ONTARIO INTERNATIONAL AIRPORT AUTHORITY

FINANCE & AUDIT COMMITTEE
SPECIAL MEETING AGENDA

ONTARIO
INTERNATIONAL AIRPORT
So Cal. So Easy.

MARCH 19, 2024, AT 10:00 A.M.

Ontario International Airport Authority Administration Offices

1923 East Avion Street, Room 100, Ontario, CA 91761

STANDING COMMITTEE MEMBERS

ALAN D. WAPNER	**RONALD O. LOVERIDGE**
Chair	Member

WELCOME TO A MEETING OF THE ONTARIO INTERNATIONAL AIRPORT AUTHORITY

- All documents for public review are on file at the Ontario International Airport Administration Offices located at 1923 E. Avion Street, Ontario, CA 91761.
- Anyone wishing to speak during public comment or on an item will be required to fill out a blue slip. Blue slips must be turned in prior to public comment beginning or before an agenda item is taken up. The Secretary/Assistant Secretary will not accept blue slips and an opportunity to speak will not be taken after that time.
- You may submit public comments by e-mail to publiccomment@flyontario.com no later than 4:00 p.m. the day before the meeting. Please identify the Agenda item you wish to address in your comments. All e-mail comments will be included in the meeting record.
- Comments will be limited to 3 minutes. Speakers will be alerted when their time is up and no further comments will be permitted. Speakers are then to return to their seats.
- In accordance with State Law, remarks during public comment are to be limited to subjects within the Authority's jurisdiction. Remarks on other agenda items will be limited to those items.
- Remarks from those seated or standing in the back of the Board Room will not be permitted. All those wishing to speak, including Commissioners and Staff, need to be recognized by the Authority President before speaking.
- Sign language interpreters, communication access real-time transcription, assistive listening devices, or other auxiliary aids and/or services may be provided upon request. To ensure availability, you are advised to make your request at least 72 hours prior to the meeting you wish to attend. Due to difficulties in securing Sign Language Interpreters, five or more business days' notice is strongly recommended. Any members of the public who require special assistance or a reasonable accommodation to participate may contact the Board Clerk at (909) 544-5307 or clerk@flyontario.com.

1. **CALL TO ORDER**

2. **ROLL CALL**
   Wapner (Chair), Loveridge (Member)

3. **PUBLIC COMMENTS**
   The Public Comment portion of the Committee meeting is limited to a maximum of 3 minutes for each Public Comment. Under provisions of the Brown Act, the Committee is prohibited from taking action on oral requests.

4. **COMMITTEE AGENDA REVIEW/ANNOUNCEMENTS**
   Staff will go over all updated materials and correspondence received after the Agenda was distributed to ensure Committee Members have received them.

5. **COMMITTEE ACTION/DISCUSSION ITEMS**
   A. ANNUAL AUDIT REPORT
   Review and discussion regarding draft audited Financial Statements for Fiscal Year ended June 30, 2023 (Required auditor communications per SAS 114).

6. **COMMITTEE MEMBER COMMENTS AND REQUESTS FOR FUTURE AGENDA ITEMS**
   Alan D. Wapner, Chair
   Ronald O. Loveridge, Member

7. **ADJOURNMENT**

AFFIDAVIT OF POSTING

I, Norma I. Alley, MMC, Board Clerk of the Ontario International Airport Authority (OIAA), do hereby declare under penalty of perjury that the foregoing agenda has been posted at the administrative office and on the OIAA website in compliance to the Brown Act.

Date Posted: March 18, 2024 Posted Prior To: 10:00 A.M.

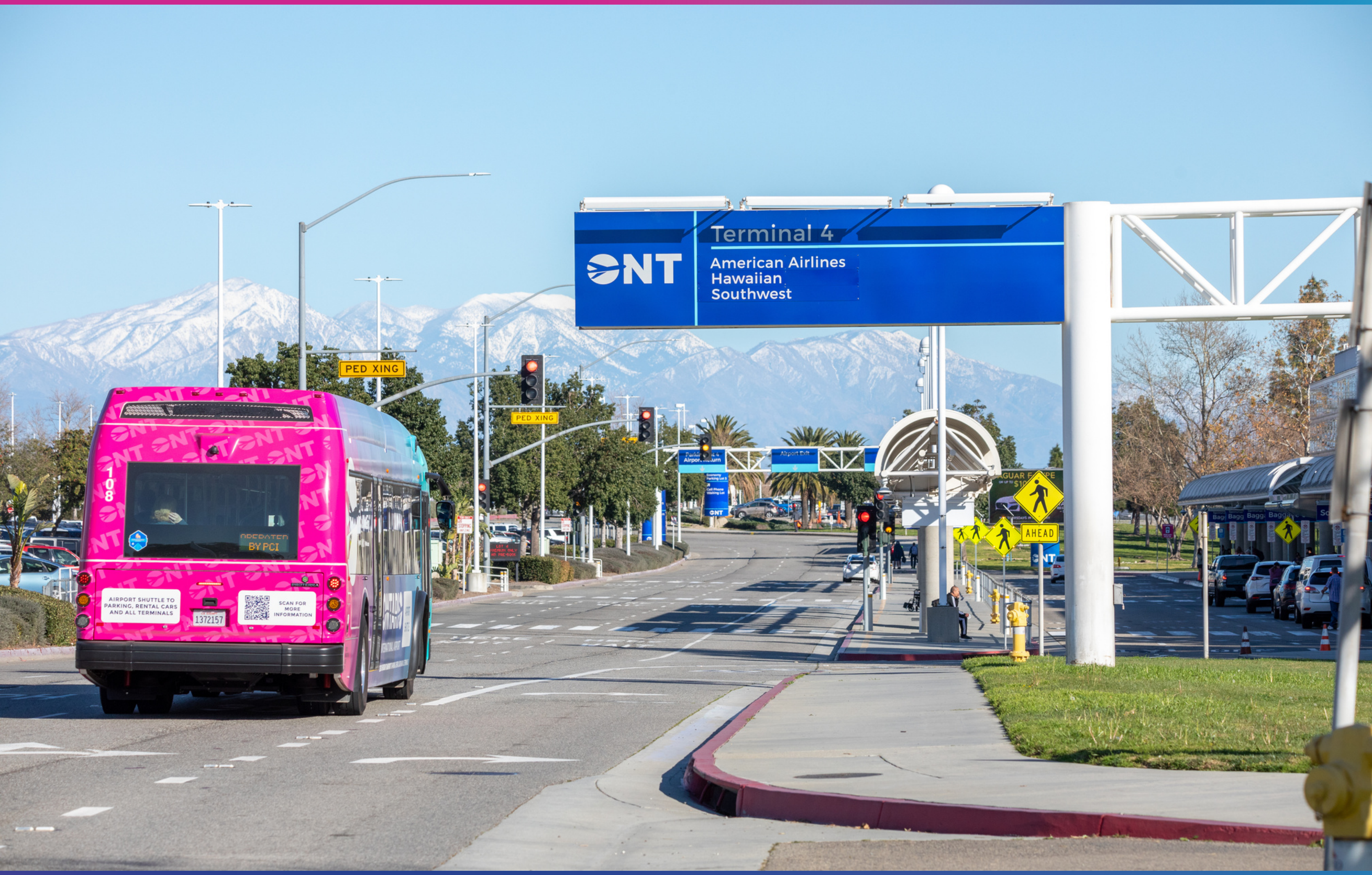
Signature: Norma I. Alley

Norma I. Alley, MMC
Ontario International Airport Authority Board Clerk

Financial Statements

FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

ONTARIO INTERNATIONAL AIRPORT AUTHORITY



ONTARIO INTERNATIONAL AIRPORT

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ONTARIO INTERNATIONAL AIRPORT AUTHORITY

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FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

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INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
Ontario International Airport Authority
Ontario, California

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Ontario International Airport Authority (the "Authority"), as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2023 and 2022, and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the State Controller's Minimum Audit Standards for California Special Authority's. 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 Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

Change in Accounting Principle

As described in Note 2 to the financial statements, in 2023, the Authority adopted new accounting guidance, GASB Statement No. 96, *Subscription Based Information Technology Arrangements*. 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.

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

To the To the Board of Commissioners
Ontario International Airport Authority
Ontario, California

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 opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the State Controller's Minimum Audit Standards for California Special Authority's will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the State Controller's Minimum Audit Standards for California Special Authority's, 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 Authority's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the 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.

To the To the Board of Commissioners
Ontario International Airport Authority
Ontario, California

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 21, 2024, on our consideration of the Authority'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 Authority'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 Authority's internal control over financial reporting and compliance.

Lance, Soll & Lunghard, LLP

Brea, California
February 21, 2024

The following discussion and analysis of the financial performance and activity of the Ontario International Airport Authority (Authority) provides an overview of the Authority's financial statements for the years ended June 30, 2023 and 2022. Information for the previous year ended June 30, 2021 has been included to provide a better insight into the overall financial position of the Authority. This Management's Discussion and Analysis (MD&A) has been prepared by management and should be read and considered in conjunction with the Authority's Basic Financial Statements.

The Authority is a business-type entity and, as such, the Basic Financial Statements consists of the Statements of Net Position, the Statements of Revenues, Expenses, and Changes in Net Position, the Statements of Cash Flows, and the Notes to Financial Statements.

The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) as promulgated by the Governmental Accounting Standards Board (GASB).

Authority History

The Authority was organized on August 27, 2012, under a joint powers agreement between the City of Ontario, CA and the County of San Bernardino, CA (together Municipalities) pursuant to California Government Code Section 6500. The purpose of the Authority is to exercise such powers for the operation, maintenance, management, administration, development, and marketing of the Ontario International Airport (ONT).

The Authority acquired substantially all assets and liabilities of ONT from the City of Los Angeles department known as Los Angeles World Airports (LAWA) on November 1, 2016.

Airport Funding Methodology

Funding for operations at ONT is determined by the Authority's Signatory Airline Operating Use and Terminal Lease Agreements (ULAs) between the Authority and all signatory passenger and cargo airlines operating at ONT. When an airline signs a ULA, it is designated as a Signatory Airline. The ULAs also determine the budget and financing methodology which the Authority and airlines agree to follow. Airport budget methodologies throughout the United States are usually characterized as either compensatory or residual, although some airports have a hybrid methodology, which combines both features.

The Authority operates under a residual methodology. The ULAs establish two cost centers for purpose of determining rates and charges payable by the Signatory Airlines and other users of the airport facilities: airfield and terminal. ULAs have an airline rate-setting methodology where all landing fees and terminal rental rates are calculated on a residual basis. Signatory Airlines are required to provide for break-even financial operations of ONT under the ULAs.

Airport Funding Methodology – continued

Additional detailed information regarding ULAs may be found in Note 2 and Note 10 in the accompanying Notes to Financial Statements.

Airline Rates and Charges

The Authority has ULAs with seven signatory domestic passenger airlines, two signatory international passenger airlines, and four signatory cargo airlines that expire on September 30, 2024. The ULAs provide a method for securing the financial stability of the Authority through a schedule of rates and charges. The following table details some of the key rates and charges included in the agreement.

	2023[1]	2023[2]	2022[3]	2022[4]	2021
Fee Type:					
Signatory Landing Fees per Thousand Pounds of Gross Landed Weight	$ 1.64	$ 1.64	$ 1.60	$ 1.71	$ 1.84
Signatory Monthly Terminal Rental Rate per Square Foot	$ 7.63	N/A	N/A	N/A	N/A
Signatory Annual Terminal Rental Rate per Square Foot	N/A	$ 91.65	$ 80.00	$ 99.38	$ 99.38
Non–Preferential Gate Use per Turn	$ 378.30	$ 280.00	$ 280.00	$ 280.00	$ 280.00
Jet Bridge Utility Fee Per Use	N/A	$ 189.00	$ 189.00	$ 189.00	$ 189.00

[1] Amended Airline Rates and Charges in effect from January 1, 2023 – June 30, 2023

[2] Airline Rates and Charges in effect from July 1, 2022 – December 31, 2022

[3] Amended Airline Rates and Charges in effect from January 1, 2022 – June 30, 2022

[4] Airline Rates and Charges in effect from July 1, 2021 – December 31, 2021

Airport Activities and Highlights

ONT passenger carrier activity, which is measured by enplaned and total passengers, increased by 10.5% and 10.4% in 2023 over 2022, respectively. ONT passenger carrier activity increased by 94.0% and 92.9% in 2022 over 2021, respectively. The significant increases in passenger carrier activity in 2022 over 2021 was the result of recoveries to passenger activity levels after the COVID-19 pandemic, which had a significant impact on passenger activity levels in 2021 and 2020. Aircraft operations decreased by 2.9% in 2023 over 2022. Aircraft operations increased by 15.4% in 2022 over 2021. Landed weight increased by 0.6% in 2023 to 8,481,036 one-thousand-pound units compared to 2022. Landed weight increased by 12.2% in 2022 to 8,429,752 one-thousand-pound units compared to 2021.

Airport Activities and Highlights – continued

Nine major domestic and three international passenger carriers served ONT in 2023 and 2022. Eight major domestic and two international passenger carriers served ONT in 2021. Southwest Airlines and American Airlines have dominated both passenger activity and air carrier landed weight. These two carriers accounted for 54.3%, 55.1% and 63.8% of passenger traffic in 2023, 2022 and 2021, respectively. Seven of the nine major domestic passenger carriers and two of the three international passenger carriers serving ONT in 2023 had signatory ULAs.

	2023	2022	2021[1]
Enplaned Passengers	3,042,917	2,754,566	1,420,116
% Increase (Decrease)	10.5 %	94.0 %	(34.5) %
Total Passengers	6,070,104	5,497,353	2,849,587
% Increase (Decrease)	10.4 %	92.9 %	(34.3) %
Aircraft Operations	84,684	87,212	75,566
% Increase (Decrease)	(2.9) %	15.4 %	(1.1) %
Landed Weight (One-Thousand Pound Units)	8,481,036	8,429,752	7,512,316
% Increase (Decrease)	0.6 %	12.2 %	(1.3) %

[1] As a result of the COVID-19 pandemic, the disruption in aviation activity and passenger traffic had a significant effect on enplanements, total passengers, aircraft operations, and passenger landed weight in 2021 and 2020. Significant decreases in passenger activity levels were partially offset by increases in cargo activity levels during 2021 and 2020.

Financial Highlights

Summary of Operations and Changes in Net Position

Total operating revenues decreased by $0.7 million (0.7%) in 2023 over 2022. The decrease in operating revenues is comprised of a decrease in aeronautical revenues of $4.5 million (13.5%) and an increase in nonaeronautical revenues of $3.9 million (7.2%). Aeronautical revenues are driven by aeronautical activity and the annual rates and charges established by the Authority pursuant to ULAs. Nonaeronautical revenues are primarily driven by passenger activity.

Total operating expenses increased by $7.5 million (10.4%) in 2023 over 2022. Operating expenses are primarily driven by airport and passenger activity levels.

Nonoperating revenues increased by $2.3 million (16.3%) in 2023 over 2022. Increases in nonoperating revenues in 2023 were primarily associated with increased Passenger Facility Charge (PFC) and Customer Facility Charge (CFC) revenues of $1.2 million (10.9%) and $0.2 million (5.6%), respectively. Nonoperating revenues also consist of investment income, which can vary from year to year depending on market performance.

Summary of Operations and Changes in Net Position – continued

Nonoperating expenses decreased by $0.2 million (5.0%) in 2023 over 2022 as a result of the Authority's early repayment of certain debt obligations at the end of 2022 in addition to normal debt service.

Capital contributions increased by $4.0 million (36.7%) in 2023 over 2022 as a result of an increase in capital project activity during 2023.

The Authority's assets exceeded liabilities as of June 30, 2023 by $167.4 million compared to $141.7 million as of June 30, 2022. The Authority experienced an increase in net position of $25.7 million (18.1%) in 2023 compared to an increase of $34.2 million (31.8%) in 2022.

