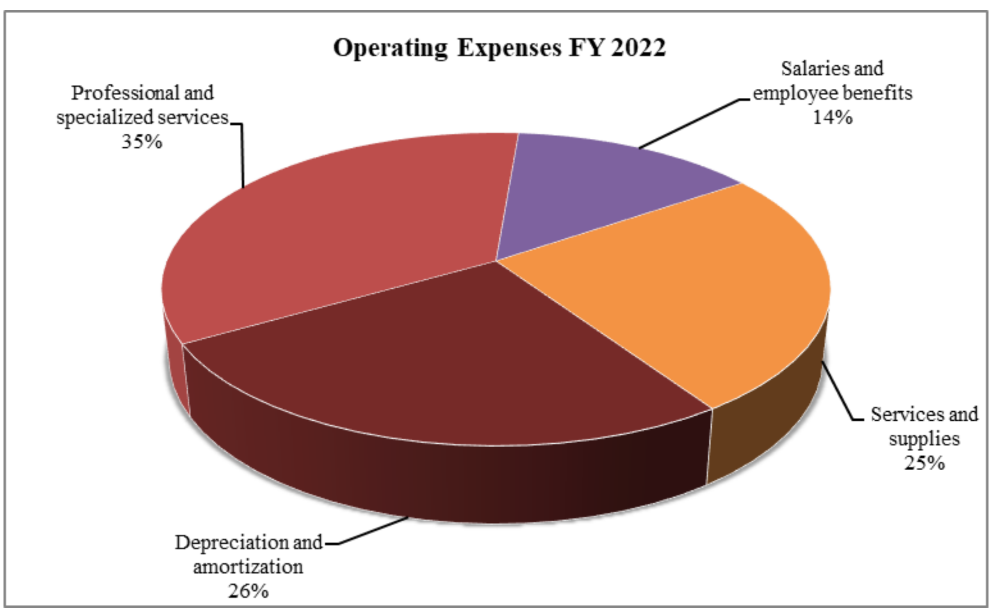
	2022	2021	2022 vs 2021 $ Change	2022 vs 2021 % Change
OPERATING REVENUES				
Terminal space rental	$ 27,838	$ 26,708	$ 1,130	4.2 %
Auto parking	32,772	14,130	18,642	131.9 %
Concessions	26,602	24,992	1,610	6.4 %
Landing fees	23,475	11,580	11,895	102.7 %
Revenue from use of property	21,583	17,201	4,382	25.5 %
Revenue from services	8,766	4,028	4,738	117.6 %
Aircraft tiedown fees	10	1,183	(1,173)	(99.2) %
Total operating revenues	141,046	99,822	41,224	41.3 %
OPERATING EXPENSES				
Professional and specialized services	45,430	40,893	4,537	11.1 %
Salaries and employee benefits	18,499	19,483	(984)	(5.1) %
Services and supplies	33,016	30,759	2,257	7.3 %
Taxes and other fees	153	186	(33)	(17.7) %
Depreciation and amortization	34,244	34,117	127	0.4 %
Total operating expenses	131,342	125,438	5,904	4.7 %
Operating income (loss)	9,704	(25,616)	35,320	(137.9) %
NONOPERATING REVENUES (EXPENSES)				
Interest income	840	243	597	245.7 %
Net decrease in the fair value of investments	(3,694)	--	(3,694)	(100.0) %
Interest expense	(1,473)	(1,740)	267	(15.3) %
Fines and penalties	399	318	81	25.5 %
Gain on disposition of capital assets, net	56	23	33	143.5 %
Intergovernmental revenues	20,170	22,066	(1,896)	(8.6) %
Other revenue, net	181	299	(118)	(39.5) %
PFC revenue	20,580	9,028	11,552	128.0 %
Total nonoperating revenues	37,059	30,237	6,822	22.6 %
INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	46,763	4,621	42,142	912.0 %
Capital contributions	59	--	59	100.0 %
Capital grant contributions	601	5,387	(4,786)	(88.8) %
Transfers from County of Orange	5	--	5	100.0 %
CHANGE IN NET POSITION	47,428	10,008	37,420	373.9 %
TOTAL NET POSITION, BEGINNING OF YEAR	770,564	760,556	10,008	1.3 %
TOTAL NET POSITION, END OF YEAR	$ 817,992	$ 770,564	$ 47,428	6.2 %

Comparison between the years ended June 30, 2022 and 2021:

The Airport's operating revenues increased by $41,224 or 41.3%, primarily due to an increase in auto parking, landing fees revenue, and revenue from services. The Airport's operating revenues were positively affected as a result of the continued passenger recovery from the COVID-19 pandemic.



The Airport's operating expenses increased by $5,904 or 4.7%, primarily due to an increase in professional and specialized services and services and supplies.



For the year ended June 30, 2022, the Airport's nonoperating revenues increased by $6,822 or 22.6%, primarily due to an increase in PFC revenue, partially offset by a decrease in intergovernmental revenues and increase in net decrease in the fair value of investments. Contributions and transfers decreased by $4,722 or 87.7%, primarily due to a decrease in capital grant contributions.

Capital Assets

The Airport's capital assets as of June 30, 2022, amounted to $598,580, net of accumulated depreciation and amortization. The investment in capital assets includes land, construction 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, 2022, was a decrease of $17,343 or 2.8%.

