ONTARIO INTERNATIONAL AIRPORT AUTHORITY

COMMISSION AGENDA - SPECIAL MEETING

ONTARIO
INTERNATIONAL AIRPORT

DECEMBER 19, 2018 AT 11:00 A.M.

Ontario International Airport Administration Offices

1923 E. Avion Street, Room 100, Ontario, CA 91761

ALAN D. WAPNER
President

RONALD O. LOVERIDGE
Vice President

JIM W. BOWMAN
Secretary

CURT HAGMAN
Commissioner

JULIA GOUW
Commissioner

MARK A. THORPE
Chief Executive Officer

LORI D. BALLANCE
General Counsel

ATIF J. ELKADI
Interim Treasurer

WELCOME TO THE 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 after that time.
- Comments will be limited to 3 minutes. Speakers will be alerted when they have 1-minute remaining and when their time is up. Speakers are then to return to their seats and no further comments will be permitted.
- 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 chambers will not be permitted. All those wishing to speak, including Commissioners and Staff, need to be recognized by the Authority President before speaking.

ORDER OF BUSINESS

The Authority meeting begins at 11:00 a.m. immediately followed by Public Comment and the Special Meeting.

(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.)

CALL TO ORDER (OPEN SESSION) - 11:00 A.M.

ROLL CALL

Loveridge, Bowman, Hagman, Gouw, President Wapner

PLEDGE OF ALLEGIANCE

INVOCATION

Pastor David Gaunt, Sunrise Church, Ontario Campus

PUBLIC COMMENT

Public Comment: The open meeting Public Comment portion of the Commission meeting is limited to a maximum of 3 minutes for each. Additional opportunities for further Public Comment will be given during and at the end of the meeting. Under provisions of the Brown Act, the Commission is prohibited from taking action on oral requests.

AGENDA REVIEW/ANNOUNCEMENTS

The Chief Executive Officer will go over all updated materials and correspondence received after the Agenda was distributed to ensure Commissioners have received them.

1. INFORMATION RELATIVE TO POSSIBLE CONFLICT OF INTEREST

Note: agenda item contractors, subcontractors and agents which may require member abstentions due to conflict of interests and financial interests. Commission Member abstentions shall be stated under this item for recordation on the appropriate item.

CONSENT CALENDAR

All matters listed under CONSENT CALENDAR will be enacted by one motion in the form listed below – there will be no separate discussion on these items prior to the time Commission votes on them, unless a member of the Commission requests a specific item be removed from the Consent Calendar for a separate vote.

Each member of the public wishing to address the Authority on items listed on the Consent Calendar will be given a total of 3 minutes.

2. APPROVAL OF MINUTES

Minutes for the regular meeting of the Ontario International Airport Authority on November 27, 2018, approving same as on file with the Secretary/Assistant Secretary.

3. BILLS/PAYROLL

Bills November 1, 2018 through November 30, 2018 and Payroll November 1, 2018 through November 30, 2018.

4. ADOPT A RESOLUTION TO REJECT ALL BIDS FOR THE AIRFIELD PAVEMENT MARKING PROJECT AND AUTHORIZE THE RE-ADVERTISEMENT OF A NOTICE INVITING BIDS FOR THE PROJECT

That the Ontario International Airport Authority (OIAA) reject all bids received for the Airfield Marking Project (Project) and authorize staff to re-advertise a new Notice Inviting Bids for the Project.

RESOLUTION NO. ________

A RESOLUTION OF THE ONTARIO INTERNATIONAL AIRPORT AUTHORITY TO REJECT ALL BIDS FOR THE AIRFIELD MARKING PROJECT AND AUTHORIZE STAFF TO RE-ADVERTISE A NOTICE INVITING BIDS FOR THE PROJECT

5. APPROVAL OF A CONTRACT WITH SULLY MILLER CONTRACTING COMPANY FOR THE TERMINAL 1 GATES 1, 2, 3 AND TAXILANE G RECONSTRUCTION PROJECT AT THE ONTARIO INTERNATIONAL AIRPORT

That the Ontario International Airport Authority authorize the Chief Executive Officer (CEO) to execute a contract with Sully-Miller Contracting Company, in the amount of $4,042,250 for the Terminal 1 Gates 1, 2, 3 and Taxilane G Reconstruction Project at Ontario International Airport. The cost to construct this project is accounted for in the OIAA Fiscal Year 2018-2019 budget. Total construction cost, $3,674,773, plus a 10% contingency in the amount of $367,477 for this project is to be paid for with a mix of FAA Airport Improvement Program (AIP) entitlement grant funds (in the amount of $2,961,499.56 80.59%) and OIAA appropriations in the amount of $713,273.44. Project was included in the previously approved 2018 budget.