			Increase (Decrease)	
	2023	2022	$	%
OPERATING REVENUES				
Aeronautical	$ 29,086,791	$ 33,614,264	$ (4,527,473)	(13.5) %
Nonaeronautical	57,646,699	53,773,085	3,873,614	7.2
Total Operating Revenues	86,733,490	87,387,349	(653,859)	(0.7)
OPERATING EXPENSES	79,499,436	71,990,933	7,508,503	10.4
Net Operating Income Before Depreciation and Amortization	7,234,054	15,396,416	(8,162,362)	(53.0)
Depreciation and Amortization	8,485,077	6,608,063	1,877,014	28.4
Net Operating Income (Loss)	(1,251,023)	8,788,353	(10,039,376)	(114.2)
NONOPERATING REVENUES (EXPENSES)				
Nonoperating Revenues	16,533,000	14,210,117	2,322,883	16.3
Nonoperating Expenses	4,539,792	4,779,670	(239,878)	(5.0)
Total Nonoperating Revenues, Net	11,993,208	9,430,447	2,562,761	27.2
Net Income Before Special Item and Capital Contributions	10,742,185	18,218,800	(7,476,615)	(41.0)
SPECIAL ITEM				
Development and Entitlement Income, Net	-	5,000,000	(5,000,000)	(100.0)
CAPITAL CONTRIBUTIONS				
Federal Grants and Other	14,964,592	10,950,213	4,014,379	36.7
Increase in Net Position	25,706,777	34,169,013	(8,462,236)	(24.8)
NET POSITION – BEGINNING OF YEAR	141,732,644	107,563,631	34,169,013	31.8
NET POSITION – END OF YEAR	$ 167,439,421	$ 141,732,644	$ 25,706,777	18.1 %

Summary of Operations and Changes in Net Position – continued

Total operating revenues increased by $17.5 million (25.1%) in 2022 over 2021. The increase in operating revenues is comprised of an increase in aeronautical revenues of $6.4 million (23.5%) and an increase in nonaeronautical revenues of $11.2 million (26.2%).

Total operating expenses increased by $17.4 million (31.8%) in 2022 over 2021.

Nonoperating revenues increased by $5.6 million (64.7%) in 2022 over 2021. Increases in nonoperating revenues in 2022 were primarily associated with increased PFC and CFC revenues of $4.9 million (78.5%) and $1.0 million (46.0%), respectively.

Nonoperating expenses increased by $0.9 million (24.1%) in 2022 over 2021. 2022 was the first full fiscal year after the Authority's issuance of 2021 Revenue Bonds, which resulted in an increase in interest expense of $2.0 million (74.9%) in 2022 over 2021 offset by no debt issuance costs in 2022.

Capital contributions increased by $6.4 million (140.1%) in 2022 over 2021 as a result of an increase in capital project activity during 2022.

In December 2021, the Authority entered into a Development and Entitlement Agreement (DEA) with a developer to develop and lease certain land owned by the Authority. In accordance with the terms of the DEA, $7.0 million was received and recognized as consideration for the DEA for the year ended June 30, 2022. The Authority incurred and paid $2.0 million in real estate broker fees. The net revenue earned by the Authority under the DEA in the amount of $5.0 million is included as a special item in the accompanying Statements of Revenues, Expenses, and Changes in Net Position.

The Authority's assets exceeded liabilities as of June 30, 2022 by $141.7 million compared to $107.6 million as of June 30, 2021. The Authority experienced an increase in net position of $34.2 million (31.8%) in 2022 compared to an increase of $15.8 million (17.2%) in 2021.

Additional detailed information may be found in the sections that follow in this MD&A.

Summary of Operations and Changes in Net Position – continued

	2022	2021	Increase (Decrease) $	Increase (Decrease) %
OPERATING REVENUES				
Aeronautical	$ 33,614,264	$ 27,223,382	$ 6,390,882	23.5 %
Nonaeronautical	53,773,085	42,618,784	11,154,301	26.2
Total Operating Revenues	87,387,349	69,842,166	17,545,183	25.1
OPERATING EXPENSES	71,990,933	54,638,484	17,352,449	31.8
Net Operating Income Before Depreciation and Amortization	15,396,416	15,203,682	192,734	1.3
Depreciation and Amortization	6,608,063	8,728,763	(2,120,700)	(24.3)
Net Operating Income	8,788,353	6,474,919	2,313,434	35.7
NONOPERATING REVENUES (EXPENSES)				
Nonoperating Revenues	14,210,117	8,627,326	5,582,791	64.7
Nonoperating Expenses	4,779,670	3,850,061	929,609	24.1
Total Nonoperating Revenues, Net	9,430,447	4,777,265	4,653,182	97.4
Net Income Before Special Item and Capital Contributions	18,218,800	11,252,184	6,966,616	61.9
SPECIAL ITEM				
Development and Entitlement Income, Net	5,000,000	-	5,000,000	100.0
CAPITAL CONTRIBUTIONS				
Federal Grants and Other	10,950,213	4,561,418	6,388,795	140.1
Increase in Net Position	34,169,013	15,813,602	18,355,411	116.1
NET POSITION – BEGINNING OF YEAR	107,563,631	91,750,029	15,813,602	17.2
NET POSITION – END OF YEAR	$ 141,732,644	$ 107,563,631	$ 34,169,013	31.8 %

Current unrestricted assets increased by $1.7 million (1.7%) in 2023 over 2022. The increase primarily resulted from increases in accounts receivable of $1.0 million (14.4%) and grants receivable of $4.5 million (46.7%) offset by a decrease unrestricted cash and cash equivalents of $4.3 million (5.4%).

Statements of Net Position

Current restricted assets decreased by $12.6 million (16.2%) in 2023 over 2022. The decrease primarily resulted from a decrease in restricted cash and cash equivalents of $13.5 million (17.6%), which was partially offset by increases in receivables for PFCs and CFCs of $0.8 million (59.8%). The decrease in restricted cash primarily represents 2021 Revenue Bond draw downs on eligible capital projects. Approximately $20.7 million of eligible project expenses were drawn in 2023. The decrease in restricted cash and cash equivalents is partially offset by an increase in restricted cash from PFCs of $10.9 million. Additional detailed information regarding the Authority's restricted cash balances may be found in Note 3 in the accompanying Notes to Financial Statements.

Noncurrent unrestricted assets increased by $39.0 million (24.0%) in 2023 over 2022. The increase primarily resulted from an increase in net capital assets of $39.6 million (24.9%). The increase in capital assets was primarily attributable to an increase in capital project activity under the Authority's Capital Improvement Program. Additional detailed information may be found in the Capital Assets section in this MD&A. The increase in noncurrent unrestricted assets was partially offset by a decrease in noncurrent leases receivable of $0.6 million (19.3%) as the Authority received lease payments during 2023 from its concession leases and other terminal leases.

Current unrestricted liabilities increased by $9.3 million (18.3%) in 2023 over 2022. The increase primarily resulted from an increase in due to airlines and partners of $9.3 million (49.4%) from the ULAs annual true-up provision for 2023. Additional detailed information regarding this true-up may be found in the Revenues section of this MD&A

The Authority's current portion of long-term debt increased by $0.2 million (3.4%) and long-term debt decreased by $6.0 million (4.3%), which was primarily the result of the Authority's normal debt service. Additional detailed information may be found in the Debt section in this MD&A.

Deferred Inflow of Resources decreased by $0.6 million (15.2%) in 2023 over 2022 as the Authority received lease payments during 2023 from its concession leases and other terminal leases.

The Authority's net position increased by $25.7 million (18.1%) in 2023 over 2022.

Net investment in capital assets increased by $24.9 million (37.3%) in 2023 over 2022 and represented 54.8% of total net position in 2023 compared to 47.1% in 2022. Net investment in capital assets represents the Authority's capital asset purchases, cash restricted for capital projects, cash restricted for debt service, less accumulated depreciation and amortization and outstanding debt incurred to acquire those assets. The Authority uses capital assets to provide services to its passengers, visitors, and tenants that generate future revenue streams. Although the Authority's investment in its capital assets is reported net of related debt, the resources needed to repay this debt must be provided from operations since the capital assets themselves cannot be used to retire these liabilities.

Statements of Net Position – continued

The Authority's restricted net position increased by $8.1 million (38.2%) in 2023 over 2022 and represented 17.4% of total net position in 2023 compared to 14.9% in 2022. Restricted net position represents resources that are subject to restrictions from government grantors, bond resolutions, and government regulatory authorities on how they may be used. The increase in restricted net position in 2023 over 2022 is attributable to increases in restricted cash and receivables for PFCs and CFCs.

The remaining unrestricted net position balance of $46.5 million for 2023 may be used for any lawful purpose of the Authority. Unrestricted net position decreased by $7.3 million (13.6%) in 2023 over 2022 and represented 27.8% of total net position in 2023 compared to 38.0% in 2022.

			Increase (Decrease)	
	2023	2022	$	%
ASSETS				
Current Unrestricted Assets	$ 100,807,068	$ 99,106,035	$ 1,701,033	1.7 %
Current Restricted Assets	65,231,499	77,874,709	(12,643,210)	(16.2)
Noncurrent Unrestricted Assets	201,116,079	162,150,860	38,965,219	24.0
Total Assets	367,154,646	339,131,604	28,023,042	8.3
LIABILITIES				
Current Liabilities Payable from Unrestricted Assets	59,805,375	50,536,749	9,268,626	18.3
Noncurrent Liabilities Payable from Unrestricted Assets	136,606,326	142,965,239	(6,358,913)	(4.4)
Total Liabilities	196,411,701	193,501,988	2,909,713	1.5
DEFERRED INFLOW OF RESOURCES				
Deferred Inflow of Resources – Leases	3,303,524	3,896,972	(593,448)	(15)
Total Deferred Inflow of Resources	3,303,524	3,896,972	(593,448)	(15)
Total Liabilities and Deferred Inflow of Resources	199,715,225	197,398,960	2,316,265	1.2
NET POSITION				
Net Investment in Capital Assets	91,703,690	66,776,418	24,927,272	37.3
Restricted	29,204,360	21,129,217	8,075,143	38.2
Unrestricted	46,531,371	53,827,009	(7,295,638)	(13.6)
Total Net Position	$ 167,439,421	$ 141,732,644	$ 25,706,777	18.1 %

Current unrestricted assets increased by $6.0 million (6.4%) in 2022 over 2021. The increase primarily resulted from increases in unrestricted cash and cash equivalents of $4.6 million (6.1%) and grants receivable of $2.8 million (39.9%) offset by a decrease in accounts receivable of $1.7 million (20.7%).

Statements of Net Position – continued

Current restricted assets increased by $8.4 million (12.2%) in 2022 over 2021. The increase primarily resulted from increases in restricted cash and cash equivalents of $8.9 million (13.2%) offset by a decrease in receivables for PFCs and CFCs of $0.5 million (26.2%). The increase in restricted cash and cash equivalents was primarily the result of an increase in 2022 PFC and CFC revenues.

Noncurrent unrestricted assets increased by $22.2 million (15.9%) in 2022 over 2021. The increase primarily resulted from increases in net capital assets of $20.2 million (14.6%) and noncurrent leases receivable of $2.0 million (162.7%). The increase in capital assets was primarily attributable to the Authority's AIP as work on AIP projects progressed. The increase in noncurrent leases receivable was the result of the Authority's implementation of the Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases* (GASB 87) and the addition of one new lease in 2022 over 2021.

Current unrestricted liabilities increased by $9.6 million (23.5%) in 2022 over 2021. The increase primarily resulted from increases in accounts payable of $8.0 million (238.0%), due to airlines and partners of $1.2 million (7.1%), and unearned revenues of $3.1 million (207.1%) offset by a decrease in accrued expenses of $1.6 million (16.7%).

The Authority's current portion of long-term debt decreased by $1.5 million (21.6%) and long-term debt decreased by $11.1 million (7.3%) as a result of the Authority paying down outstanding debt balances during 2022. Additional detailed information may be found in the Debt section in this MD&A.

The Authority's financial statements include the adoption of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. *(SBITAs)* (GASB 96). As a result of the Authority's implementation of GASB 96, a current and noncurrent subscription liability was recorded in 2022 for $0.4 million and $1.7 million, respectively, with a corresponding increase in subscription assets. Additional detailed information regarding the Authority's implementation of GASB 96 may be found in Note 11 in the accompanying Notes to Financial Statements.

Deferred Inflow of Resources increased by $2.3 million (148.8%) in 2022 over 2021 as a result of the Authority's implementation of GASB 87 and the addition of one new lease in 2022 over 2021.

The Authority's net position increased by $34.2 million (31.8%) in 2022 over 2021. Net investment in capital assets increased by $31.1 million (85.4%) in 2022 over 2021 and represented 47.1% of total net position in 2022 compared to 33.5% in 2021. The Authority's restricted net position increased by $8.4 million (66.3%) in 2022 over 2021 and represented 14.9% of total net position in 2022 compared to 11.8% in 2021. The increase in restricted net position in 2022 over 2021 is attributable to increases in restricted cash and receivables for PFCs and CFCs. The remaining unrestricted net position balance of $53.8 million for 2022 decreased by $5.0 million (8.5%) in 2022 over 2021 and represented 38.0% of total net position in 2022 compared to 54.7% in 2021.

Statements of Net Position – continued

	2022	2021	Increase (Decrease) $	Increase (Decrease) %
ASSETS				
Current Unrestricted Assets	$ 99,106,035	$ 93,127,888	$ 5,978,147	6.4 %
Current Restricted Assets	77,874,709	69,436,238	8,438,471	12.2
Noncurrent Unrestricted Assets	162,150,860	139,910,599	22,240,261	15.9
Total Assets	339,131,604	302,474,725	36,656,879	12.1
LIABILITIES				
Current Liabilities Payable from Unrestricted Assets	50,536,749	40,932,806	9,603,943	23.5
Noncurrent Liabilities Payable from Unrestricted Assets	142,965,239	152,412,153	(9,446,914)	(6.2)
Total Liabilities	193,501,988	193,344,959	157,029	0.1
DEFERRED INFLOW OF RESOURCES				
Deferred Inflow of Resources - Leases	3,896,972	1,566,135	2,330,837	149
Total Deferred Inflow of Resources	3,896,972	1,566,135	2,330,837	149
Total Liabilities and Deferred Inflow of Resources	197,398,960	194,911,094	2,487,866	1.3
NET POSITION				
Net Investment in Capital Assets	66,776,418	36,015,587	30,760,831	85.4
Restricted	21,129,217	12,707,718	8,421,499	66.3
Unrestricted	53,827,009	58,840,326	(5,013,317)	(8.5)
Total Net Position	$ 141,732,644	$ 107,563,631	$ 34,169,013	31.8 %

Revenues

Total 2023 revenues of $118.2 million increased by $0.7 million (0.6%) in 2023 over 2022 total revenues of $117.5 million. The increase was primarily attributable to increases in nonaeronautical operating revenues of $3.9 million (7.2%), nonoperating revenues of $2.3 million (16.3%), and capital contributions of $4.0 million (36.7%). The increases in revenues were offset by a decrease in aeronautical operating revenues of $4.5 million (13.5%). The Authority also received net development and entitlement income of $5.0 million (100.0%) in 2022 that was not received in 2023.

Revenues – continued

Aeronautical revenues are driven by aeronautical activity and the annual rates and charges established by the Authority pursuant to ULAs. The decrease in aeronautical revenues in 2023 over 2022 was primarily the result of the ULAs annual true-up provision for 2023, which resulted in decreases to the budgeted landing fee and terminal rental rates that were larger than their respective decreases in 2022. The ULAs annual true-up provision for 2023 of $22.0 million resulted in decreases in landing fees and facilities rent of $8.9 million and $13.1 million, respectively. The ULAs annual true-up provision for 2023 was $8.1 million (58.8%) higher than 2022. Although the annual true-up of aeronautical revenue is determined by the ULAs, the amount of the annual true-up can vary from year to year as changes in nonaeronautical revenues, operating expenses, and other operating revenues are experienced. Under the current ULA, a higher true-up provision speaks to the successes the Authority experienced in these revenue and expense categories.

Aeronautical revenue from landing fees decreased by $41 thousand (0.8%) in 2023 over 2022. Facilities rent decreased by $6.4 million (65.4%) in 2023 over 2022. These decreases in aeronautical revenue were partially offset by increases in aeronautical land rent of $65 thousand (0.5%) and airline fees of $1.8 million (39.3%). The increase in airline fees in 2023 over 2022 was the result of an increase in aeronautical activities and new aeronautical contracts.

The increase in nonaeronautical revenues in 2023 over 2022 was primarily the result of an increase in parking and ground transportation of $5.0 million (18.0%). The increase in parking and ground transportation was driven by increased passenger activity. Total concessions revenue of $14.2 million increased by $0.5 million in 2023 over total concessions revenue of $13.7 million in 2022. Concession revenue increases were the result of an increase in passenger activity in 2023 over 2022. Concession revenue increases in 2023 over 2022 include food and beverage of $0.2 million (13.5%), gifts and news of $0.2 million (11.8%), and other concessions, which primarily consists of revenues from advertising, of $0.4 million. Increases in concessions revenue in 2023 over 2022 were partially offset by a decrease in rental car revenues of $0.3 million (2.7%). Other nonaeronautical operating revenues decreased by $0.3 million (28.5%) in 2023 over 2022 due to a decrease in filming revenues. Revenue from filming can vary from year to year.