Capital Assets (Net of Accumulated Depreciation and Amortization):

	2022	2021	2022 vs 2021 $ Change	2022 vs 2021 % Change
CAPITAL ASSETS				
Land	$ 15,678	$ 15,678	$ --	0.0 %
Construction in progress	26,409	41,348	(14,939)	(36.1) %
Structures and improvements	511,286	510,938	348	0.1 %
Equipment	7,786	6,666	1,120	16.8 %
Infrastructure	35,784	39,694	(3,910)	(9.9) %
Intangible assets	1,637	1,599	38	2.4 %
TOTAL CAPITAL ASSETS	$ 598,580	$ 615,923	$ (17,343)	(2.8) %

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

At June 30, 2022, the Airport was committed under major contracts for a construction project and purchase of equipment in the amount of $3,280. Refer to Note 9 to the financial statements, Commitments, for more information.

Long-Term Debt Obligations

At June 30, 2022, the Airport had total bond obligations of $66,190. 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:

	2022	2021	2022 vs 2021 $ Change	2022 vs 2021 % Change
LONG-TERM DEBT OBLIGATIONS				
Airport Revenue Refunding Bonds, Series 2019A	$ 27,880	$ 31,010	$ (3,130)	(10.1) %
Airport Revenue Refunding Bonds, Series 2019B	32,130	40,815	(8,685)	(21.3) %
Add: Premium on Bonds Payable	6,180	8,085	(1,905)	(23.6) %
TOTAL LONG-TERM DEBT OBLIGATIONS	$ 66,190	$ 79,910	$ (13,720)	(17.2) %

During the year ended June 30, 2022, the decrease in the outstanding bonds was due to principal payments and amortization of bond premiums.

There was a positive change to the Airport's underlying debt ratings as compared to the previous year due to the continued passenger recovery from 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, 2022			
Airport Revenue Refunding Bonds, Series 2019A and 2019B	AA-	NR	NR
June 30, 2021			
Airport Revenue Refunding Bonds, Series 2019A and 2019B	A+	NR	NR

Additional information on the Airport's long-term debt obligations can be found in Note 6 to the financial statements, Long-Term Obligations.

Other Potentially Significant Matters

Grant Awards:

On August 25, 2021, the Airport was awarded an Airport Improvement Program (AIP) grant from the Federal Aviation Administration (FAA) in the maximum amount of $1,007 to purchase one additional electric bus and charging station. It is a reimbursement type grant.

On July 13, 2022, the Airport was awarded an AIP grant from the FAA in the maximum amount of $2,015 to reconstruct the pavement of Taxiway A, D, and E and slightly realign Taxiway A (design only). It is a reimbursement type grant.

Airport Capital Improvement Program and Financial Planning:

Completed projects during the fiscal year that ended June 30, 2022, include the Terminal Building Curtain Wall Modification Project and the Perimeter Road West SIDA (Secure Identification Display Area) Gate Relocation Project.

The Terminal Building Curtain Wall Modification Project in the Phase I Concession Development Project modifies 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 Perimeter Road West SIDA Gate Relocation Project relocated the existing SIDA gate along the west perimeter road to further south along the perimeter road to the airfield fuel farm. The work encompassed foundation and utility work to support the installation of the gate, including controls, security bollards, and striping/markings.

Current ongoing capital projects include the Rental Car (RAC) Reconfiguration Project in the rental car operating area located within A-2 and B-2 parking garages that aim to enrich the guest experience with safety improvements, heightened cleanliness, and enhanced cleanliness, 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 are underway. All phases of the RAC project will be substantially completed by the first quarter of 2023.

The following upcoming projects are in various stages of planning and design. The planning and design phase for these projects will be completed within the next year, followed by procurement and construction in the next 12 to 18 months, with projected completion between 2023 and 2025.

The Terminal Roof Repair and Expansion Joint Replacement Project, will address the Terminal A and B 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.

Facility Accessibility Improvements Project was identified after a detailed accessibility assessment and identified improvements needed to comply with Americans with Disabilities Act (ADA) requirements including, but not limited to, the path of travels/pavement reconstruction; signage, handrail, and guardrail improvements; elimination of protruding objects and installation of required detection systems; restroom accessibility improvements; and various other adjustments and/or replacements for fixtures around the Airport, such as drinking fountains, etc.

The Airport Power Generation and Distribution Upgrades Phase I Project includes replacing medium voltage switchgear, addressing aging equipment, and refeeding the 12KV distribution.

Terminal Floor Expansion Joints Improvements Project will replace the existing terminal floor expansion joints at Terminals A, B, and C on both the secured and non-secured side of the Airport.

The goal of the Common Use Passenger Processing System (CUPPS) Project is to replace the current CUPPS within all the Airport terminals with a more streamlined and up-to-date system. The intent is to improve the primary CUPPS components, including passenger processing, self-service equipment, passenger information system, signage and wayfinding, audio and video paging, and airport flight information display system to enhance integration function with the Airport terminal operations.

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 in 2023, and the construction will commence in the latter part of 2023, with completion in early 2025.

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 30, 2020, $10,077 for the year ended June 30, 2021, and $13,676 for the year ended June 30, 2022.

Coronavirus Response and Relief Supplemental Act (CRRSA)

On December 27, 2020, the President signed the Consolidated Appropriation Act 2021, which provides $2 billion in grants for airports under the CRRSA. On April 13, 2021, John Wayne Airport received a CRRSA grant award of $11,045, of which $1,104 was for eligible airport concessions rent relief and $9,941 was for reimbursement of airport operating expenses. The Airport claimed operating expenses and debt service payments of $11,038 for the year ended June 30, 2021 and claimed the remaining $7 for the year ended June 30, 2022.