Increases in nonaeronautical revenues in 2023 over 2022 were offset by a decrease in operating grants of $1.5 million (17.3%), which was primarily the result of the Authority recognizing $6.6 million in grant funding from the American Rescue Plan Act of 2021 (ARPA) in 2023 compared to $8.2 million in grant funding from the Coronavirus Response and Relief Supplemental Appropriation Act (CRRSAA) in 2022. As of June 30, 2023, the Authority has $18.3 million in ARPA funds available for future drawdowns.

Nonoperating revenues increased by $2.3 million (16.3%) in 2023 over 2022. The increase was primarily the result of an increase in PFC revenues of $1.2 million (10.9%) in 2023 over 2022. Increases in PFC revenues were the result of an increase in passenger activity levels in 2023 over 2022. Other increases in nonoperating revenues include an increase in net investment income of $1.0 million (352.2%) as a result of market performance and an increase in CFC revenues of $0.2 million (5.6%).

Revenues – continued

Capital contributions of $15.0 million in 2023 were $4.0 million (36.7%) higher than 2022 capital contributions of $11.0 million. This increase was attributable to increases in Federal Airport Improvement Program (AIP) grant revenues received from the Federal Aviation Administration (FAA) as work on eligible AIP projects progressed.

	2023	2022	Increase (Decrease) $	Increase (Decrease) %
OPERATING REVENUES				
Aeronautical:				
Landing Fees	$ 5,194,113	$ 5,234,880	$ (40,767)	(0.8) %
Facilities Rent	3,384,381	9,775,257	(6,390,876)	(65.4)
Land Rent	13,985,845	13,921,034	64,811	0.5
Airline Fees	6,522,452	4,683,093	1,839,359	39.3
Total Aeronautical Revenues	29,086,791	33,614,264	(4,527,473)	(13.5)
Nonaeronautical:				
Facilities and Land Rent	1,375,783	1,338,113	37,670	2.8
Non-Airline Terminal Rent	1,431,104	1,391,782	39,322	2.8
Parking and Ground Transportation	32,870,076	27,850,762	5,019,314	18.0
Concessions:				
Rental Cars	9,423,111	9,681,310	(258,199)	(2.7)
Food and Beverage	1,505,946	1,326,876	179,070	13.5
Gifts and News	1,949,187	1,743,848	205,339	11.8
Other Concessions	1,314,569	901,111	413,458	45.9
Operating Grants	7,055,702	8,530,697	(1,474,995)	(17.3)
Other Nonaeronautical Operating Revenues	721,221	1,008,586	(287,365)	(28.5)
Total Nonaeronautical Revenues	57,646,699	53,773,085	3,873,614	7.2
Total Operating Revenues	86,733,490	87,387,349	(653,859)	(0.7)
NONOPERATING REVENUES				
Investment Income (Loss), Net	705,745	(279,864)	985,609	352.2
Passenger Facility Charges	12,450,838	11,225,992	1,224,846	10.9
Customer Facility Charges	3,370,712	3,192,973	177,739	5.6
Gain on Disposition of Assets	5,705	71,016	(65,311)	(92.0)
Total Nonoperating Revenues	16,533,000	14,210,117	2,322,883	16.3
SPECIAL ITEM				
Development and Entitlement Income, Net	-	5,000,000	(5,000,000)	(100.0)
CAPITAL CONTRIBUTIONS				
Federal Grants and Other	14,964,592	10,950,213	4,014,379	36.7
Total Revenues	$ 118,231,082	$ 117,547,679	$ 683,403	0.6 %

Revenues – continued

Total 2022 revenues of $117.5 million increased by $34.5 million (41.6%) in 2022 over 2021 total revenues of $83.0 million. The increase was attributable to increases in operating revenues of $17.5 million (25.1%), nonoperating revenues of $5.6 million (64.7%), net development and entitlement income of $5.0 million (100.0%), and capital contributions of $6.4 million (140.1%).

Operating revenues increased by $17.5 million (25.1%) in 2022 over 2021. The total increase in operating revenues is comprised of increases in aeronautical revenues of $6.4 million (23.5%) and nonaeronautical revenues of $11.2 million (26.2%).

The increase in aeronautical revenues in 2022 over 2021 was the result of increases in facilities rent of $4.4 million (83.4%), land rent of $1.1 million (8.7%), and airline fees of $2.5 million (110.2%) offset by a decrease in landing fees of $1.6 million (23.6%). The increase in facilities rent and decrease in landing fees are primarily the result of the ULAs annual true-up provision for 2022, which resulted in a higher adjusted terminal rental rate and a lower adjusted landing fee rate in 2022 compared to 2021, The decrease in the landing fee rate after the ULAs annual true-up provision, however, was mitigated by an increase in landed weight of 917,436 one-thousand-pound units (12.2%) in 2022 over 2021. The annual true-up for the 2022 resulted in a reduction of landing fees and terminal rental revenues of $8.6 million and $5.3 million, respectively. The increase in land rent was primarily the result of an increase in rental rates in 2022 over 2021. The increase in airline fees in 2022 over 2021 was the result of an increase in aeronautical activities and new aeronautical contracts.

The increase in nonaeronautical revenues in 2022 over 2021 was primarily the result of increases in parking and ground transportation revenues of $13.4 million (92.5%) and total concessions of $5.0 million (56.9%). Increases in concessions revenues in 2022 over 2021 include rental cars of $3.1 million (47.5%), food and beverage of $0.5 million (64.4%), gifts and news of $0.8 million (89.8%), and other concessions, which primarily consists of advertising revenue, of $0.5 million (120.4%). The increases in parking and ground transportation and concessions are the result of an increase in passenger activity levels in 2022 and 2021 as passengers resumed travel after the COVID-19 pandemic. Other aeronautical revenues increased by $0.4 million (65.8%) as a result of an increase in filming revenues. The increases in nonaeronautical revenues in 2022 over 2021 were offset by a decrease in operating grants of $8.0 million (48.4%), which was primarily the result of the Authority recognizing $8.2 million in CRRSAA funding in 2022 compared to $15.6 million in Coronavirus Aid, Relief, and Economic Security Act (CARES) funding in 2021.

Nonoperating revenues increased by $5.6 million (64.7%) in 2022 over 2021. The increase was the result of an increase in PFC and CFC revenues of $4.9 million (78.5%) and $1.0 million (46.0%) in 2022 over 2021, respectively. Increases in PFC and CFC revenues were the result of an increase in passenger activity levels in 2022 over 2021. The increases were offset by a net decrease in investment income of $0.3 million (897.7%) in 2022 over 2021 as a result of market performance,

Revenues – continued

The Authority received an additional $7.0 million in revenue from a development entitlement agreement in 2022, net of $2.0 million in real estate broker fees. Additional detailed information regarding the DEA revenue may be found in Note 16 in the accompanying Notes to Financial Statements.

Capital contributions of $11.0 million in 2022 were $6.4 million (140.1%) higher than 2021 capital contributions of $4.6 million. This increase was attributable to increases in Federal AIP grant revenues received from the FAA as work on eligible AIP projects progressed.

			Increase (Decrease)	
	2022	2021	$	%
OPERATING REVENUES				
Aeronautical:				
Landing Fees	$ 5,234,880	$ 6,854,142	$ (1,619,262)	(23.6) %
Facilities Rent	9,775,257	5,329,682	4,445,575	83.4
Land Rent	13,921,034	12,811,487	1,109,547	8.7
Airline Fees	4,683,093	2,228,071	2,455,022	110.2
Total Aeronautical Revenues	33,614,264	27,223,382	6,390,882	23.5
Nonaeronautical:				
Facilities and Land Rent	1,338,113	1,077,440	260,673	24.2
Non-Airline Terminal Rent	1,391,782	1,229,771	162,011	13.2
Parking and Ground Transportation	27,850,762	14,469,860	13,380,902	92.5
Concessions:				
Rental Cars	9,681,310	6,565,026	3,116,284	47.5
Food and Beverage	1,326,876	807,051	519,825	64.4
Gifts and News	1,743,848	918,635	825,213	89.8
Other Concessions	901,111	408,814	492,297	120.4
Operating Grants	8,530,697	16,533,704	(8,003,007)	(48.4)
Other Nonaeronautical Operating Revenues	1,008,586	608,483	400,103	65.8
Total Nonaeronautical Revenues	53,773,085	42,618,784	11,154,301	26.2
Total Operating Revenues	87,387,349	69,842,166	17,545,183	25.1
NONOPERATING REVENUES				
Investment Income (Loss), Net	(279,864)	35,084	(314,948)	(897.7)
Passenger Facility Charges	11,225,992	6,289,645	4,936,347	78.5
Customer Facility Charges	3,192,973	2,187,354	1,005,619	46.0
Gain on Disposition of Assets	71,016	115,243	(44,227)	(38.4)
Total Nonoperating Revenues	$ 14,210,117	$ 8,627,326	$ 5,582,791	64.7 %

Revenues – continued

	2022	2021	Increase (Decrease) $	Increase (Decrease) %
SPECIAL ITEM				
Development and Entitlement Income, Net	$ 5,000,000	$ -	$ 5,000,000	100.0 %
CAPITAL CONTRIBUTIONS				
Federal Grants and Other	10,950,213	4,561,418	6,388,795	140.1
Total Revenues	$ 117,547,679	$ 83,030,910	$ 34,516,769	41.6 %

Expenses

Total expenses increased by $9.1 million (11.0%) in 2023 over 2022. The increase in total expenses is comprised of increases in operating expenses of $7.5 million (10.4%) and depreciation and amortization expense of $1.9 million (28.4%) offset by a decrease in nonoperating expenses of $0.2 million (5.0%).

Operating expenses increased by $7.5 million (10.4%) in 2023 over 2022. Personnel expenses of $12.0 million increased by $3.1 million (34.6%) in 2023 over 2022 personnel expenses of $8.9 million. The Authority's increase in personnel expenses in 2023 over 2022 is the result of the Authority adding new positions and filling vacancies to align staffing levels with airport activity levels and needs. Other increases in operating expenses in 2023 over 2022 include public safety of $1.5 million (7.9%), contractual services of $0.7 million (2.2%), insurance and administration of $0.4 million (25.8%), marketing and public relations of $0.7 million (14.1%), telecommunication and utilities of $0.7 million (13.7%), and other operating expenses of $91 thousand (6.5%). Increases in operating expenses in 2023 over 2022 are the result of the Authority aligning expenditure levels with airport and passenger activity levels. The increases in operating expenses are partially offset by a decrease to materials and supplies $0.2 million (21.3%). The Authority also incurred bad debt expense in 2023 of $0.6 million. Bad debt expense can vary from year to year. Depreciation and amortization expense increased by $1.9 million (28.4%) in 2023 over 2022 as a result of the Authority placing new assets into service as projects were completed during 2023.

Nonoperating expenses decreased by $0.2 million (5.0%) in 2023 over 2022. The decrease was primarily the result of a decrease in interest expense of $0.4 million (9.0%) offset by an increase in debt issuance costs of $0.2 million (100.0%). The Authority incurred debt issuance costs during 2023 related to a Revolving Credit Facility agreement that the Authority entered into on February 1, 2023. Additional detailed information may be found in the Debt section in this MD&A.

Expenses – continued

	2023	2022	Increase (Decrease) $	Increase (Decrease) %
OPERATING EXPENSES				
Personnel	$ 11,950,238	$ 8,877,520	$ 3,072,718	34.6 %
Public Safety	20,770,240	19,243,969	1,526,271	7.9
Contractual Services	30,234,146	29,575,348	658,798	2.2
Insurance and Administration	1,761,063	1,400,242	360,821	25.8
Marketing and Public Relations	5,862,878	5,137,559	725,319	14.1
Materials and Supplies	813,575	1,033,412	(219,837)	(21.3)
Telecommunication and Utilities	5,971,128	5,253,646	717,482	13.7
Bad Debt Expense	648,868	73,298	575,570	785.2
Other Operating Expenses	1,487,300	1,395,939	91,361	6.5
Total Operating Expenses	79,499,436	71,990,933	7,508,503	10.4
Depreciation and Amortization	8,485,077	6,608,063	1,877,014	28.4
NONOPERATING EXPENSES				
Interest Expense	4,349,792	4,779,670	(429,878)	(9.0)
Debt Issuance Costs	190,000	-	190,000	100.0
Total Nonoperating Expenses	4,539,792	4,779,670	(239,878)	(5.0)
Total Expenses	$ 92,524,305	$ 83,378,666	$ 9,145,639	11.0 %

Total expenses increased by $16.2 million (24.0%) in 2022 over 2021. This included increases in operating expenses and nonoperating expenses of $17.4 million (31.8%) and $0.9 million (24.1%), respectively offset by a decrease in depreciation and amortization expense of $2.1 million (24.3%).

Operating expenses increased by $17.4 million (31.8%) in 2022 over 2021. Personnel expenses of $8.9 million increased by $1.7 million (23.6%) in 2022 over 2021 personnel expenses of $7.2 million. Public safety expenses of $19.2 million increased by $4.1 million (27.4%) in 2022 over 2021. Contractual services of $29.6 million increased by $7.0 million (31.2%) in 2022 over 2021. These increases were primarily the result of the Authority resuming operations and aligning expenditures with airport and passenger activity levels after the COVID-19 pandemic. Increases in expenditures in 2022 over 2021 included filling vacant staff positions, adding new staff positions, increased public safety resources, and a return to initiatives that the Authority was working on prior to COVID-19. Marketing and public relations was one of the primary initiatives that was paused during the COVID-19 pandemic. Marketing expenses were reduced in 2021 in response to cost cutting measures. In 2022, the Authority's marketing initiatives resumed. Marketing and public relations expenses increased by $3.1 million (158.1%) in 2022 over 2021. Other increases in operating expenses include insurance and administration of $0.1 million (8.8%), telecommunication and utilities of $0.8 million (19.3%), and other operating expenses of $0.5 million (61.7%). Depreciation and amortization expense decreased by $2.1 million (24.3%) in 2022 over 2021 as a result of certain assets becoming fully depreciated in 2022.

Expenses – continued

Nonoperating expenses increased by $0.9 million (24.1%) in 2022 over 2021. The increase included an increase in interest expense of $2.0 million (74.9%) offset by a decrease in debt issuance costs of $1.1 million (100.0%). The increase in interest expense in 2022 over 2021 was the result of 2022 being the first full fiscal year with interest expense for the 2021 Revenue Bonds. There were no debt issuance costs in 2022 as no new debt was issued in 2022.

			Increase (Decrease)	
	2022	2021	$	%
OPERATING EXPENSES				
Personnel	$ 8,877,520	$ 7,184,686	$ 1,692,834	23.6 %
Public Safety	19,243,969	15,102,848	4,141,121	27.4
Contractual Services	29,575,348	22,537,291	7,038,057	31.2
Insurance and Administration	1,400,242	1,286,859	113,383	8.8
Marketing and Public Relations	5,137,559	1,990,605	3,146,954	158.1
Materials and Supplies	1,033,412	1,044,759	(11,347)	(1.1)
Telecommunication and Utilities	5,253,646	4,405,245	848,401	19.3
Bad Debt Expense	73,298	222,927	(149,629)	(67.1)
Other Operating Expenses	1,395,939	863,264	532,675	61.7
Total Operating Expenses	71,990,933	54,638,484	17,352,449	31.8
Depreciation and Amortization	6,608,063	8,728,763	(2,120,700)	(24.3)
NONOPERATING EXPENSES				
Interest Expense	4,779,670	2,733,010	2,046,660	74.9
Debt Issuance Costs	-	1,117,051	(1,117,051)	(100.0)
Total Nonoperating Expenses	4,779,670	3,850,061	929,609	24.1
Total Expenses	$ 83,378,666	$ 67,217,308	$ 16,161,358	24.0 %

Capital Assets

Net capital assets increased by $39.6 million (24.9%) in 2023 over 2022. The increase resulted from $48.2 million of capital expenditures offset by an increase in accumulated depreciation and amortization of $8.4 million and capital asset disposals of $0.2 million in 2023. Capital expenditures in construction in progress (CIP), land improvements, and building and improvements accounted for 90.0% of capital asset additions during 2023. The most significant 2023 CIP was the Runway 8R-26L Rehabilitation and Connecting Taxiways Program and the Runway 26R ILS Upgrade, both of which were still in progress at the end of 2023.

Capital Assets – continued

	2023	2022	Increase (Decrease) $	Increase (Decrease) %
Capital Assets – Not Depreciated:				
Land	$ 56,503,866	$ 56,503,866	$ -	- %
Air Avigation Easements	7,273,370	7,273,370	-	-
Construction in Progress	39,709,075	29,686,154	10,022,921	33.8
Total	103,486,311	93,463,390	10,022,921	10.7
Capital Assets – Depreciated and Amortized:				
Land Improvements	53,839,375	34,986,772	18,852,603	53.9
Buildings and Improvements	51,490,395	42,334,191	9,156,204	21.6
Information Technology Hardware and Software	7,608,330	3,813,957	3,794,373	99.5
Furniture and Fixtures	420,196	154,905	265,291	171.3
Machinery and Equipment	5,910,739	5,660,497	250,242	4.4
Vehicles	7,248,914	1,948,248	5,300,666	272.1
Subscription Assets	3,690,402	3,332,751	357,651	10.7
Total	130,208,351	92,231,321	37,977,030	41.2
Less: Accumulated Depreciation and Amortization	35,221,937	26,818,351	8,403,586	31.3
Capital Assets – Depreciated and Amortized, Net	94,986,414	65,412,970	29,573,444	45.2
Capital Assets, Net	$ 198,472,725	$ 158,876,360	$ 39,596,365	24.9 %

Net capital assets increased by $20.2 million (14.6%) in 2022 over 2021. The increase resulted from $29.4 million of capital expenditures offset by an increase in accumulated depreciation and amortization of $5.5 million in 2022. The Authority also disposed of $2.4 million in capital assets related to GASB 96 in 2022. Capital expenditures in CIP accounted for 87.0% of capital asset additions during 2022. The most significant 2022 CIP was the Taxiway S Rehabilitation Project, the Runway 8R-26L Rehabilitation and Connecting Taxiways Program, and the purchase of 8 electric shuttle buses, all of which were still in progress at the end of 2022.

Capital Assets – continued

			Increase (Decrease)	
	2022	2021	$	%
Capital Assets – Not Depreciated:				
Land	$ 56,503,866	$ 56,503,866	$ -	- %
Air Avigation Easements	7,273,370	7,273,370	-	-
Construction in Progress	29,686,154	8,235,649	21,450,505	260.5
Total	93,463,390	72,012,885	21,450,505	29.8
Capital Assets – Depreciated and Amortized:				
Land Improvements	34,986,772	34,404,618	582,154	1.7
Buildings and Improvements	42,334,191	40,976,148	1,358,043	3.3
Information Technology Hardware and Software	3,813,957	5,116,817	(1,302,860)	(25.5)
Furniture and Fixtures	154,905	72,723	82,182	113.0
Machinery and Equipment	5,660,497	5,618,189	42,308	0.8
Vehicles	1,948,248	1,767,627	180,621	10.2
Subscription Assets	3,332,751	-	3,332,751	100.0
Total	92,231,321	87,956,122	4,275,199	4.9
Less: Accumulated Depreciation and Amortization	26,818,351	21,304,840	5,513,511	25.9
Capital Assets – Depreciated and Amortized, Net	65,412,970	66,651,282	(1,238,312)	(1.9)
Total Capital Assets, Net	$ 158,876,360	$ 138,664,167	$ 20,212,193	14.6 %

Additional detailed information regarding capital asset activity may be found in Note 4 in the accompanying Notes to Financial Statements.

Debt Activity

As of June 30, 2023, the Authority had total long-term debt outstanding of $141.0 million. The debt consisted primarily of 2021 Revenue Bonds of $122.9 million and 2016 Revenue Bonds of $17.5 million. The decrease in debt of $5.8 million (4.0%) in 2023 over 2022 was primarily due to the Authority's normal debt service.

Debt Activity – continued

	2023	2022	Increase (Decrease) $	Increase (Decrease) %
Revenue Bonds:				
Series 2016	$ 17,505,000	$ 22,960,000	$ (5,455,000)	(23.8) %
Series 2021:				
Series 2021 A	57,750,000	57,750,000	-	-
Series 2021 A Premium	11,254,578	11,657,727	(403,149)	(3.5)
Series 2021 B	41,685,000	41,685,000	-	-
Series 2021 B Premium	8,328,335	8,793,172	(464,837)	(5.3)
Series 2021 C	3,905,000	3,905,000	-	-
Total Series 2021	122,922,913	123,790,899	(867,986)	(0.7)
Total Revenue Bonds	140,427,913	146,750,899	(6,322,986)	(4.3)
Direct Borrowings:				
Revolving Credit Facility	483,771	-	-	100.0
Other Notes Payable	-	3,710	(3,710)	(100.0)
Total Direct Borrowings	483,771	3,710	480,061	12,939.6
Total Long-Term Debt	$ 140,911,684	$ 146,754,609	$ (5,842,925)	(4.0) %

As of June 30, 2022, the Authority had total long-term debt outstanding of $146.8 million. The debt consisted primarily of 2021 Revenue Bonds of $123.8 million and 2016 Revenue Bonds of $23.0 million. The decrease in debt of $12.6 million (7.9%) in 2022 over 2021 was primarily related to the Authority's early repayment of certain debt obligations at the end of 2022 in addition to normal debt service.

	2022	2021	Increase (Decrease) $	Increase (Decrease) %
Revenue Bonds:				
Series 2016	$ 22,960,000	$ 28,250,000	$ (5,290,000)	(18.7) %
Series 2021:				
Series 2021 A	57,750,000	57,750,000	-	-
Series 2021 A Premium	11,657,727	12,060,876	(403,149)	(3.3)
Series 2021 B	41,685,000	41,685,000	-	-
Series 2021 B Premium	8,793,172	9,258,009	(464,837)	(5.0)
Series 2021 C	3,905,000	3,905,000	-	-
Total Series 2021	123,790,899	124,658,885	(867,986)	(0.7)
Total Revenue Bonds	146,750,899	152,908,885	(6,157,986)	(4.0)
Direct Borrowings:				
Other Notes Payable	3,710	6,038,303	(6,034,593)	(99.9)
Other Financed Obligations	-	429,912	(429,912)	(100.0)
Total Direct Borrowings	3,710	6,468,215	(6,464,505)	(99.9)
Total Long-Term Debt	$ 146,754,609	$ 159,377,100	$ (12,622,491)	(7.9) %

Debt Activity – continued

Additional detailed information regarding long-term debt activity may be found in Note 7 in the accompanying Notes to Financial Statements.

Debt Service Coverage

Debt service coverage is a covenant of the Authority's bond resolutions requiring that annual net airport system revenues be maintained in an amount expressed as a multiple of times annual principal and interest payments on the related debt. This coverage serves as an indicator to bondholders that funds are available for timely debt service payments. Net airport system revenue is calculated based on the ULAs between the Authority and its signatory airlines and includes several additions to and subtractions from revenue and expense amounts reported in the Basic Financial Statements.

The Authority is required to maintain debt service coverage ratios for the 2016 and 2021 Revenue Bonds. The Authority is also required to maintain a debt service coverage ratio for the Revolving Credit Facility agreement that the Authority entered into on February 1, 2023.

The required debt service coverage ratio for the 2016 and 2021 Revenue Bonds is 125% of annual principal and interest payments. The debt service coverage ratio was 155.4% as of June 30, 2023 compared to 245.5% and 326.0% as of June 30, 2022 and 2022, respectively.

The required debt service coverage ratio for the Revolving Credit Facility is 110% of annual principal and interest payments. The debt service coverage ratio was 154.9% as of June 30, 2023.

As of June 30, 2023 and 2022, the Authority was in compliance with all financial covenants. Variances in the debt service coverage year-over-year are primarily attributable to normal debt service and changes in net airport system revenue.

Airline Cost Per Enplanement (CPE)

Airline Cost Per Enplanement (CPE) is a measurement used in the airline and airport industries to show the average cost an airline incurs to enplane one passenger at a given airport. This figure is derived by dividing total passenger airline revenues earned by the airport by the total number of enplaned passengers.

	2023	2022	2021
Airline Cost per Enplanement:			
Passenger Airline Revenues	$ 6,531,620	$ 12,442,868	$ 8,776,399
Enplaned Passengers	3,042,917	2,754,566	1,420,116
Cost per Enplanement	$ 2.15	$ 4.52	$ 6.18

Airline Cost Per Enplanement (CPE) – continued

CPE decreased by $2.37 (52.4%) per enplaned passenger in 2023 over 2022. This decrease was primarily the result of a disproportionate decrease in passenger airline revenues of $5.9 million (47.5%) in relation to the increase in enplaned passengers of 0.3 million (10.5%) in 2023 over 2022. The disproportionate decrease in passenger airline revenues in 2023 is the result of the ULAs annual true-up provision.

			Increase (Decrease)	
	2023	2022	$	%
Airline Cost per Enplanement (CPE):				
Passenger Airline Revenues	$ 6,531,620	$ 12,442,868	$ (5,911,248)	(47.5) %
Enplaned Passengers	3,042,917	2,754,566	288,351	10.5
Cost per Enplanement (CPE)	$ 2.15	$ 4.52	$ (2.37)	(52.4) %

CPE decreased by $1.66 (26.9%) per enplaned passenger in 2022 over 2021. This decrease was primarily the result of an increase in enplaned passengers of 1.3 million (94.0%) in 2022 over 2021 as the Authority recovered from the impacts of COVID-19 on the industry and on 2021 and 2020 passenger enplanements.

			Increase (Decrease)	
	2022	2021	$	%
Airline Cost per Enplanement (CPE):				
Passenger Airline Revenues	$ 12,442,868	$ 8,776,399	$ 3,666,469	41.8 %
Enplaned Passengers	2,754,566	1,420,116	1,334,450	94.0
Cost per Enplanement (CPE)	$ 4.52	$ 6.18	$ (1.66)	(26.9) %

Requests for Information

This financial report is designed to provide a general overview of the Authority's finances for all interested parties. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the ONTARIO INTERNATIONAL AIRPORT AUTHORITY, 1923 E. Avion St., Ontario, CA 91761.

ONTARIO INTERNATIONAL AIRPORT AUTHORITY

STATEMENTS OF NET POSITION

JUNE 30, 2023 AND 2022

	2023	2022
ASSETS		
Current Assets:		
Unrestricted Assets:		
Cash and Cash Equivalents – Note 3	$ 75,348,288	$ 79,638,865
Accounts Receivable, Net of Allowance for Doubtful Accounts of $756,750 and $637,209 at June 30, 2023 and 2022, Respectively	7,535,598	6,584,488
Grants Receivable	14,230,016	9,701,942
Leases Receivable – Current – Note 10	660,170	622,472
Interest Receivable	261,989	61,408
Prepaid Expenses	2,771,007	2,496,860
Total Unrestricted Current Assets	100,807,068	99,106,035
Restricted Assets:		
Cash and Cash Equivalents – Note 3	63,055,057	76,512,701
Accounts Receivable	2,176,442	1,362,008
Total Restricted Current Assets	65,231,499	77,874,709
Total Current Assets	166,038,567	176,980,744
Noncurrent Assets:		
Leases Receivable – Noncurrent – Note 10	2,643,354	3,274,500
Capital Assets – Note 4:		
Not Depreciated	103,486,311	93,463,390
Depreciated and Amortized, Net of Accumulated Depreciation and Amortization of $35,221,937 and $26,818,351 at June 30, 2023 and 2022, Respectively	94,986,414	65,412,970
Net Capital Assets	198,472,725	158,876,360
Total Noncurrent Assets	201,116,079	162,150,860
TOTAL ASSETS	$ 367,154,646	$ 339,131,604

See Accompanying Notes to Financial Statements

	2023	2022
LIABILITIES		
Current Liabilities:		
Payable from Unrestricted Assets:		
Accounts Payable	$ 10,871,140	$ 11,317,507
Accrued Expenses	7,335,451	8,108,344
Accrued Payroll and Vacation	1,273,284	880,178
Accrued Interest	536,014	524,694
Customer Deposits – Note 5	560,653	473,817
Due to Airlines and Partners – Note 6	28,048,657	18,773,387
Unearned Revenues – Note 5	4,990,328	4,578,627
Subscription Liability – Current – Note 11	544,848	421,485
Current Portion of Long–Term Debt – Note 7	5,645,000	5,458,710
Total Unrestricted Current Liabilities	59,805,375	50,536,749
Noncurrent Liabilities:		
Payable from Unrestricted Assets:		
Subscription Liability – Noncurrent – Note 11	1,339,642	1,669,340
Long–Term Debt – Note 7:		
Revenue Bonds – Series 2016	11,860,000	17,505,000
Revenue Bonds – Series 2021	122,922,913	123,790,899
Revolving Credit Facility	483,771	-
Total Long-Term Debt	135,266,684	141,295,899
Total Unrestricted Noncurrent Liabilities	136,606,326	142,965,239
Total Liabilities	196,411,701	193,501,988
DEFERRED INFLOW OF RESOURCES		
Deferred Inflow of Resources – Leases – Note 10	3,303,524	3,896,972
Total Deferred Inflow of Resources	3,303,524	3,896,972
Total Liabilities and Deferred Inflow of Resources	199,715,225	197,398,960
NET POSITION		
Net Investment in Capital Assets – Note 4	91,703,690	66,776,418
Restricted – Note 8	29,204,360	21,129,217
Unrestricted	46,531,371	53,827,009
Total Net Position	167,439,421	141,732,644
TOTAL LIABILITIES AND NET POSITION	$ 367,154,646	$ 339,131,604

See Accompanying Notes to Financial Statements

ONTARIO INTERNATIONAL AIRPORT AUTHORITY

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
OPERATING REVENUES		
Aeronautical:		
Landing Fees	$ 5,194,113	$ 5,234,880
Facilities Rent	3,384,381	9,775,257
Land Rent	13,985,845	13,921,034
Airline Fees	6,522,452	4,683,093
Total Aeronautical Revenues	29,086,791	33,614,264
Nonaeronautical:		
Facilities and Land Rent	1,375,783	1,338,113
Non-Airline Terminal Rent	1,431,104	1,391,782
Parking and Ground Transportation	32,870,076	27,850,762
Concessions:		
Rental Cars	9,423,111	9,681,310
Food and Beverage	1,505,946	1,326,876
Gifts and News	1,949,187	1,743,848
Other Concessions	1,314,569	901,111
Operating Grants	7,055,702	8,530,697
Other Nonaeronautical Operating Revenues	721,221	1,008,586
Total Nonaeronautical Revenues	57,646,699	53,773,085
Total Operating Revenues	86,733,490	87,387,349
OPERATING EXPENSES		
Personnel	11,950,238	8,877,520
Public Safety	20,770,240	19,243,969
Contractual Services	30,234,146	29,575,348
Insurance and Administration	1,761,063	1,400,242
Marketing and Public Relations	5,862,878	5,137,559
Materials and Supplies	813,575	1,033,412
Telecommunication and Utilities	5,971,128	5,253,646
Bad Debt Expense	648,868	73,298
Other Operating Expenses	1,487,300	1,395,939
Total Operating Expenses	79,499,436	71,990,933
Net Operating Income Before Depreciation and Amortization	7,234,054	15,396,416
Depreciation and Amortization	8,485,077	6,608,063
Net Operating Income (Loss)	$ (1,251,023)	$ 8,788,353

See Accompanying Notes to Financial Statements

ONTARIO INTERNATIONAL AIRPORT AUTHORITY

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION – CONTINUED
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
NONOPERATING REVENUES (EXPENSES)		
Investment Income (Loss), Net	$ 705,745	$ (279,864)
Passenger Facility Charges	12,450,838	11,225,992
Customer Facility Charges	3,370,712	3,192,973
Interest Expense	(4,349,792)	(4,779,670)
Debt Issuance Costs	(190,000)	-
Gain on Disposition of Assets	5,705	71,016
Total Nonoperating Revenues, Net	11,993,208	9,430,447
Net Income Before Special Item and Capital Contributions	10,742,185	18,218,800
SPECIAL ITEM		
Development and Entitlement Income, Net – Note 16	-	5,000,000
CAPITAL CONTRIBUTIONS		
Federal Grants and Other	14,964,592	10,950,213
Increase in Net Position	25,706,777	34,169,013
NET POSITION – BEGINNING OF YEAR	141,732,644	107,563,631
NET POSITION – END OF YEAR	$ 167,439,421	$ 141,732,644