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. On January 11, 2022, the Airport received 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, 2022
(To the Nearest Thousand)

ASSETS		
Current assets:		
Cash (Note 3)	$	5,343
Pooled cash and investments with Treasurer (Note 3)		216,286
Cash equivalents/specific investments with Treasurer (Note 3)		44,449
Specific investments with Treasurer (Note 3)		8,981
Imprest cash (Note 3)		14
Accounts receivable (Note 13)		6,646
Pollution remediation obligation recoveries (Note 12)		256
Interest receivable		226
Leases receivable (Note 7)		13,861
Due from County of Orange (Note 8)		36
Due from other governmental agencies		13,686
Prepaid expenses		3,805
Restricted cash equivalents/deposits with trustee (Note 3)		9,863
Restricted pooled cash and investments held for others (Note 3)		658
Restricted pooled cash and investments with Treasurer (Note 3)		23,451
Restricted Passenger Facility Charges (PFC) receivable		2,022
Deposits in lieu of cash		6,452
Total current assets		356,035
Noncurrent assets:		
Restricted deposits with trustee (Note 3)		8,110
Leases receivable (Note 7)		96,626
Capital assets (Note 10):		
Land		15,678
Construction in progress		26,409
Structures and improvements		936,912
Equipment		17,377
Infrastructure - runways, taxiways and aprons		240,224
Intangible assets		4,853
Less: accumulated depreciation/amortization		(642,873)
Total capital assets, net		598,580
Total noncurrent assets		703,316
TOTAL ASSETS		1,059,351
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charge on refunding		1,306
Deferred outflows of resources related to pension (Note 4)		8,007
Deferred outflows of resources related to OPEB (Note 5)		260
TOTAL DEFERRED OUTFLOWS OF RESOURCES		9,573

See accompanying notes to financial statements.

JOHN WAYNE AIRPORT
Statement of Net Position (Continued)
June 30, 2022
(To the Nearest Thousand)

LIABILITIES		
Current liabilities:		
Accounts payable	$	8,250
Retainage payable		657
Salaries and employee benefits payable		870
Interest payable		1,500
Unearned revenue		11,015
Due to County of Orange (Note 8)		2,617
Due to other governmental agencies		323
Compensated employee absences (Note 6)		1,123
Financed purchase liability (Note 6)		332
Intangible asset obligations payable (Note 6)		104
Bonds payable, net (Note 6)		8,443
Deposits from others		7,110
Total current liabilities		42,344
Noncurrent liabilities:		
Pollution remediation obligation (Notes 6 and 12)		994
Compensated employee absences (Note 6)		463
Financed purchase liability (Note 6)		331
Intangible assets obligations payable (Note 6)		220
Bonds payable, net (Note 6)		57,747
Net pension liability (Note 4)		21,593
Net OPEB liability (Note 5)		1,886
Total noncurrent liabilities		83,234
TOTAL LIABILITIES		125,578
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources related to pension (Note 4)		15,551
Deferred inflows of resources related to OPEB (Note 5)		779
Deferred inflows of resources related to leases (Notes 1 and 7)		109,024
TOTAL DEFERRED INFLOWS OF RESOURCES		125,354
NET POSITION		
Net investment in capital assets		537,549
Restricted for debt service		8,362
Restricted for PFC (Note 1)		24,473
Restricted for capital projects - replacements and renewals		1,000
Unrestricted		246,608
TOTAL NET POSITION	$	817,992

See accompanying notes to financial statements.

JOHN WAYNE AIRPORT
Statement of Revenues, Expenses, and Change in Net Position
For the Year Ended June 30, 2022
(To the Nearest Thousand)

OPERATING REVENUES	
Terminal space rental	$ 27,838
Auto parking	32,772
Concessions	26,602
Landing fees	23,475
Revenue from use of property	21,583
Revenue from services	8,766
Aircraft tiedown fees	10
Total operating revenues	141,046
OPERATING EXPENSES	
Professional and specialized services	45,430
Salaries and employee benefits	18,499
Services and supplies	33,016
Taxes and other fees	153
Depreciation and amortization (Note 10)	34,244
Total operating expenses	131,342
Operating income	9,704
NONOPERATING REVENUES (EXPENSES)	
Interest income	840
Net decrease in the fair value of investments	(3,694)
Interest expense	(1,473)
Fines and penalties	399
Gain on disposition of capital assets, net	56
Intergovernmental revenues	20,170
Other revenue, net	181
PFC revenue (Note 1)	20,580
Total nonoperating revenues	37,059
INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	46,763
Capital contributions	59
Capital grant contributions	601
Transfers from County of Orange	5
CHANGE IN NET POSITION	47,428
TOTAL NET POSITION, BEGINNING OF YEAR (Note 2)	770,564
TOTAL NET POSITION, END OF YEAR	$ 817,992

See accompanying notes to financial statements.

JOHN WAYNE AIRPORT
Statement of Cash Flows
For the Year Ended June 30, 2022
(To the Nearest Thousand)

CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	$	131,529
Payments to suppliers for goods and services		(78,747)
Payments to employees		(24,258)
Receipts from County of Orange		356
Payments for taxes and other fees		(153)
Other receipts		800
Net cash provided by operating activities		29,527
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Operating transfers in		5
Intergovernmental revenues		17,766
Net cash provided by noncapital financing activities		17,771
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets		(20,340)
Principal payments on long-term debt		(11,815)
Interest paid on long-term debt		(3,296)
Proceeds from capital grant contributions		742
Principal payments on financed purchase liability		(331)
Proceeds from sale of capital assets		133
Receipts from PFC		21,106
Receipts for lease receivables		11,765
Interest on lease receivables		2,691
Net cash provided by capital and related financing activities		655
CASH FLOWS FROM INVESTING ACTIVITIES		
Sales of investments, net		41,744
Net change in the fair value of investments		(2,882)
Net cash provided by investing activities		38,862
NET INCREASE IN CASH AND CASH EQUIVALENTS		86,815
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		213,249
CASH AND CASH EQUIVALENTS, END OF YEAR	$	300,064

See accompanying notes to financial statements.

JOHN WAYNE AIRPORT

Statement of Cash Flows (Continued)
For the Year Ended June 30, 2022
(To the Nearest Thousand)

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating income	$	9,704	
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Depreciation and amortization		34,244	
Recognition of lease income		(14,456)	
Fines and penalties		399	
Other revenue		181	
(INCREASES) DECREASES IN:			
Receivables, net		(109,697)	
Due from County of Orange		93	
Due from other governmental agencies		178	
Prepaid expenses		(256)	
Deposits in lieu of cash		(324)	
Deferred outflows of resources related to pension		752	
Deferred outflows of resources related to OPEB		(59)	
INCREASES (DECREASES) IN:			
Accounts payable		(273)	
Retainage payable		14	
Salaries and employee benefits payable		104	
Unearned revenue		7,215	
Due to County of Orange		263	
Due to other governmental agencies		94	
Compensated employee absences		(87)	
Deposits from others		(1,331)	
Net pension liability		(12,759)	
Net OPEB liability		(615)	
Deferred inflows of resources related to pension		6,667	
Deferred inflows of resources related to OPEB		452	
Deferred inflows of resources related to Leases		109,024	
Net cash provided by operating activities	$	29,527	
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENT OF NET POSITION			
Cash	$	5,343	
Pooled cash and investments with Treasurer		216,286	
Specific investments with Treasurer		44,449	(1)
Imprest cash		14	
Restricted deposits with trustee		9,863	(2)
Restricted pooled cash and investments held for others		658	
Restricted pooled cash and investments with Treasurer		23,451	
TOTAL CASH AND CASH EQUIVALENTS	$	300,064	
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES			
Acquisition of capital assets with accounts payable	$	2,662	
Acquisition of capital assets with retainage payable		607	
Change in fair value of investments not considered cash or cash equivalents		25	
Accrued capital grant contribution receivable		2,464	
Loss (gain) on disposition of capital assets		(56)	
Amortization of bond premium		1,905	
Amortization of deferred charge on refunding		378	
Capital contributions		59	

(1) Does not include $8,981 from Airport's nonliquid Specific Investments.
(2) Does not include $8,110 from Airport's nonliquid Restricted Cash and Investments with Trustee.

See accompanying notes to financial statements.

JOHN WAYNE AIRPORT
Notes to Financial Statements
For the Year Ended June 30, 2022
(To the Nearest Thousand)

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 and increase the number of passenger loading bridges from 14 to 20. Beginning January 2021 through December 31, 2030, there shall be no limit on the number of passenger loading bridges.

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.

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

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

Capital Assets (Continued)

amortization is provided on construction in progress or intangible assets in progress until the project is completed and the asset is placed in service.

Leases

According to GASB Statement No. 87, a lease is defined as a contract that transfers the right to use another entity's asset for a specific period of time in an exchange or exchange-like transaction. The Airport leases its real property, structure and improvements to others, which include non-cancellable leases with air carriers and concessionaires. The lease threshold is $0 for building and improvements and $0 for land. Under these contracts, as a lessor, a lease receivable and a deferred inflow of resources is recognized at the commencement of the lease term. The lease receivable is measured at the present value of lease payments expected to be received during the lease term. The deferred inflow of resources is measured at the value of the lease receivable plus any payments received at or before the commencement of the lease term that relate to future periods. Lease receivables are subsequently reduced over the life of the lease as cash is received in the applicable reporting period. The Airport also has regulated leases, not subject to the provisions of GASB Statement No. 87. For regulated leases, no lease receivable or deferred inflows of resources is reflected in the financial statements.

An amendment to a lease contract is considered a lease modification, unless the lessee's right to use the underlying asset decreases, in which case it is considered a partial or full lease termination. A lease termination is accounted for by reducing the carrying values of the lease liability and lease asset by a lessee, or the lease receivable and deferred inflows of resources by the lessor, with any difference being recognized as a gain or loss.

The future lease payments are discounted using the interest rate implicit in the lease contract. If the interest rate is not available, the County uses its incremental borrowing rate determined by the County Executive Office/Public Finance. The lease term is determined by the sum of the non-cancelable periods, plus renewal options when they are reasonably certain of being exercised or early termination options when they are reasonably certain of not being exercised.

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.

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

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.

Cash 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.

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 $1,219,373. 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.

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

Pension (Continued)

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.

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 assets) 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 assets) that apply to future periods and that, therefore, are not recognized as a revenue until that time. For deferred inflows of resources where the Airport is the lessor and is reported in the Statement of Net Position, the deferred inflow of resources are recognized as an inflow of resources (revenue), on the straight-line basis over the term of the lease.