ONTARIO INTERNATIONAL AIRPORT AUTHORITY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Airlines and Tenants	$ 87,876,737	$ 84,328,873
Receipts from Operating Grants	11,416,638	5,254,901
Payments to Suppliers	(69,514,231)	(60,568,334)
Payments for Personnel Services	(11,557,132)	(8,682,573)
Net Cash Provided by Operating Activities	18,222,012	20,332,867
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from Federal Grants and Other Capital Contributions	6,075,582	11,459,162
Acquisition of Capital Assets	(47,203,445)	(20,419,400)
Proceeds from Sale of Capital Assets	16,747	71,016
Proceeds from Issuance of Revolving Credit Facility	483,771	-
Principal Paid on Long-Term Debt	(5,458,710)	(11,754,505)
Debt Issuance Costs	(190,000)	-
Passenger Facility Charge Receipts	11,662,212	11,724,745
Customer Facility Charge Receipts	3,344,904	3,176,605
Interest Paid on Long-Term Debt	(5,206,458)	(5,759,979)
Proceeds from Development and Entitlement Agreement	-	5,000,000
Net Cash (Used) by Capital and Related Financing Activities	(36,475,397)	(6,502,356)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net Realized Loss in Local Agency Investment Fund (LAIF)	(83,968)	(419,568)
Interest Earned on Cash and Cash Equivalents	589,132	105,001
Net Cash Provided (Used) by Investing Activities	505,164	(314,567)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(17,748,221)	13,515,944
CASH AND CASH EQUIVALENTS – BEGINNING OF YEAR	156,151,566	142,635,622
CASH AND CASH EQUIVALENTS – END OF YEAR	$ 138,403,345	$ 156,151,566

See Accompanying Notes to Financial Statements

ONTARIO INTERNATIONAL AIRPORT AUTHORITY
STATEMENTS OF CASH FLOWS – CONTINUED
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
RECONCILIATION OF NET OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Net Operating Income (Loss)	$ (1,251,023)	$ 8,788,353
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Bad Debt Expense	648,868	73,298
Depreciation and Amortization	8,485,077	6,608,063
Effects of Changes in Operating Assets and Liabilities:		
Accounts Receivable	(1,574,858)	1,645,727
Grants Receivable	4,360,936	(3,275,796)
Leases Receivable	593,448	(2,330,837)
Prepaid Expenses	(274,147)	2,235
Accounts Payable	1,859,364	2,577,326
Accrued Expenses	(4,199,118)	(517,999)
Accrued Payroll and Vacation	393,106	194,947
Customer Deposits	86,836	(95,003)
Due to Airlines and Partners	9,275,270	1,243,978
Unearned Revenues	411,701	3,087,738
Deferred Inflow of Resources – Leases	(593,448)	2,330,837
Net Cash Provided by Operating Activities	$ 18,222,012	$ 20,332,867
NONCASH NONOPERATING, CAPITAL, FINANCING, AND INVESTING ACTIVITIES		
Amortization of 2021 Revenue Bond Premiums	$ 867,986	$ 867,986
Capital Assets Acquired through Accounts Payable and Accrued Expenses	$ 9,653,822	$ 8,533,328

See Accompanying Notes to Financial Statements

NOTE 1 – ORGANIZATION AND REPORTING ENTITY

The ONTARIO INTERNATIONAL AIRPORT AUTHORITY (Authority) was organized on August 27, 2012, under a joint powers agreement between the City of Ontario, CA and the County of San Bernardino, CA (together Municipalities) pursuant to California Government Code Section 6500. The purpose of the Authority is to exercise such powers for the operation, maintenance, management, administration, development, and marketing of the Ontario International Airport (ONT).

The Authority is governed by a commission of five members, each serving in his or her individual capacities. Two members are appointed from the City of Ontario Council, one member from the County Supervisorial District, with the remaining two members selected from the community at large.

The accompanying financial statements include the accounts of the Authority. There are no potential component units, nor has the Authority been determined to be a component unit of the Municipalities or any other entity.

Acquisition of ONT by the Authority

The Authority acquired substantially all assets and liabilities of ONT from the City of Los Angeles department known as Los Angeles World Airports (LAWA) on November 1, 2016 (Transfer Date) pursuant to a Settlement Agreement (Settlement Agreement) executed on December 22, 2015. The Settlement Agreement provided for a schedule of payments by the Authority to LAWA as compensation for the transfer of ONT to the Authority, including from cash on hand and Passenger Facility Charge (PFC) revenues received or to be received by the Authority. All amounts due to LAWA under the Settlement Agreement have been paid as of April 2021.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of significant accounting policies follows:

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) as applicable to governmental units. All transactions are accounted for in a single enterprise fund. Enterprise funds are used to account for operations (1) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses including depreciation and amortization) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (2) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of these funds are included in the accompanying Statements of Net Position. In accordance with the Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, net position is displayed in three components – net investment in capital assets, restricted, and unrestricted. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net position.

On proprietary fund financial statements, operating revenues are those that flow directly from the operations of that activity, (i.e., charges to customers or users who purchase or use the goods or services of that activity). Operating expenses are those that are incurred to provide those goods or services. Nonoperating revenues and expenses are items such as investment income and interest expense that are not a result of the direct operations of the activity.

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. The accrual basis of accounting is utilized by proprietary fund types. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. When both restricted and unrestricted resources are available for use, it is the Authority's practice to use restricted resources first, then unrestricted resources as they are needed.

Use of Estimates in Preparing Financial Statements

The preparation of financial statements in conformity with U.S. GAAP requires management to make a number of estimates and assumptions (e.g., useful lives of capital assets that affect the reported amounts of assets, liabilities, revenues and expenses, and disclosure of contingent assets and liabilities) at the date of the financial statements. The most significant estimates recorded in the financial statements are the allowance for doubtful accounts, depreciation and amortization expense and leases.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, checking, savings, money market accounts, and cash equivalent mutual funds. Investments are categorized as cash equivalents if their maturity date is 90 days or less at the date of purchase. Investments with a maturity of more than 90 days are classified as investments.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Investments

The Authority's policy is to invest in certificates of deposit, federal treasury and agency securities, cash equivalent mutual funds, and repurchase agreements, and to hold such investments to maturity. In accordance with this policy, investments are purchased so that maturities will occur as projected cash flow needs arise in connection with daily operations, construction projects, and bond debt service requirements.

In accordance with California Government Code (Code) Section 53600 et seq., the Authority adopts an investment policy annually for the Operating, Passenger Facility Charge (PFC) and Customer Facility Charge (CFC) portfolios that, among other things, authorizes types of allowable investments, maximum maturities, maximum concentration of investments by type of investment and issuer, minimum ratings for certain types of investments, and how the investments may be held. These criteria on investments and invested cash related to the Authority's bonded debt are governed by the related Master Indenture of Trust. Authorized investments and invested cash include U.S. Treasury securities, corporate notes, federal agency securities, money market mutual funds, bankers' acceptances, commercial paper, negotiable, and non-negotiable certificates of deposit, repurchase agreements, guaranteed investment contracts, and funds deposited in the State Treasurer's Local Agency Investment Fund (LAIF). The restrictions in the Code mitigate the Authority's interest rate risk, credit risk, concentration of credit risk, and custodial credit risk related to its various investments.

The Authority's investments, which are included in Cash and Cash Equivalents in the accompanying Statements of Net Position, are carried at fair value. Fair value is determined based upon market closing prices or bid/asked prices for regularly traded securities. The fair value of money market mutual funds and other similar investments is stated at its share value. The fair value of the Authority's investment in the LAIF is based on the Authority's pro rata share, provided by LAIF, of the fair value of the entire LAIF portfolio. Certain money market mutual fund investments with initial maturities at the time of the purchase of less than one year are recorded at cost. The calculation of realized gains and losses on investments that had been held more than one fiscal year and sold during the current year may have been recognized as an increase or decrease in fair value of investments reported in the prior year.

Accounts Receivable

The Authority grants unsecured credit to certain tenants, the U.S. government, and state and local agencies without interest. Receivables are reported at their gross value when earned as the underlying exchange transaction occurs. Receivables are reduced by an allowance for the estimated portion that is expected to be uncollectible. This estimate is made based on collection history, aviation industry trends and current information regarding the credit worthiness of the debtors. When collection activity results in receipt of amounts previously written off against the allowance, revenue is recognized for the amount collected.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Grants Receivable

The Authority receives grants for its Capital Improvement Program and certain operating expenses from the Federal Airport Improvement Program (AIP) of the Federal Aviation Administration (FAA) and the U.S. Department of Homeland Security (DHS). Amounts due from governmental agencies under the terms of the grant agreements are accrued as the related reimbursable costs are incurred.

Capital Assets

Capital assets are stated at cost or estimated historical cost if original cost is not available and include expenditures which substantially increase the useful lives of existing assets. Capital assets includes intangible assets, which are without physical substance, that provide economic benefits through the rights and privileges associated with their possession, including aviation avigation easements and computer software. Gifts or contributions of capital assets are recorded at acquisition value as of the date of the acquisition. The Authority's policy is to capitalize assets with a cost of $5,000 or more. Routine maintenance and repairs are expensed as incurred. Interest incurred on debt obligations to finance construction projects is expensed as incurred during the construction period.

Lessee-financed improvements are recognized and recorded as capital assets based upon the asset's estimated value at the time the asset reverts to the Authority.

Depreciation (including amortization of intangible assets) has been provided using the straight-line method over the following estimated useful lives of the related assets:

Land Improvements	5 – 30 Years
Buildings and Improvements	5 – 33 Years
Information Technology Hardware and Software	1 – 10 Years
Furniture and Fixtures	3 – 7 Years
Machinery and Equipment	1 – 12 Years
Vehicles	5 – 12 Years

Depreciation and amortization of capital assets is recorded as an expense in the accompanying Statements of Revenues, Expenses, and Changes in Net Position.

Capital assets are considered impaired if there is a significant unexpected decline in the service utility of the asset. Impaired capital assets that will no longer be used by the Authority are reported at the lower of carrying or fair value. Impairment losses on capital assets that will continue to be used by the Authority are measured using the method that best reflects the diminished service utility of the capital asset.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Restricted Assets and Liabilities

Certain assets and liabilities of the Authority are classified as restricted in the accompanying Statements of Net Position in accordance with applicable bond covenants, FAA regulations, or other legal requirements.

Compensated Absences

The Authority provides full-time employees with Paid Time Off (PTO) in varying amounts and, at termination, an employee is paid for accumulated (vested) PTO. Accordingly, compensation for PTO is charged to expense as earned by the employee, and accumulated, unpaid PTO is recorded as a current liability and reported in the accompanying Statements of Net Position under Accrued Payroll and Vacation. Employees may make an annual election to have accumulated leave paid out in March and/or November of each calendar year.

Certain employees are provided an additional 48 hours of management leave each calendar year. The hours are credited at the beginning of the calendar year and any unused leave may not be carried over to the next calendar year. Management leave is not eligible to be paid out.

Revenue Bonds, Bond Premiums, and Bond Discounts

Revenue bonds are reported net of applicable premiums or discounts. Bond premiums and discounts are amortized over the life of the bonds using the straight-line method, which approximates the effective interest rate method. The costs of issuing general airport revenue bonds, except prepaid insurance, are expensed as incurred. Insurance is recorded as a prepaid asset and amortized over the life of the bonds using the straight-line method, which approximates the effective interest rate method.

Airline Operating Use and Terminal Lease Agreements (ULAs)

The Authority has entered into Airline Operating Use and Terminal Lease Agreements (ULAs) with signatory passenger and cargo airlines operating at ONT, which expire on September 30, 2024. The ULAs define a signatory airline as a passenger or cargo airline who has executed a ULA at ONT. Airlines not executing ULAs are considered non-signatory airlines. The ULAs establish the rate-setting mechanisms for the costs of operating at ONT on a residual basis. This methodology establishes two residual cost centers at ONT: airfield and terminal. The net annual requirement for the airfield and terminal cost centers are recovered through landing fees and terminal rents, respectively. Landing fees are assessed to each airline for every aircraft landing at ONT based on the Maximum Gross Landing Weight (MGLW) of that aircraft. Terminal rents are assessed using the airlines' leased space plus an allocation of common use space. Signatory rates are established at the beginning of each year based on the Authority's adopted budgeted and forecasted aviation activity. At the discretion of the Authority, signatory rates can also be amended mid-year based on the Authority's amended budgeted and forecasted aviation activity. Non-signatory airlines are required to pay a premium on these rates. that amounted to 25% for the years ended June 30, 2023 and 2022 (see Note 10).

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Deferred Inflow of Resources

The statements of net position report a separate section for deferred inflow of resources. Deferred inflows of resources represent an acquisition of net assets that applies to future periods and, therefore, are not recognized as an inflow of resources (revenue) until then.

GASB Statement No. 87, *Leases* (GASB 87) establishes a deferred inflow, representing the initial value of lease receivable under GASB 87 systematically reduced and recognized as lease revenue over the term of the lease.

Leases

GASB 87 establishes accounting and financial reporting standards for leases by lessees and lessors. GASB 87 defines leases as a contract that conveys control of the right to use another entity's nonfinancial asset, such as land, buildings , vehicles, and equipment, as specified in the contract for a period of time in an exchange or exchange-like transaction. A contract conveys control of the right to use an underlying asset if it meets both of the following criteria:

1. Right to obtain the present service capacity from use of the underlying asset as specified in the contract.
2. Right to determine the nature and manner of use of the underlying asset as specified in the contract.

The following policies apply to leases whether the Authority is in the position of lessee or lessor.

For lease agreements that contain multiple components, each component is evaluated separately for accounting treatment under GASB 87. The Authority excludes contract components for the joint use of space as these components do not provide a right to determine how the underlying contract asset is used.

The lease term is the period during which the lessee has a noncancelable right to use the underlying asset, including options to extend the lease where it is reasonably certain that the lessee or lessor will exercise the option, or options to terminate the lease will not be exercised. Leases with a maximum possible term of 12 months or less, including options to extend, regardless of the likelihood that the option will be exercised, are classified as short-term leases. For lease agreements that are short-term, the Authority recognizes lease payments as outflows of resources (expenses), or inflows of resources (revenues) based on the payment provision of the lease agreement.

Unless explicitly stated, or implicit within the agreement, the discount rate used to calculate lease right-of-use assets and liabilities, or lease receivable is based on the monthly Secured Overnight Financing Rate (SOFR) plus a markup based on the length of the lease.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Leases – continued

Variable payments based on the future performance of the lessee or lessor, or usage of the underlying asset are not included in the measurement of lease assets or liabilities. Authority leases that establish a minimum annual guarantee (MAG) for variable payments are considered fixed in substance and are in the lease measurement of assets or liabilities. The portion of variable payments that exceed MAGs are treated as variable.

Lease modifications may require remeasurement of the lease receivable or liability if there are material changes to the lease term, payment amounts, lease discount rate, or if underlying assets to the lease are added or removed.

The Authority as Lessee

The Authority recognizes a lease liability and intangible right-of-use asset at the commencement of a lease unless the lease is considered a short-term lease or a transfer of ownership of the underlying asset. Right-of-use lease assets are measured based on the net present value of the payments, using the SOFR rate and a markup based on the length of the lease term, which approximates the Authority's borrowing rate.

The Authority calculates amortization of the discount on the lease liability and reports that amount as an outflow of resources in that period. Payments are allocated first to the accrued interest liability and then to the lease liability. Variable lease payments that are based on asset usage or activity are not included in the lease liability calculations and are recognized as outflows of resources in the periods in which the obligation for the payment is incurred.

The Authority as Lessor (Excluding Regulated Leases)

As lessor, the Authority recognizes a lease receivable and a deferred inflow of resources at the commencement of the lease term. The lease receivable is measured using the present value of the lease payments based on the SOFR rate plus a markup based on the length of the lease. This discount rate provides an implied rate of return that is included in the lease payments. The measurement of the lease receivable excludes regulated and short-term leases as well as variable payments that are based on asset use or activity.

Amortization of the lease receivable discount is recognized as interest revenue using the effective interest method. Deferred inflows of resources are recognized as inflows on the effective interest method over the term of the lease. Any initial direct costs are reported as an outflow of resources for that period. Remeasurement of the lease receivable occurs when there are modifications, including but not limited to changes in the lease charges, lease term and the addition or removal of the underlying assets to the lease agreements. In the case of a partial or full lease termination, the Authority will reduce the carrying value of the lease receivable and the related deferred inflow resources and include a gain or loss for the difference.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Leases – continued

For lease agreements that are short-term, the Authority recognizes lease payments as inflows of resources (revenues) based on the payment provision of the lease agreement.