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

Deferred Outflows/Inflows of Resources (Continued)

The deferred outflows/inflows of resources, included in the Statement of Net Position, relate to the deferred charge on refunding, deferred outflows/inflows of resources related to pension and OPEB, and deferred inflow of resources related to leases. 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. The deferred inflow of resources related to leases includes $109,024 as of June 30, 2022.

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, 2022, the Airport reported restricted net position of $33,835 for debt service, Passenger Facility Charges (PFC) and replacements and renewals for capital projects, of which $24,473 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.

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.

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

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 PFC Amendment 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, 2022, $20,580 PFC revenue was reported and $8,981 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 37%, 16%, and 14% of market share during the year ended June 30, 2022.

Note 2 – Change in Accounting Principle

The Airport implemented GASB Statement No. 87 in the current financial statements, which resulted in the restatement of Statement of Net Position:

Net position at June 30, 2021	$	770,564
Lease receivable under GASB Statement No. 87		120,789
Deferred inflows of resources under GASB Statement No. 87		(120,789)
Net position at June 30, 2021, as restated	$	770,564

Refer to Note 7 to the financial statements, Leases, for additional information on GASB Statement No. 87.

Note 3 – Cash 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, 2022, was as follows:

Cash and pooled cash and investments:		
Cash on hand	$	5,357
Pooled cash and investments, restricted		24,109
Pooled cash and investments		216,286
Total cash and pooled cash and investments		245,752
Cash and investments:		
Specific Investments with Treasurer		53,430
Cash with trustee, restricted		17,973
Total cash and investments		71,403
Total cash and investments	$	317,155

<u>Cash</u>

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.

<u>Specific Investments with Treasurer</u>

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.

Note 3 – Cash and Investments (Continued)

Specific Investments with Treasurer (Continued)

The investment balance was $53,430 at June 30, 2022, of which $44,449, are considered cash equivalents with original maturities of 90 days or less and $8,981, are considered specific investments with maturities of more than 90 days.

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.

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 maximum maturity to 5 years for any investments.

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.

Note 3 – Cash and Investments (Continued)

Credit Risk

This is the risk that an issuer or other counterparty to an investment may not fulfill its obligations or that negative perceptions of the issuer's ability to make these payments will cause the price to decline. The IPS sets forth the minimum acceptable credit ratings for investments from at least two of the following Nationally Recognized Statistical Rating Organizations (NRSRO): Standard & Poor's (S&P), Moody's, or Fitch. All short-term and long-term investments, except those noted below, 1) must have the minimum ratings required below by at least two NRSROs, and 2) the lowest rating of any NRSRO must meet or exceed the minimum rating required below:

S&P	A-1, "AA"
Moody's	P-1, MIG 1/VMIG 1, "Aa"
Fitch	F-1, "AA"

If an issuer of Long-term debt has a Short-term debt rating, then it may not be less than the minimum required Short-term debt ratings above.

a) Municipal debt issued by the County is exempt from the credit rating requirements listed above.

b) Money Market Mutual and Investment Pools require the highest ranking or the highest letter and numerical rating provided by at least one NRSRO.

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.

Note 3 – Cash and Investments (Continued)

Concentration of Credit Risk (Continued)

Type of Investment	Orange County IPS	Cal Gov Code Maximum Final Maturity	Orange County IPS Maximum Final Maturity (OCTP)
U.S. Treasury Securities	100%	5 Years	5 Years
U.S. Government Agency Securities	100%	5 Years	5 Years
Municipal Debt	20% Total, no more than 5% in one issuer except 10%- County of Orange	5 Years	3 Years
Medium-Term Notes	20% Total, no more than 5% in one issuer	5 Years	2 Years
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	5 Years	18 months
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	1 Year	180 Days
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	5 Years

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 Annual Comprehensive Financial Report (ACFR). The County's ACFR is available by accessing the Auditor-Controller's website at http://www.ac.ocgov.com.

Note 3 – Cash and Investments (Continued)

Concentration of Credit Risk (Continued)

At June 30, 2022, 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	$ 19,984	$ 20,000	0.06	A-1	37.40%
U.S. Treasuries	23,966	24,000	0.10	AA	44.85%
Money Market Mutual Funds	9,480	9,480	0.00	AAA	17.75%
Total	$ 53,430	$ 53,480	0.07 (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 ACFR. The ACFR is available by accessing the Auditor-Controller's website at http://www.ac.ocgov.com.

As of June 30, 2022, 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	$ 19,984	$ --	$ 19,984	$ --
U.S. Treasuries	23,966	--	23,966	--
Total investments by fair value level	43,950	$ --	$ 43,950	$ --
Investments not subject to fair value hierarchy:				
Money Market Mutual Funds	9,480			
Total	$ 53,430			

Note 4 – 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 4 – 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, 2022, the employer's contribution rate as a percentage of covered payroll for general members was 39.35%. The Airport's total contribution to OCERS for the year ended June 30, 2022 was $4,783.

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

For the year ended June 30, 2022, the County reported a liability of $2,047,343 for its proportionate share of the net pension liability, of which the Airport's allocated share of the County's net pension liability totaled $21,587. The County's net pension liability was measured as of December 31, 2021, and the total pension liability used to calculate the net pension liability was determined using actuarial valuation results.

Note 4 – Defined Benefit Pension Plan (Continued)

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

For the year ended June 30, 2022, the Airport recognized pension expense of $(328). The significant decrease in pension expense was due to an investment gain being recognized in this year's expense. At June 30, 2022, the Airport reported deferred outflows of resources and deferred inflows of resources related to pension as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	$ 1	$ 13,693
Difference Between Expected and Actual Experience	703	924
Changes of Assumptions	1,806	871
Changes in Proportion and Differences Between Airport Contributions and Proportionate Share of Contributions	121	63
Contributions Subsequent to Measurement Date	2,737	--
Prepaid Pension Contribution	2,639	--
Total	$ 8,007	$ 15,551

$2,737 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, 2023.

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, $2,639 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, 2023.

Note 4 – Defined Benefit Pension Plan (Continued)

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

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
2023	$	(2,394)
2024		(4,909)
2025		(3,399)
2026		(2,191)
2027		(27)
Total	$	(12,920)

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

Note 5 – 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.

Note 5 – Postemployment Health Care Benefits (Continued)

Plan Description (Continued)

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 3.43% of its payroll for the year ended June 30, 2022. The Airport's contribution was $488, 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, 2022, the County reported a liability of $233,049 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 $1,886. The County's collective net OPEB liability was measured as of December 31, 2021, and the total OPEB liability used to calculate the collective net OPEB liability was determined by an actuarial valuation as of June 30, 2021.

For the year ended June 30, 2022, the Airport recognized OPEB expense of $138. At June 30, 2022, 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	$ --	$ 330
Difference Between Expected and Actual Experience	--	326
Changes of Assumptions	56	87
Changes in Proportion and Differences Between Airport Contributions and Proportionate Share of Contributions	29	36
Contributions Subsequent to Measurement Date	175	--
Total	$ 260	$ 779

Note 5 – Postemployment Health Care Benefits (Continued)

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

$175 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, 2023.

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
2023	$	(135)
2024		(176)
2025		(142)
2026		(119)
2027		(63)
2028 +		(59)
Total	$	(694)

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 ACFR. The County's ACFR is available by accessing the Auditor-Controller's website at http://www.ac.ocgov.com.

Note 6 – 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.

Note 6 – Long-Term Obligations (Continued)

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, 2022, the outstanding principal amount, including premium, of the 2019A and 2019B Bonds were $30,849 and $35,341, 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, 2022, the total debt service principal and interest paid and total net revenues were $15,111 and $64,214 respectively. The total net revenues include $4,249 available PFC revenue for the year ended June 30, 2022.

Revenue bonds outstanding and related activity for the year ended June 30, 2022, were as follows:

	Balance at July 1, 2021	Additions	Deductions	Balance at June 30, 2022	Due in 1 year
Airport Revenue Refunding Bonds					
Series 2019A	$ 31,010	$ --	$ (3,130)	$ 27,880	$ 3,290
Bond Premium	3,851	--	(882)	2,969	779
Airport Revenue Refunding Bonds					
Series 2019B	40,815	--	(8,685)	32,130	3,460
Bond Premium	4,234	--	(1,023)	3,211	914
Total	$ 79,910	$ --	$ (13,720)	$ 66,190	$ 8,443

Note 6 – Long-Term Obligations (Continued)

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

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
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	4,000	586	5,255	492	10,333
2028-2031	9,710	684	7,220	724	18,338
Total	$ 27,880	$ 5,472	$ 32,130	$ 6,007	$ 71,489

Other Long-term Liabilities

Other long-term liability activities for the year ended June 30, 2022, were as follows:

	Balance at July 1, 2021	Additions	Deductions	Balance at June 30, 2022	Due in 1 year
Compensated Employee Absences	$ 1,673	$ 1,925	$ (2,012)	$ 1,586	$ 1,123
Financed Purchased Liability	994	--	(331)	663	332
Intangible Asset Obligations Payable	--	403	(79)	324	104
Pollution Remediation Obligation	994	--	--	994	--
Total	$ 3,661	$ 2,328	$ (2,422)	$ 3,567	$ 1,559

Note 7 – Leases

Lessor

The Airport leases its real property and structures and improvements to others for office space, advertising and rental car concessions. During year ended June 30, 2022, the Airport recognized an initial lease receivable of $120,789, and recorded $11,765 in lease revenue and $2,691 in interest. As of June 30, 2022, the lease receivable balance is $110,487, and deferred inflow balance is $109,024. Variable rental payments received by the Airport totaled $2,701 for the year ended June 30, 2022.

Note 7 – Leases (Continued)

Lessor (Continued)

	Balance at July 1, 2021	Increases	Decreases	Balance at June 30, 2022
Lease Receivable				
Building & Improvements	$ 8,446	$ --	$ (907)	$ 7,539
Land	112,343	--	(9,395)	102,948
Total Lease Receivable	$ 120,789	$ --	$ (10,302)	$ 110,487

Future minimum principal and interest revenue to be received under these leases as of June 30, 2022, are as follows:

Year Ending June 30,	Principal	Interest
2023	$ 13,861	$ 3,125
2024	14,283	2,703
2025	14,717	2,269
2026	15,166	1,821
2027	15,627	1,360
2028-2030	36,833	1,370
Total	$ 110,487	$ 12,648

Regulated Leases

In accordance with GASB Statement No. 87, regulated leases, between airports and aeronautical users are subject to regulations set forth by the Federal Aviation Administration and Department of Homeland Security. A lease receivable and a deferred inflow of resources are not recognized for these leases. The Airport's outstanding bonds are secured by net revenues including revenue earned from the airlines. Additional information can be found in Note 6 to the financial statements, Long-Term Obligations. The Airport identifies the following regulated leases:

Commercial and Commuter Airlines and Cargo Leases

The Airport entered into five-year lease agreements with various commercial and commuter airlines and cargo carriers that commenced on January 1, 2021 and expire on December 31, 2025, with no option to extend. Revenues from terminal rates, landing, operations, and remain over-night fees totaled $65,967 for the year ended June 30, 2022, of which $37,057, are considered variable rental payments.