The Authority as Lessor (Regulated Leases)

Certain leases between the Authority and air carriers and other aeronautical users are subject to external laws and regulations. Inflows of resources (revenues) are recognized in amounts equal to the payment provisions of the regulated lease agreements.

Subscription-Based Information Technology Arrangements (SBITAs)

The Authority's financial statements include the adoption of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. *(SBITAs)* (GASB 96) (see Note 11). A SBITA is a contract that conveys control of the right to use third party software. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022. As a result of the Authority's implementation of GASB 96, the prior fiscal year financial statements have been restated for comparative presentation purposes, and the beginning net position as of July 1, 2021 was retroactively restated from $142,439,828 to $141,732,644.

Net Position

The Authority's policy is to restrict net position to the extent that assets restricted for bond debt service exceed the applicable debt service liabilities, and these assets are funded from operations rather than bond proceeds. Because these restricted assets do not exceed debt service liabilities as of June 30, 2023 and 2022, no reservation of net position is required.

Passenger Facility Charges (PFCs)

In 1990, Congress approved the Aviation Safety and Capacity Expansion Act (Act), which authorized domestic airports to impose a PFC on enplaning passengers. In accordance with the PFC program, PFC revenues may be used to pay eligible costs for approved airport projects, including debt service, which meet at least one of the following criteria: preserve or enhance safety, security, or capacity of the national air transportation system; reduce noise or mitigate noise impacts resulting from an airport; or furnish opportunities for enhanced competition between or among carriers.

The maximum allowable PFC is $4.50 per enplaned passenger. PFCs are collected by airlines and remitted to the Authority monthly, net of an administrative fee of $0.11 per enplaned passenger. Total authorized collections and the time period for collections is established with each approved application. In accordance with the Act, the Authority's Airport Improvement Program (AIP) passenger entitlement apportionment is reduced by certain percentages.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Passenger Facility Charges (PFCs) – continued

At the present time, GASB has not released authoritative guidance on the accounting treatment of PFCs. The Authority's position is that PFCs should be treated as revenue because: 1) the Authority earns the PFCs due to a passenger's use of the Airport; 2) after receipt, the Authority has clear title to the funds and is not required to refund or return them; 3) the Authority is entitled to assess late charges on any payment not received by the deadlines specified in the Act; and 4) the fee is reserved for specific purposes as defined in the approval letter received from the FAA.

Since the Authority's applications for PFCs were approved as "Impose and Use", it is the position of the Authority that PFC revenues should be accounted for on an accrual basis and recognized when earned. Due to their restricted use, PFCs collected are maintained in an interest-bearing account. PFC program assets and PFC receivables are reported in the accompanying Statements of Net Position as Current Restricted Assets. PFC revenues are categorized as Nonoperating Revenues in the accompanying Statements of Revenues, Expenses, and Changes in Net Position.

Customer Facility Charges (CFCs)

Under Section 1936 of the California Civil Code, an Airport may require that rental car companies operating on the airport impose a CFC to:

(i) finance, design, and construct consolidated airport car rental facilities
(ii) finance, design, construct, and operate common-use transportation systems that move passengers between airport terminals and those consolidated car rental facilities, and acquire vehicles for use in that system
(iii) finance, design, and construct terminal modifications solely to accommodate and provide customer access to common-use transportation system

CFCs must be charged on a per contract basis and are limited to $10 per contract. Under certain circumstances, an alternative fee may be imposed that exceeds this amount.

The Authority requires on-airport rental car operators to collect $10 per rental car contract, which are remitted to the Authority monthly. CFC revenues are recognized on an accrual basis when the rental car contract has been settled. Due to their restricted use, CFC program assets and CFC receivables are presented as Current Restricted Assets. CFC revenues are categorized as Nonoperating Revenues in the accompanying Statements of Revenues, Expenses, and Changes in Net Position.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

New Accounting Standards

Implementation of the following GASB pronouncements was effective for the year ended June 30, 2023:

GASB Statement No. 91, *Conduit Debt Obligations*.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*.

The GASB issued pronouncements that may impact future financial presentations. Management has not currently determined what impact implementation of these statements may have on the financial statements of the Authority.

GASB Statement No. 99, *Omnibus 2022*. The requirements of this statement are effective for fiscal years beginning after June 15, 2023.

GASB Statement No. 100, *Accounting Changes and Error Corrections — an amendment of GASB Statement No. 62*. The requirements of this statement are effective for fiscal years beginning after June 15, 2023.

GASB Statement No. 101, *Compensated Absences*. The requirements of this statement are effective for fiscal years beginning after December 15, 2023.

Reclassifications

Certain reclassifications have been made to prior year financial statements to conform to classifications used in the current year. These reclassifications have no impact on net position or cash flows as previously reported.

NOTE 3 – CASH, CASH EQUIVALENTS, AND INVESTMENTS

Deposits with Financial Institutions

As of June 30, 2023, the carrying amount of the Authority's deposits was $105,541,113 and the bank balance was $113,038,663. As of June 30, 2022, the carrying amount of the Authority's deposits was $123,774,229 and the bank balance was $130,256,023. The difference between the carrying amounts and the bank balances represents outstanding checks, deposits in transit, and other reconciling items.

NOTE 3 – CASH, CASH EQUIVALENTS, AND INVESTMENTS – CONTINUED

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, investments with longer maturities have greater fair value sensitivity to changes in market interest rates. One of the ways the Authority manages its exposure to interest rate risk is by purchasing a combination of shorter-term and longer-term investments and by timing cash flows from maturities. These staggered maturities also provide consistent cash flow and fulfill liquidity needs for operations. The Authority monitors interest rate risk inherent in its portfolio by measuring the segmented time distribution of its portfolio. The Authority has no specific limitations with respect to this metric.

Custodial Risk (Deposits)

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Authority maintains deposits at a financial institution, which are collateralized in accordance with California law. California Government Code requires that financial institution secure deposits made by a state or local government by pledging securities in an undivided collateral pool held by a depository regulated under state law. The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure deposits by pledging first trust deed mortgage notes having a value of 150% of the secured deposits. Insurance through the Federal Deposit Insurance Corporation (FDIC) may be applicable to the first $250,000 of institutional deposit accounts, with any balance above this amount covered by the collateralization requirement.

Custodial Credit Risk (Investments)

Custodial credit risk for investments is the risk that the Authority will not be able to recover the value of its investments in the event of a counterparty failure. The Authority uses third-party banks' custody and safekeeping services for its registered investment securities. Securities are held in custody at third-party banks registered in the name of the Authority and are segregated from securities owned by those institutions or held in custody by those institutions.

Credit Risk (Investments)

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of an investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. California Government Code Section 53601 limits the types of investment instruments that may be purchased by the Authority.

NOTE 3 – CASH, CASH EQUIVALENTS, AND INVESTMENTS – CONTINUED

Cash and cash equivalents consisted of the following as of June 30, 2023 and 2022:

	Cash and Cash Equivalents	
	2023	2022
Deposits with Financial Institutions	$ 105,541,113	$ 123,774,229
Local Agency Investment Fund (LAIF)	32,862,232	32,377,337
Total Cash and Cash Equivalents	$ 138,403,345	$ 156,151,566

Cash and cash equivalents are classified as follows as of June 30, 2023 and 2022:

	Cash and Cash Equivalents	
	2023	2022
Unrestricted	$ 75,348,288	$ 79,638,865
Restricted:		
Debt Service Reserve – 2016 Revenue Bonds	1,025,448	1,017,729
Debt Service Reserve – 2021 Revenue Bonds	746,163	905,715
Projects Fund – 2021 Revenue Bonds	36,027,139	56,745,492
Passenger Facility Charge Fund	24,413,786	13,536,128
Customer Facility Charge Fund	842,521	4,307,637
Total Restricted Cash and Cash Equivalents	63,055,057	76,512,701
Total Cash and Cash Equivalents	$ 138,403,345	$ 156,151,566

Investment in State Investment Pools

The Authority is a voluntary participant in the LAIF that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The Authority's investments in this pool are reported as Cash and Cash Equivalents in the accompanying Statements of Net Position at fair value based upon the Authority's pro rata share of the amortized cost basis provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of each portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF.

Investments are authorized in accordance with California Government Code Section 53601 and under the provisions of the Authority's investment policy. The table that follows identifies the investment types that are authorized by the Authority's investment policy and State Government Code. The table also identifies certain provisions of the Authority's investment policy that address interest rate risk, credit risk, and concentration of credit risk.

NOTE 3 – CASH, CASH EQUIVALENTS, AND INVESTMENTS – CONTINUED

Investment in State Investment Pools – continued

This table does not address investments of bond proceeds held by the bond trustee that are governed by provisions of debt agreements of the Authority, in addition to the general provisions of the Authority's investment policy and State Government Code.

Authorized Investment Type	Maximum Maturity	Minimum Quality Requirement	Maximum % of Portfolio	Maximum Investment in One Issue
U.S. Treasury Obligations	5 Years	N/A	None	None
U.S. Agency Securities	5 Years	N/A	None	None
Supranational	5 Years	AA	30%	10%
Bankers' Acceptances	180 Days	AAA/Aaa	40%	5%
Commercial Paper	270 Days	A–1; P–1; F–1	25%	5%
Negotiable Certificates of Deposit	5 Years	A	30%	5%
Medium–Term Notes	5 Years	A	20%	5%
Money Market Mutual Funds	N/A	AAA/Aaa	20%	5%
Repurchase Agreements	1 Year	A	None	None
Local Agency Investment Fund	N/A	N/A	None	$65 Million
Local Government Investment Pool	N/A	N/A	None	$65 Million
U.S. State and California Agency Indebtedness	5 Years	A	20%	5%
Placement Service Certificates of Deposit	3 Years	N/A	30%	5%
Time Certificates of Deposit	3 Years	*	20%	5%
Bank Deposits	N/A	*	None	None

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2023 follows:

	For the Year Ended June 30, 2023				
	Balance at June 30, 2022	Reclassifications	Additions	Deletions	Balance at June 30, 2023
Capital Assets – Not Depreciated:					
Land	$ 56,503,866	$ -	$ -	$ -	$ 56,503,866
Air Avigation Easements	7,273,370	-	-	-	7,273,370
Construction in Progress	29,686,154	(19,026,222)	29,049,143	-	39,709,075
Total	93,463,390	(19,026,222)	29,049,143	-	103,486,311
Capital Assets – Depreciated and Amortized:					
Land Improvements	34,986,772	11,304,293	7,548,310	-	53,839,375
Buildings and Improvements	42,334,191	2,506,006	6,655,401	(5,203)	51,490,395
Information Technology Hardware and Software	3,813,957	339,762	3,457,839	(3,228)	7,608,330
Furniture and Fixtures	154,905	-	265,291	-	420,196
Machinery and Equipment	5,660,497	-	250,242	-	5,910,739
Vehicles	1,948,248	4,876,161	633,727	(209,222)	7,248,914
Subscription Assets	3,332,751	-	357,651	-	3,690,402
Total	92,231,321	19,026,222	19,168,461	(217,653)	130,208,351
Less: Accumulated Depreciation and Amortization:					
Land Improvements	(11,755,661)	-	(3,291,772)	-	(15,047,433)
Buildings and Improvements	(6,319,931)	-	(2,546,536)	-	(8,866,467)
Information Technology Hardware and Software	(2,505,470)	-	(799,988)	-	(3,305,458)
Furniture and Fixtures	(49,549)	-	(47,588)	-	(97,137)
Machinery and Equipment	(4,715,412)	-	(309,408)	-	(5,024,820)
Vehicles	(791,042)	-	(650,908)	81,491	(1,360,459)
Subscription Assets	(681,286)	-	(838,877)	-	(1,520,163)
Total	(26,818,351)	-	(8,485,077)	81,491	(35,221,937)
Capital Assets – Depreciated and Amortized, Net	65,412,970	19,026,222	10,683,384	(136,162)	94,986,414
Capital Assets, Net	$158,876,360	$ -	$39,732,527	$ (136,162)	$198,472,725

NOTE 4 – CAPITAL ASSETS – CONTINUED

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

	For the Year Ended June 30, 2022				
	Balance at June 30, 2021	Reclassifications	Additions	Deletions	Balance at June 30, 2022
Capital Assets – Not Depreciated:					
Land	$ 56,503,866	$ -	$ -	$ -	$ 56,503,866
Air Avigation Easements	7,273,370	-	-	-	7,273,370
Construction in Progress	8,235,649	(2,821,728)	25,577,855	(1,305,622)	29,686,154
Total	72,012,885	(2,821,728)	25,577,855	(1,305,622)	93,463,390
Capital Assets – Depreciated and Amortized:					
Land Improvements	34,404,618	462,154	120,000	-	34,986,772
Buildings and Improvements	40,976,148	1,344,354	13,689	-	42,334,191
Information Technology Hardware and Software	5,116,817	933,038	131,929	(2,367,827)	3,813,957
Furniture and Fixtures	72,723	82,182	-	-	154,905
Machinery and Equipment	5,618,189	-	42,308	-	5,660,497
Vehicles	1,767,627	-	180,621	-	1,948,248
Subscription Assets	-	-	3,332,751	-	3,332,751
Total	87,956,122	2,821,728	3,821,298	(2,367,827)	92,231,321
Less: Accumulated Depreciation and Amortization:					
Land Improvements	(9,086,370)	-	(2,669,291)	-	(11,755,661)
Buildings and Improvements	(4,275,463)	-	(2,044,468)	-	(6,319,931)
Information Technology Hardware and Software	(2,979,108)	-	(620,914)	1,094,552	(2,505,470)
Furniture and Fixtures	(35,051)	-	(14,498)	-	(49,549)
Machinery and Equipment	(4,412,882)	-	(302,530)	-	(4,715,412)
Vehicles	(515,966)	-	(275,076)	-	(791,042)
Subscription Assets	-	-	(681,286)	-	(681,286)
Total	(21,304,840)	-	(6,608,063)	1,094,552	(26,818,351)
Capital Assets – Depreciated and Amortized, Net	66,651,282	2,821,728	(2,786,765)	(1,273,275)	65,412,970
Capital Assets, Net	$138,664,167	$ -	$22,791,090	$ (2,578,897)	$158,876,360

Depreciation and amortization expense was $8,485,077 and $6,608,063 for the years ended June 30, 2023 and 2022, respectively.

NOTE 4 – CAPITAL ASSETS – CONTINUED

Net investment in capital assets as of June 30, 2023 and 2022 is as follows:

	2023	2022
Capital Assets	$ 233,694,662	$ 185,694,711
Cash Restricted for Capital Projects	36,027,139	56,745,492
Less: Accumulated Depreciation and Amortization	(35,221,937)	(26,818,351)
Less: Outstanding Debt	(140,911,684)	(146,754,609)
Less: Subscription Liability	(1,884,490)	(2,090,825)
Net Investment in Capital Assets	$ 91,703,690	$ 66,776,418

NOTE 5 – CUSTOMER DEPOSITS AND UNEARNED REVENUES

The Authority holds security deposits, advanced rent payments from certain tenants, and certain other payments applicable to future periods. Such amounts have been classified as Customer Deposits and Unearned Revenues in the accompanying Statements of Net Position. Customer Deposits and Unearned Revenues amounted to $560,653 and $4,990,328 as of June 30, 2023. Customer Deposits and Unearned Revenues amounted to $473,817 and $4,578,627 as of June 30, 2022.

NOTE 6 – DUE TO AIRLINES AND PARTNERS

Due to Airlines

Pursuant to the ULAs' annual true-up provision, landing fees and terminal rents invoiced by the Authority to signatory airlines for the years ended June 30, 2023 and 2022 were determined to be in excess of amounts needed to fund the annual airfield and terminal cost center requirements at ONT (surplus). The surplus for the year ended June 30, 2023 in the amount of $21,978,402 will be issued to signatory airlines in the form of credits subsequent to year end. The surplus for the year ended June 30, 2022 in the amount of $13,841,798 was issued to signatory airlines in the form of credits during the year ended June 30, 2023. As of June 30, 2023 and 2022, $3,400,549 and $4,594,668 of the credits issued to signatory airlines for prior year annual true-ups have not been used by signatory airlines. The credits due to signatory airlines as of June 30, 2023 and 2022 are included in Due to Airlines and Partners in the accompanying Statements of Net Position.