Note 7 – Leases (Continued)

Regulated Leases (Continued)

Airline rental revenues are based on the revenue planning policy adopted by the Board and are subject to change semi-annually in accordance with the related airlines' operating lease agreements. Due to the nature of the above revenues, expected future minimum payments are indeterminable.

Fixed-Base Operation Leases

The Airport entered into multi-year lease agreements with full service and limited service fixed-base operators (FBO) that commenced on January 1, 2021. The full service agreements expire on December 31, 2055, with no option to extend. The limited service agreement expire on December 31, 2050, and with certain conditions, the lessee shall have the option to extend. Revenues from ground rent, building rent, and percentage rent of various gross receipts totaled $9,724 for the year ended June 30, 2022, of which $2,220, are considered variable rental payments.

The future minimum payments are shown in the following table.

Limited Use General Aviation Facility Lease

The Airport entered into a two-year agreement with a limited use general aviation operator on September 1, 2006, which included an option for an 18 year lease extension. On October 21, 2008, the lease was extended to August 31, 2026, and on December 18, 2012, the lease was extended to August 31, 2036. Revenue from ground rent totaled $469 for the year ended June 30, 2022, paid in twelve monthly installments.

The future minimum payments are shown in the following table.

Hydrant Fueling Facilities Lease

The Airport entered into a 25-year hydrant fueling facilities lease agreement with a consortium of airline carriers on September 14, 1990. On September 14, 2010, the lease was extended to December 31, 2030. Revenue from rent totaled $25 for the year ended June 30, 2022, paid in twelve monthly installments.

The future minimum payments are shown in the following table.

Security Services Lease

The Airport entered into a five-year agreement with the Transportation Security Administration on October 1, 2018 and expire on September 30, 2023. Revenue from rent totaled $265 for the year ended June 30, 2022, paid in twelve monthly installments.

Note 7 – Leases (Continued)

Regulated Leases (Continued)

Future minimum lease payments to be received as of June 30, 2022 are as follows:

Year Ending June 30,	Fixed-Base Operation Lease	Limited Use General Aviation Facility Lease	Hydrant Fueling Facilities Lease	Security Services Lease	Total
2023	$ 7,656	$ 471	$ 25	$ 268	$ 8,420
2024	7,621	471	25	67	8,184
2025	7,621	471	25	--	8,117
2026	6,708	471	25	--	7,204
2027	6,708	471	25	--	7,204
2028-2032	20,702	2,357	88	--	23,147
2033-2037	20,702	1,971	--	--	22,673
2038-2042	20,702	--	--	--	20,702
2043-2047	20,702	--	--	--	20,702
2048-2052	20,057	--	--	--	20,057
2053-2056	13,077	--	--	--	13,077
Total	$ 152,256	$ 6,683	$ 213	$ 335	$ 159,487

Under the agreements with the airlines, they may have exclusive use of certain space and facilities of the terminals, of which are structures and improvements within capital assets, in the Airport as summarized below:

Terminal	Airlines Using the Terminal Area Exclusively	Exclusively Used Terminal Area (SQFT)
A	Air Canada	597
A	American	11,201
A	Delta	3,182
A	WestJet	474
B	Alaska	3,083
B	United	11,044
C	Allegiant	603
C	Frontier	605
C	Southwest	10,460
C	Spirit	810
	Total	42,059

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 $27,513 for the year ended June 30, 2022.

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, 2022, was as follows:

Due To	Due From	Amount	
Airport	General Fund	$	36
Total Due From County of Orange		$	36

Due To	Due From	Amount	
General Fund	Airport	$	2,062
Internal Service Funds	Airport		488
Other Governmental Funds	Airport		67
Total Due To County of Orange		$	2,617

Note 9 – Commitments

At June 30, 2022, the Airport was committed under major contracts for the following:

Purchase of Electric Shuttle Buses with Chargers	$	2,246
Common Use Passenger Processing System Replacement		1,034
Total	$	3,280

JOHN WAYNE AIRPORT
Notes to Financial Statements (Continued)
For the Year Ended June 30, 2022
(To the Nearest Thousand)

Note 10 – Changes in Capital Assets

Capital asset activity for the year ended June 30, 2022, was as follows:

	Balance at July 1, 2021	Additions	Deductions	Balance at June 30, 2022
Capital assets, not depreciated/amortized:				
Land	$ 15,678	$ --	$ --	$ 15,678
Construction in progress	41,348	13,956	(28,895)	26,409
Total capital assets, not depreciated/amortized	57,026	13,956	(28,895)	42,087
Capital assets, depreciated/amortized:				
Structures and improvements	908,079	28,833	--	936,912
Equipment	15,642	2,755	(1,020)	17,377
Infrastructure	240,224	--	--	240,224
Intangible assets	4,449	404	--	4,853
Total capital assets, depreciated/amortized	1,168,394	31,992	(1,020)	1,199,366
Less accumulated depreciation/amortization:				
Structures and improvements	(397,141)	(28,485)	--	(425,626)
Equipment	(8,976)	(1,483)	868	(9,591)
Infrastructure	(200,530)	(3,910)	--	(204,440)
Intangible assets	(2,850)	(366)	--	(3,216)
Total accumulated depreciation/amortization	(609,497)	(34,244)	868	(642,873)
Total capital assets depreciated/amortized, net	558,897	(2,252)	(152)	556,493
Total capital assets, net	$ 615,923	$ 11,704	$ (29,047)	$ 598,580

Total depreciation and amortization expense for the year ended June 30, 2022, was $34,244.