NOTE 6 – DUE TO AIRLINES AND PARTNERS – CONTINUED

Due to Partners

The Authority was awarded $2,332,785 in Concessions Rent Relief Grants under the American Rescue Plan Act of 2021 (ARPA) to provide rent relief to eligible concessionaires operating at ONT. During the year ended June 30, 2023, the Authority submitted a payment request for the full concessions rent relief award, but as of June 30, 2023, the Authority had not received the funds from the FAA, and the Authority had not issued payment of the corresponding funds to eligible concessionaires. The Concessions Rent Relief Grants due from the FAA as of June 30, 2023 are included in Grants Receivable in the accompanying Statements of Net Position. The corresponding amounts due to eligible concessionaires as of June 30, 2023 are included in Due to Airlines and Partners in the accompanying Statements of Net Position.

NOTE 7 – LONG-TERM DEBT

Long-term debt consisted of the following as of June 30, 2023 and 2022:

Public Offerings

Bonds Payable – Series 2016

On November 1, 2016, the Authority issued $52,015,000 of 2016 Airport Revenue Bonds (2016 Bonds) at par, with effective interest rates ranging from 1.290% to 2.998%. The 2016 Bonds are special limited obligations of the Authority payable solely from, and secured solely by, a pledge of the net revenues and amounts in certain funds established under the Master Indenture of Trust, as amended, and the Debt Service Reserve Fund (provided through a surety). The 2016 Bonds are subject to redemption at the Authority's option prior to maturity, subject to a redemption premium. The 2016 Bonds were issued to extinguish LAWA 2006 Bonds as part of the Authority's acquisition of the ONT from LAWA and to pay bond issuance costs.

The 2016 Bonds are due in principal installments on May 15 annually with semi-annual interest installments due on May 15 and November 15 each year. In connection with the bond financing, the Authority secured a Reserve Surety Bond with a face value of $5,201,500 to provide coverage for debt service. The balance outstanding on the 2016 Bonds as of June 30, 2023 and 2022 was $17,505,000 and $22,960,000, respectively. Interest expense for the years ended June 30, 2023 and 2022 amounted to $627,427 and $760,878, respectively.

NOTE 7 – LONG-TERM DEBT – CONTINUED

Bonds Payable – Series 2016 – continued

The required debt service payments for the Series 2016 Bonds for the years ending June 30 are as follows:

For the Year Ending June 30,	Principal	Interest	Total
2024	$ 5,645,000	$ 507,690	$ 6,152,690
2025	5,820,000	349,743	6,169,743
2026	6,040,000	181,079	6,221,079
Total	$ 17,505,000	$ 1,038,512	$ 18,543,512

Bonds Payable – Series 2021

On April 21, 2021, the Authority issued $124,731,218 of 2021 Airport Revenue Bonds, Series 2021 A, Series 2021 B, and Series 2021 C (2021 Revenue Bonds) including a premium in the amount of $21,391,218, with effective interest rates ranging from 1.875% to 5.000%. The 2021 Revenue Bonds are special limited obligations of the Authority payable solely from, and secured solely by, a pledge of the net revenues and amounts in certain funds established under the Master Indenture of Trust, as amended, and the Debt Service Reserve Fund (provided through a surety). The 2021 Revenue Bonds are subject to redemption at the Authority's option prior to maturity, subject to a redemption premium. The 2021 Revenue Bonds were issued primarily to fund the Capital Improvement Program (CIP), to extinguish outstanding debt due to LAWA in connection with the acquisition of ONT, and to refinance Subordinated Revenue Notes.

The 2021 Revenue Bonds are due in principal installments on May 15 annually with semi-annual interest installments due on May 15 and November 15 each year. In connection with the bond financing, the Authority secured a Reserve Surety Bond with a face value of $6,863,850 to provide coverage for debt service. The balance outstanding on the 2021 Revenue Bonds as of June 30, 2023 and 2022 was $122,922,913 and $123,790,899, which includes unamortized bond premiums of $19,582,913 and $20,450,899, respectively.

Interest expense for the years ended June 30, 2023 and 2022 amounted to $4,476,979 and $4,725,750, respectively. Amortization of the 2021 Revenue Bond premium for the years ended June 30, 2023 and 2022 amounted to $867,986 and $867,986, respectively, and is included as a reduction to interest expense in the accompanying Statements of Revenues, Expenses, and Changes in Net Position.

NOTE 7 – LONG-TERM DEBT – CONTINUED

Bonds Payable – Series 2021 – continued

The required debt service payments for the Series 2021 Revenue Bonds for the years ending June 30 are as follows:

For the Year Ending June 30,	Principal	Interest	Total
2024	$ -	$ 4,476,979	$ 4,476,979
2025	-	4,476,979	4,476,979
2026	-	4,476,979	4,476,979
2027	2,385,000	4,476,979	6,861,979
2028	2,430,000	4,432,259	6,862,259
2029 – 2033	13,845,000	20,461,000	34,306,000
2034 – 2038	17,455,000	16,849,150	34,304,150
2039 – 2043	21,325,000	12,985,750	34,310,750
2044 – 2048	26,860,000	7,443,900	34,303,900
2049 – 2051	19,040,000	1,543,000	20,583,000
Total	$ 103,340,000	$ 81,622,975	$ 184,962,975

The 2016 and 2021 Revenue Bonds are special obligations of the Authority payable solely from, and secured solely by, Pledged Revenues. Pledged Revenues are defined in the Master Indenture as all income, receipts, earnings, and revenues received by the Authority. Net Pledged Revenues are defined as operating revenue plus investment income on operating funds, less operating expenses before depreciation and amortization.

The Bond Indenture agreements contain various affirmative, negative, and financial covenants. The Bond Indenture agreement requires the Authority to reserve and deposit monthly one twelfth of the upcoming annual principal amount of the bonds maturing and one sixth of the upcoming semi-annual interest payable. The primary financial covenant is a Debt Service Coverage Ratio defined as, “net pledged revenues equal to at least 125% of aggregate annual debt service for that fiscal year”. If the Authority violates the covenant, it will not constitute a default in the event the Authority cures violation within 120 days of its discovery.

Direct Borrowings and Placements

Revolving Credit Facility

On February 1, 2023, the Authority entered into a Revolving Credit Facility agreement with a financial institution. The lender made available to the Authority a revolving line of credit in the maximum principal amount of $50,000,000, the proceeds of which are to be used to finance a portion of the cost of the Authority’s capital improvement program, including terminal, parking lot, airfield, and roadway improvements. During the Revolving Credit Period, the lender agrees to make revolving taxable and tax-exempt loans (Notes) to the Authority. The notes mature on January 30, 2026 (Facility Maturity Date).

NOTE 7 – LONG-TERM DEBT – CONTINUED

Revolving Credit Facility – continued

Interest is due quarterly. Principal payments are due quarterly beginning on the first business day of the third full calendar month following the Facility Maturity Date. The taxable portion of the Revolving Credit Facility bears interest at a variable rate equal to the Daily 1M SOFR plus the Taxable SOFR Rate. The nontaxable portion of the Revolving Credit Facility bears interest at a variable rate equal to 79% of the Daily 1M SOFR plus the Tax-exempt SOFR Rate. Interest rates at June 30, 2023 were 5.69% for the taxable portion of the Revolving Credit Facility, and 4.56% for the nontaxable portion of the Revolving Credit Facility. Interest on the Revolving Credit Facility totaled $5,980 for the year ended June 30, 2023.

The notes are secured by net pledged revenues, junior and subordinate to the 2021 Revenue Bonds. Net pledged revenues are defined as pledged revenues less maintenance and operating expenses.

The Revolving Credit Facility agreement contains various affirmative, negative, and financial covenants. The Bond Indenture agreement requires the Authority to reserve and deposit monthly one twelfth of the upcoming annual principal amount of the bonds maturing and one sixth of the upcoming semi-annual interest payable. The primary financial covenant is a Debt Service Coverage Ratio defined as, "net pledged revenues equal to at least 110% of aggregate annual debt service for that fiscal year".

Notes Payable – Enterprise Resource Planning System

In connection with the installation and implementation of its Enterprise Resource Planning (ERP) system the Authority entered into a Lease/Purchase Master agreement credit facility to finance the ERP system. Under the agreement, the Authority made drawdowns to cover ERP costs as they were incurred. Each drawdown converted to a 60-month term note, with interest at 3.70% per annum due in semi-annual installments of principal and interest ranging from $5,064 to $50,205. The notes matured on dates ranging from October 2022 to October 2023. Total cost of the ERP system financed was $2.8 million. The note was secured by a first lien on the ERP system. The notes payable were paid in full as of June 30, 2022. Interest expense for the year ended June 30, 2022 amounted to $41,092.

Notes Payable – Parking Management Operator

The Authority entered into an agreement with its parking management operator (Operator), for the Operator to complete and incur costs for certain capital projects in the terminal parking area and to finance each project upon completion. Each original note payable was for five-years, bore interest at rates ranging from 6.00% to 9.80% and was due in monthly installments of principal and interest ranging from $1,724 to $11,861. The notes matured on dates ranging from May 2023 to June 2025.

Effective in April 2021, the Authority negotiated a lower interest rate for the notes. The notes bore interest at 5.00% and were due in monthly installments of principal and interest ranging from $1,462 to $11,235. All other terms of the original notes payable remained the same.

NOTE 7 – LONG-TERM DEBT – CONTINUED

Notes Payable – Parking Management Operator – continued

The notes payable were paid in full as of June 30, 2023. The total balance outstanding on the notes payable as of June 30, 2022 was $3,710.

Note Payable – Airport Rescue and Firefighting (ARFF) Vehicles

The Authority executed a note payable with a financial institution for the acquisition of ARFF vehicles with a total cost of $4,234,887. The terms of the note were: 10 years, bearing annual interest of 1.80%, with annual principal and interest installments of $471,430, maturing October 2029. The note was secured by the vehicles. The note was paid in full as of June 30, 2022. Interest expense for the year ended June 30, 2022 amounted to $69,697.

Other Financed Obligations

The Authority financed various vehicles from two lenders. Lease payments were due monthly, ranged from $1,329 to $6,727 and matured on dates ranging from July 2023 to August 2025. The financed obligations were paid in full as of June 30, 2022. Interest expense for the year ended June 30, 2022 amounted to $49,189.

Long-term debt activity for the year ended June 30, 2023 follows:

	For the Year Ended June 30, 2023				
	Balance at June 30, 2022	Additions	Reductions	Balance at June 30, 2023	Current Portion
Revenue Bonds:					
Series 2016	$ 22,960,000	$ -	$ (5,455,000)	$ 17,505,000	$ 5,645,000
Series 2021:					
Series 2021 A	57,750,000	-	-	57,750,000	-
Series 2021 A Premium	11,657,727	-	(403,149)	11,254,578	-
Series 2021 B	41,685,000	-	-	41,685,000	-
Series 2021 B Premium	8,793,172	-	(464,837)	8,328,335	-
Series 2021 C	3,905,000	-	-	3,905,000	-
Total Series 2021	123,790,899	-	(867,986)	122,922,913	-
Total Revenue Bonds	146,750,899	-	(6,322,986)	140,427,913	5,645,000
Direct Borrowings:					
Revolving Credit Facility	-	483,771	-	483,771	-
Other Notes Payable	3,710	-	(3,710)	-	-
Total Direct Borrowings	3,710	483,771	(3,710)	483,771	-
Total Long–Term Debt	$ 146,754,609	$ 483,771	$ (6,326,696)	$ 140,911,684	$ 5,645,000

NOTE 7 – LONG-TERM DEBT – CONTINUED

Long-term debt activity for the year ended June 30, 2022 follows:

	For the Year Ended June 30, 2022				
	Balance at June 30, 2021	Additions	Reductions	Balance at June 30, 2022	Current Portion
Revenue Bonds:					
Series 2016	$ 28,250,000	$ -	$ (5,290,000)	$ 22,960,000	$ 5,455,000
Series 2021:					
Series 2021 A	57,750,000	-	-	57,750,000	-
Series 2021 A Premium	12,060,876	-	(403,149)	11,657,727	-
Series 2021 B	41,685,000	-	-	41,685,000	-
Series 2021 B Premium	9,258,009	-	(464,837)	8,793,172	-
Series 2021 C	3,905,000	-	-	3,905,000	-
Total Series 2021	124,658,885	-	(867,986)	123,790,899	-
Total Revenue Bonds	152,908,885	-	(6,157,986)	146,750,899	5,455,000
Direct Borrowings:					
Other Notes Payable	6,038,303	-	(6,034,593)	3,710	3,710
Other Financed Obligations	429,912	-	(429,912)	-	-
Total Direct Borrowings	6,468,215	-	(6,464,505)	3,710	3,710
Total Long–Term Debt	$ 159,377,100	$ -	$ (12,622,491)	$ 146,754,609	$ 5,458,710

NOTE 8 – RESTRICTED NET POSITION

Restricted net position includes restricted assets required to be set aside to repay principal and interest under debt covenants, except for those principal and interest payments included in net investment in capital assets (see Note 4); and to comply with other legal or contractual requirements; less liabilities payable from these assets.

Restricted net position as of June 30, 2023 and 2022 is as follows:

	2023	2022
Restricted Net Position:		
Customer Facility Charges	$ 1,138,217	$ 4,577,525
Passenger Facility Charges	26,294,532	14,628,248
Debt Service Reserve – 2016 Revenue Bonds	1,025,448	1,017,729
Debt Service Reserve – 2021 Revenue Bonds	746,163	905,715
Total Restricted Net Position	$ 29,204,360	$ 21,129,217

NOTE 9 – RELATED PARTY TRANSACTIONS

The Authority has entered into agreements with the City of Ontario (City) for the City to provide public safety, information technology, human resources, and other administrative services to the Authority. In addition, the Authority purchases water and waste utilities from the City. The Authority's parking operations are subject to a city parking tax. These taxes are included in the daily parking rates and taxes paid are netted against parking revenues.

Amounts due to the City totaling $4,229,807 and $4,027,960 for the years ended June 30, 2023 and 2022, respectively, are included in Accounts Payable and Accrued Expenses in the accompanying Statements of Net Position. The following summarizes the Authority's expenses for services provided by the City for the years ended June 30, 2023 and 2022:

	2023	2022
Public Safety	$ 20,770,240	$ 19,243,969
Administrative Services	1,136,200	986,852
Utilities	1,104,053	1,089,212
Parking Taxes	3,326,642	2,907,384
Sponsorships and Other	57,220	176,746
Total	$ 26,394,355	$ 24,404,163

The Authority is also charged for services from the County of San Bernardino that are categorized in the various expense line items in the accompanying Statements of Revenues, Expenses, and Changes in Net Position.

NOTE 10 – LEASES

Lessor Leases (Other than Regulated Leases)

The Authority leases land and facilities under various agreements to tenants operating at ONT are grouped in the following categories:

Terminal Concessions

Terminal concessions include agreements for the lease of space in ONT terminals and are primary for food and beverage and gifts and news. This includes non-exclusive master concessionaire agreements for multiple locations and offerings. These leases generally require the lessee to make substantial improvements to the space.

NOTE 10 – LEASES – CONTINUED

Terminal Concessions – continued

Revenues from these leases are based on a percentage of gross sales and vary by concessionaire, agreement, the type of goods and services offered, and may be subject to a minimum annual guarantee (MAG). These MAGs are based on a percentage of the previous years' percentage revenues, vary from year to year, and are not fixed in substance. Lease terms and options to extend or terminate the agreement vary. Termination or cancellation provisions in the agreements, excluding those for default, provide for termination for convenience. Terminations for convenience generally require the Authority to reimburse the lessee for the unamortized cost of improvements made by the lessee.

Rental Car Agreements

The Authority has entered into Agreements with multiple rental car companies. These agreements include lease and non-lease provisions. Non-lease provisions are for privilege fees that the rental car companies are required to pay for the right to operate at ONT and are based on a percentage of their gross sales. Privilege fees are subject to a fixed MAG amount. This component of the agreement does not meet lease definition requirements as it is not specific to an underlying asset.

In addition to privilege fees, each rental car company pays for assigned space, including land and facilities, that are accounted for as lease revenue. The current agreements expired February 2022, but were extended by the Authority for two one-year periods. However, the agreements are subject to a 30-day cancellation clause by the Authority or the lessee, and consequently are considered short-term leases.

Terminal and Terminal Area Facility Rentals

The Authority leases space within the terminal and terminal area for nonaeronautical purposes. Payments for current agreements are fixed over the noncancelable terms of the leases, including annual increases, if any. These payments have been discounted as of the lease effective date at the Authority's lessor discount rate. The agreements do not provide options or termination provisions that impact the lease terms.