Note 11 – New Accounting Pronouncements

The following summarizes recent GASB pronouncements implemented or effective in the year ended June 30, 2022:

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. The Airport implemented this Statement in the year ended June 30, 2022. Refer to Note 7 to the financial statements, Leases, for additional information.

Note 11 – New Accounting Pronouncements (Continued)

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. The Airport implemented this Statement in the year ended June 30, 2022; however, this Statement did not have any impact on the Airport's financial statements.

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. The Airport implemented this Statement in the year ended June 30, 2022; however, this Statement did not have any impact on the Airport's financial statements.

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. The Airport implemented this Statement in the year ended June 30, 2022; however, this Statement did not have any impact on the Airport's financial statements.

In October 2021, GASB issued Statement No. 98, *The Annual Comprehensive Financial Report*. This Statement replaces the term *comprehensive annual financial report* and its acronym with the term *annual comprehensive financial report* and its acronym ACFR due to the concerns of the pronunciation of the former acronym sounded like a profoundly objectionable racial slur. The requirements of this Statement are effective for reporting periods after December 15, 2021, which requires the Airport to implement this Statement in the year ending June 30, 2022. The Airport implemented this Statement in the year ended June 30, 2022.

Note 11 – New Accounting Pronouncements (Continued)

In April 2022, GASB issued Statement No. 99, *Omnibus 2022*. There are three effective dates of this Statement. This section of the Statement amends Statement No. 53 for the use of London Interbank Offered Rate in certain situations, recognizes the distributions of benefits from Supplemental Nutrition Assistance Program by applying provisions of Statement No. 33, and discusses disclosures of nonmonetary transactions related to Statement No. 62. Other objectives of Statement No. 99 clarifies the following provisions of Statement No. 48 regarding pledges of future revenues by a pledging government and Statement No. 34 that the financial Statements should show information about the reporting government, except certain activities. Under Statement No. 99, there are pronouncements for Statement No. 53 and Statement No. 63 that updates terminology. The requirements of this section of the Statement are effective upon issuance, which requires the Airport to implement this Statement in the year ending June 30, 2022; however, this Statement did not have any impact on the Airport's financial statements. Refer to Note 11 to the financial statements, New Accounting Pronouncements, for the other two sections of this Statement.

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 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 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 April 2022, GASB issued Statement No. 99, *Omnibus 2022*. The other two effective dates of this Statement are mentioned in this section. One section of the Statement clarifies provisions in (1) Statement No. 87 related to lease terms, classification of a short-term lease, recognition of a lease liability and lease asset, and identification of lease incentives, (2) Statement No. 94 related to determination of public-private and public-public partnership term and recognition of the underlying asset, and (3) Statement No. 96 related to the terms, classification and recognition of the subscription-based information technology arrangement term. The requirements of this section of the Statement are effective for reporting periods after June 15, 2022, which requires the Airport to implement this Statement in the year ending June 30, 2023. The last section of the Statement relates to Statement No. 53 and establishes the classification and reporting of derivative instruments. The requirements of this Statement are effective for reporting periods beginning after June 15, 2023, which require the Airport to implement this Statement in the year ending June 30, 2024.

In June 2022, GASB issued Statement No. 100, *Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62*. This Statement requires disclosure of accounting changes and error corrections in notes to the financial statements to show consistent and comprehensive information. The requirements of this Statement are effective for reporting periods beginning after June 15, 2023, which requires the Airport to implement this Statement in the year ending June 30, 2024.

In June 2022, GASB issued Statement No. 101, *Compensated Absences*. This Statement provides a unified model to use to recognize liabilities for any compensated absences and results in a better estimate of the liability for compensated absences. The requirements of this Statement are effective for reporting periods beginning after December 15, 2023, which requires the Airport to implement this Statement in the year ending June 30, 2025.

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, 2022, 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, 2022.

The estimated pollution remediation obligation as of June 30, 2022, 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 $6,646 as of June 30, 2022. 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 $345 for rent deferrals as of June 30, 2022 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 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. The grant balance was $33,582 as of June 30, 2022. 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, 2022, the Airport had claimed and received reimbursements in a total of $28,535, including $13,676 and $10,077 for the years ended June 30, 2022 and 2021 respectively. The grant balance was $16,375 as of June 30, 2022.

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 ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Airport's basic financial statements and have issued our report thereon dated December 16, 2022. Our report included an emphasis of matter paragraph describing the Airport's adoption of the provisions of Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, for the year ended June 30, 2022. Our report also included an emphasis of matter paragraph stating 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, 2022.

Report on 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 or significant deficiencies may exist that have not been identified.

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

Eide Bailly LLP

Laguna Hills, California
December 16, 2022