NOTE 10 – LEASES – CONTINUED

Lessor leases (other than regulated leases) consisted of the following as of June 30, 2023 and 2022:

	2023	2022
Concession Leases:		
Leases of terminal facilities or land under various concession arrangements for food and beverage, gifts and news, advertising and other nonaeronautical concessions. Digital advertising lease, fixed payments total $100,000 annually, with provisions for variable payments that exceed annual fixed payments. There were no variable payments for 2023 and 2022. The lease receivable is discounted at 4.11% and expires in June 2041.	$ 1,196,732	$ 1,246,432
Other Terminal Leases:		
Leases of terminal space based on square footage and nonairline tenant leases for office and other nonaeronautical uses. Payments range from $50,675 - $57,035, with a lease stated 3.5% annual increase, The lease receivable is discount rate is 2.05% and expires in September 2026.	2,106,792	2,650,540
Total Leases Receivable	3,303,524	3,896,972
Less: Current Portion	660,170	622,472
Leases Receivable – Noncurrent	$ 2,643,354	$ 3,274,500

Lease interest income recognized for the years ended June 30, 2023 and 2022 amounted to $99,928 and $92,073, respectively, and is included in the following financial statement categories in the accompanying Statements of Revenues, Expenses, and Changes in Net Position.

	2023	2022
Interest Income from Leases:		
Concessions	$ 50,299	$ 52,297
Facilities and Land Rent	49,629	39,776
Total Interest Income From Leases	$ 99,928	$ 92,073

NOTE 10 – LEASES – CONTINUED

The expected future lease payments, which are included in the measurement of the current and noncurrent lease receivables as of June 30, 2023 are as follows:

For the Year Ending June 30,	Lease Receivable	Lease Interest	Total
2024	$ 660,171	$ 85,753	$ 745,924
2025	697,748	70,784	768,532
2026	679,196	54,586	733,782
2027	290,187	42,425	332,612
2028	61,018	38,982	100,000
2029 – 2033	345,636	154,364	500,000
2034 – 2038	424,339	75,661	500,000
2039 – 2042	145,229	4,771	150,000
Total	$ 3,303,524	$ 527,326	$ 3,830,850

Regulated Leases

The Authority has entered into various lease agreements with air carriers and other organizations that support air carrier activities, which are treated as Regulated Leases under GASB 87 and are described below:

Airline Operating Use and Terminal Lease Agreements (ULAs)

The Authority has entered into ULAs with signatory passenger and cargo carriers operating at ONT, which expire on September 30, 2024. Signing a ULA is not a requirement for operating at ONT. However, airlines who do not sign a ULA sign a separate agreement and instead, operate as a non-signatory carrier at ONT. The ULAs establish the rate-setting mechanisms for the costs of operating at ONT on a residual basis. This methodology establishes two residual cost centers at ONT: airfield and terminal. The net annual requirement for the airfield and terminal cost centers are recovered through landing fees and terminal rents, respectively. Air carriers that sign a non-signatory agreement are required to pay a premium on these rates. The premium amounted to 25% for the years ended June 30, 2023 and 2022.

Landing fees are associated with aircraft landings. A landing fee is charged for each landing based on the MGLW of the aircraft that has landed multiplied by the landing fee rate. The use of the airfield is considered a non-lease activity as the airline does not have control over the use of the airfield.

NOTE 10 – LEASES – CONTINUED

Airline Operating Use and Terminal Lease Agreements (ULAs) – continued

Airline terminal lease rents are charged on a square foot basis for assigned and joint use space. Joint use space is not accounted for as lease revenues, as the airlines do not control the use of the space. Other airline space is assigned on a preferential and exclusive use basis. Minimum lease payments are based on the square footage of currently leased space at the terminal rental rate in effect. The terminal rental rate is calculated annually but may be adjusted mid-year. The terminal rental rate is reconciled against actual revenues and expenditures included in the terminal rental rate calculation.

Other Aeronautical Facilities and Land

Lease agreements for other aeronautical use space include facilities and land for general aviation, ground servicing, aircraft maintenance, fueling and cargo processing. These agreements are classified as Facility Use Agreements (FUAs) and Lease Agreements. FUAs are short-term agreements for one year or less. They do not contain options to extend and the use of space after the lease expiration is on a month-to-month basis. Lease agreements that are for more than one year may provide for options to extend and include indexed and/or fair market value rate adjustments. Options to extend and rate adjustments are not included in minimum lease payments for regulated leases.

Deferred inflow of resources (revenues) by major lease type are included in the following financial statement categories in the accompanying Statements of Revenues, Expenses, and Changes in Net Position for the year ended June 30, 2023:

	For the Year Ended June 30, 2023		
	Preferential	Exclusive	Total
Terminal:			
Signatory	$ 277,996	$ 299,328	$ 577,324
Nonsignatory	-	352,707	352,707
Airside Land and Facilities:			
Signatory	-	10,270,242	10,270,242
Nonsignatory	-	17,522	17,522
General Aviation	-	545,626	545,626
Ground Handling and Aviation Support	-	3,050,235	3,050,235
	$ 277,996	$ 14,535,660	$ 14,813,656

Aeronautical Revenues:	
Facilities	$ 2,229,821
Land	12,583,835
	$ 14,813,656

NOTE 10 – LEASES – CONTINUED

Deferred inflow of resources (revenues) by major lease type are included in the following financial statement categories in the accompanying Statements of Revenues, Expenses, and Changes in Net Position for the year ended June 30, 2022:

	For the Year Ended June 30, 2022		
	Preferential	Exclusive	Total
Terminal:			
Signatory	$ 2,054,576	$ 1,940,642	$ 3,995,218
Nonsignatory	-	147,506	147,506
Airside Land and Facilities:			
Signatory	-	9,953,886	9,953,886
Nonsignatory	-	205,993	205,993
General Aviation	-	664,039	664,039
Ground Handling and Aviation Support	-	2,947,323	2,947,323
	$ 2,054,576	$ 15,859,389	$ 17,913,965
Aeronautical Revenues:			
Facilities			$ 5,584,502
Land			12,329,463
			$ 17,913,965

The expected future minimum lease payments from regulated leases as of June 30, 2023 are as follows:

For the Year Ending June 30,	Amount
2024	$ 16,055,498
2025	9,728,835
2026	6,639,658
2027	6,502,675
2028	6,310,898
2029 – 2033	29,969,140
2034 – 2038	23,802,325
2039 – 2043	23,802,325
2044 – 2048	23,802,325
2049 – 2053	13,091,279
Total	$ 159,704,958

Minimum lease payments include required payments, excluding variable portions of those payments, using lease rates effective on the later of June 30, 2023, or the lease effective date. Leases that are classified as short-term are not included in the totals.

NOTE 11 – SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS (SBITAS)

The Authority's financial statements include the adoption of GASB 96. The primary objective of this statement is to enhance the relevance and consistency of information about governmental subscription activities. This statement establishes a single model for subscription accounting based on the principle that subscriptions are financings of the right to use an underlying asset. Under this Statement, an organization is required to recognize a subscription liability and an intangible right-to-use subscription asset. For additional information, refer to the disclosures below.

The Authority has entered into SBITAs with various third parties that allow the Authority the right to use and control third party software, alone or in combination with other assets, the terms of which expire on various dates ranging from 2025 through 2032. Subscription assets and related accumulated amortization are included in capital assets on the Statements of Net Position. The measurement of the subscription liabilities is based on the present value of lease payments expected to be paid during the subscription term. The subscriptions have interest rates ranging from 2.4% to 3.1%. A summary as of June 30, 2023 is as follows:

Subscription Asset	$ 3,690,402
Accumulated Amortization	$ 1,520,163
Term	36 – 120 Months

Future principal and interest payment requirements related to the Authority's subscription liability as of June 30, 2023 are as follows:

	Principal and Interest Requirements to Maturity		
For the Year Ending June 30,	Principal	Interest	Total
2024	$ 544,848	$ 45,541	$ 590,389
2025	556,869	33,752	590,621
2026	459,144	20,329	479,473
2027	115,230	9,195	124,425
2028	89,533	6,146	95,679
2029 – 2032	118,866	9,478	128,344
Total	$ 1,884,490	$ 124,441	$ 2,008,931

In accordance with GASB 96, the Authority does not recognize a lease liability or right-to use asset for SBITAs that are considered short-term, or a maintenance or support arrangement.

NOTE 12 – RETIREMENT PLANS

The Authority established and maintains three defined contribution retirement plans for the benefit of employees. The Authority does not participate in the United States Social Security system. The plans are administered by an unrelated third party. Significant plan requirements are as follows:

401(a) Plan – Defined Contribution Plan for Governmental Employees

The Authority established the Ontario International Airport Authority 401(a) Defined Contribution Plan (401(a) Plan), which is administered by an unrelated third-party. All employees participate in the Authority's 401(a) Plan. The Authority contributes 10% of the employee's eligible wages and 12% of eligible wages for executive employees. Employees may not contribute to the plan. All employer contributions are fully vested at the date of contribution. Maximum permissible contributions for the plan year are $66,000 and $61,000 per employee for plan calendar years 2023 and 2022, respectively. Amounts contributed to the plan for the years ended June 30, 2023 and 2022 amounted to $943,220 and $718,578, respectively.

457(b) Plan – Employee Deferred Compensation Plan

The Ontario International Airport Authority 457(b) Deferred Compensation Plan is an employee funded retirement plan. All employee contributions are fully vested at the time of contribution. The Authority does not make any contributions or provide for matching under this plan.

457(f) Plan

The Ontario International Authority 457(f) Deferred Compensation Plan is a non-qualified deferred compensation arrangement which provides supplemental retirement benefits to a select management group. The plan has no active participants and no plan assets as of June 30, 2023 and 2022.

NOTE 13 – CONCENTRATION OF OPERATING REVENUES

A significant portion of the Authority's earnings and revenues are directly or indirectly attributable to the activity of a number of major airlines, tenants, and concessionaires. The Authority's earnings and revenues could be materially and adversely affected should any of these major customers discontinue operations and should the Authority be unable to replace those airlines with similar activity.

NOTE 13 – CONCENTRATION OF OPERATING REVENUES – CONTINUED

Significant customers for the years ended June 30, 2023 and 2022 consisted of the following:

		2023		2022	
Customer	Customer Type	Revenues	% of Operating Revenues	Revenues	% of Operating Revenues
Customer A	Cargo Carrier	$ 6,528,373	7.5 %	$ 7,022,037	8.0 %
Customer B	Cargo Carrier	5,242,943	6.0	5,020,048	5.7
Customer C	Rental Car Company	4,236,454	4.9	4,133,311	4.7
Customer D	Rental Car Company	3,520,599	4.1	3,937,744	4.5
Customer E	Cargo Carrier	2,712,380	3.1	2,450,699	2.8
Customer F	Concessionaire	1,903,290	2.2	1,709,105	2.0
Customer G	Passenger Carrier	1,880,506	2.2	4,335,431	5.0
Customer H	Rental Car Company	1,552,535	1.8	1,493,030	1.7
Customer I	Passenger Carrier	860,042	1.0	2,083,938	2.4
Customer J	Passenger Carrier	488,715	0.6	1,086,467	1.2
Customer K	Passenger Carrier	450,431	0.5	1,088,648	1.2
Customer L	Passenger Carrier	299,899	0.3	465,987	0.5
Customer M	Passenger Carrier	231,543	0.3	1,073,202	1.2

NOTE 14 – PASSENGER FACILITY CHARGES (PFCS)

The PFC Program for ONT was established under previous ownership by LAWA. In accordance with the Settlement Agreement for the Authority's acquisition of ONT from LAWA, a PFC application was submitted to the FAA to authorize use of PFC collections at ONT for a single project at the Los Angeles International Airport (LAX). On July 18, 2016, the FAA issued a Final Agency Decision approving this application (16-05-C-00-ONT), which approved the imposition of a $4.50 PFC at ONT for use on the LAX project. On September 16, 2016, the FAA approved amendment number 1 (16-05-C-01-ONT) to increase the approved amount for the project from $47,338,500 to $117,338,550. The Authority was required to remit ONT PFC revenues directly to LAWA until it paid in full amounts due under its loan agreement with LAWA.

NOTE 14 – PASSENGER FACILITY CHARGES (PFCS) – CONTINUED

On April 17, 2020 the Authority submitted an amendment to the FAA to repay its current obligation to LAWA, in a lump sum payment through the issuance of new bonds (see Note 7). The application amendment (16-05-C-02-ONT) was approved by the FAA on May 15, 2020. This amendment represented the following changes:

	Previously	Revised	Net Increase (Decrease)
LAX Project:			
Pay–As–You–Go	$ 117,338,500	$ 86,885,234	$ (30,453,266)
PFC Bond Capital	-	30,453,266	30,453,266
PFC Bond Financing and Interest	-	41,973,708	41,973,708
Total	$ 117,338,500	$ 159,312,208	$ 41,973,708

The following summarizes allowable expenditures for the PFC program for the years ended June 30, 2023 and 2022:

	2023	2022
PFC Bond Financing and Interest:		
Debt Service – 2021 Revenue Bonds:		
Series 2021 A	$ 736,532	$ 785,634
Series 2021 B	66,909	71,369
Total Debt Service – 2021 Revenue Bonds	803,441	857,003
Total	$ 803,441	$ 857,003

PFC revenues for the years ended June 30, 2023 and 2022 totaled $12,450,838 and $11,225,992, respectively.

NOTE 15 – CUSTOMER FACILITY CHARGES (CFCS)

CFCs on rental car contracts are used to pay debt service on the portion of Series 2016 Revenue Bonds attributable to Consolidated Rental Car Facility (CONRAC), capital costs, and operating costs for shuttle services to transport passengers to and from the terminal and the CONRAC.

NOTE 15 – CUSTOMER FACILITY CHARGES (CFCS) – CONTINUED

The following summarizes allowable expenditures for the CFC program for the years ended June 30, 2023 and 2022:

	2023	2022
Debt Service – 2016 Revenue Bonds	$ 610,637	$ 607,278
Shuttle Services	2,379,695	2,201,888
Capital Costs	3,821,070	1,213,877
Total	$ 6,811,402	$ 4,023,043

CFC revenues for the years ended June 30, 2023 and 2022 totaled $3,370,712 and $3,192,973, respectively.

NOTE 16 – SPECIAL ITEM – DEVELOPMENT AND ENTITLEMENT INCOME, NET

In December 2021, the Authority entered into a Development and Entitlement Agreement (DEA) with a developer to develop and lease certain land owned by the Authority. The developer was required to deposit $10 million into an escrow account to be released to the Authority after a contingency period. In accordance with the terms of the DEA, $7 million of the deposit shall be deemed consideration for the Agreement upon release to the Authority. The remaining $3 million shall be applicable to the first accruing ground rent. The $10 million escrow account was released to the Authority during the year ended June 30, 2022 and the Authority recognized $7 million as consideration for the DEA. The Authority incurred and paid $2 million in real estate broker fees during the year ended June 30, 2022. The net revenue earned by the Authority under the DEA for the year ended June 30, 2022 in the amount of $5 million is included as a Special Item in the accompanying Statements of Revenues, Expenses, and Changes in Net Position. The remaining $3 million is included in Unearned Revenues on the Statements of Net Position. The developer is currently completing environmental and other regulatory compliance. No revenues or expenses related to the DEA were recognized during the year ended June 30, 2023.

NOTE 17 – RISK MANAGEMENT

The Authority is exposed to various risks or losses related to torts, theft of, damage to and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The Authority's risk management activities include purchase of commercial insurance with standard deductibles for all significant insurable risks. There have been no significant changes in insurance coverage in the last year. The amounts of settlements have not exceeded insurance coverage for the past three years. The financial statements do not include any liability for uninsured claims as of June 30, 2023 and 2022.

NOTE 17 – RISK MANAGEMENT – CONTINUED

Losses arising from claims and judgments are expensed when 1) it is probable that an asset has been impaired, or a liability has been incurred at the date of the financial statements; and 2) the amount of the loss can be reasonably estimated.

NOTE 18 – COMMITMENTS AND CONTINGENCIES

Construction Projects

Total commitments for contractual services for federally funded and other construction projects as of June 30, 2023 totaled $61,127,769. The remaining balance on these contracts as of June 30, 2023 was $19,863,182. These commitments will be funded in whole or in part by federal grants of $43,732,931 and revenue bonds of $17,394,838.

Federal Grants

All federal grants are subject to audit by the granting agencies for compliance with applicable grant requirements. The Authority anticipates that the amount, if any, of disallowed grant expenditures in the event of granting agency audits would be immaterial.

Other Contingencies

The Authority is involved in other claims in the ordinary course of business. In the opinion of management, based on consultations with legal counsel, these matters are considered immaterial to the Authority or will be covered by insurance.

ONTARIO INTERNATIONAL AIRPORT

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