ADMINISTRATIVE DISCUSSION/ACTION/REPORT

6. APPROVAL OF THE AUTHORITY'S COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR) FOR THE FISCAL YEAR ENDED JUNE 30, 2018

That the Ontario International Airport Authority approve the Comprehensive Financial Report (CAFR) for the year ended June 30, 2018.

MANAGEMENT REPORT

Chief Executive Officer Thorpe

COMMISSION MATTERS

President Wapner

Vice President Loveridge

Secretary Bowman

Commissioner Hagman

Commissioner Gouw

ADJOURNMENT

DATE: **DECEMBER 19, 2018**

SECTION: **MINUTE ACTION**

SUBJECT: **RELATIVE TO POSSIBLE CONFLICT OF INTEREST**

RECOMMENDED ACTION(S): Note: Agenda items and contractors/subcontractors, which may require member abstentions due to possible conflicts of interest.

BACKGROUND: In accordance with California Government Code 84308, members of the Ontario International Airport Authority may not participate in any action concerning a contract where they have received a campaign contribution of more than $250 in the prior twelve (12) months and from an entity or individual if the member knows or has reason to know that the participant has a financial interest, except for the initial award of a competitively bid public works contract. This agenda contains recommendations for action relative to the following contractors:

Item No	**Principals & Agents**	**Subcontractors**
Item No. 5	Sully-Miller Contracting Co.	• None

Department: Clerk's Office Submitted to OIAA: December 19, 2018

Item No. 01

ONTARIO INTERNATIONAL AIRPORT AUTHORITY
REGULAR COMMISSION MEETING
MINUTES
NOVEMBER 27, 2018
(Not Official Until Approved)

A regular meeting of the Ontario International Airport Authority was held on Tuesday, November 27, 2018, at 1923 E. Avion Street, Room 100, Ontario, California.

Notice of said meeting was duly given in the time and manner prescribed by law.

CALL TO ORDER

President Wapner called the Ontario International Airport Authority Commission meeting to order at 3:00 p.m.

ROLL CALL

PRESENT:	Commissioners:	Julia Gouw, Curt Hagman, Jim W. Bowman, Ronald O. Loveridge and Alan D. Wapner.
ABSENT:	Commissioners:	None.

Also present were: Chief Executive Officer Mark A. Thorpe, General Counsel Lori D. Ballance and Assistant Secretary Claudia Y. Isbell.

PLEDGE OF ALLEGIANCE

The Pledge of Allegiance was led by Commissioner Hagman.

INVOCATION

The Invocation was led by Ordained High Priest Jeff Smith with the Church of Jesus Christ Latter-day Saints.

PUBLIC COMMENT

Karen Rosenthal, spoke in regards to her customer experience flying at ONT.

AGENDA REVIEW/ANNOUNCEMENT

Chief Executive Officer Thorpe announced that Item No. 05 needed to be pulled from the Consent Calendar.

5. AUTHORIZE THE CHIEF EXECUTIVE OFFICER TO ENTER INTO A LEASE AGREEMENT WITH LGSTX

That the Ontario International Airport Authority (OIAA) authorize the Chief Executive Officer to enter into a lease agreement with LGSTX. If approved, the annual revenue from the new lease will be approximately $119,000. Additionally, this facility will support between 8 and 15 daily cargo flights for Amazon Prime Air.

POSSIBLE CONFLICT OF INTEREST ISSUES

1. INFORMATION RELATIVE TO POSSIBLE CONFLICT OF INTEREST

Note: agenda item contractors, subcontractors and agents which may require member abstentions due to conflict of interests and financial interests. Commission Member abstentions shall be stated under this item for recordation on the appropriate item.

President Wapner announced his conflict of interest with Item No. 09 and stated his abstention to the item.

CONSENT CALENDAR

MOTION: Moved by Secretary Bowman, seconded by Commissioner Hagman and carried by a vote of 5-0, to approve the consent calendar as presented, with President Wapner abstaining from Item No. 09.

2. APPROVAL OF MINUTES

Approved minutes for the regular meeting of the Ontario International Airport Authority on October 23, 2018, approving same as on file with the Secretary/Assistant Secretary.

3. BILLS/PAYROLL

The bills October 1, 2018 through October 31, 2018 and Payroll October 1, 2018 through October 31, 2018.

4. APPROVAL OF MEETING STIPENDS

The Ontario International Airport Authority Commission approved meeting stipends for President Wapner.

6. APPROVE AN AUTHORITY INCREASE TO OIAA CONTRACTS WITH RYMAX ELECTRIC, INC., WITH E.L. ENGINEERING, AND AUTHORIZE THE CHIEF EXECUTIVE OFFICER TO EXERCISE THE SECOND EXTENSION OPTION OF EACH CONTRACTS FOR THE THIRD/FINAL CONTRACT YEAR

That the Ontario International Airport Authority (OIAA) authorized the Chief Executive Officer (CEO) to increase the existing OIAA Contract No. SCONT-000102 with Rymax Electric for electrical repair services, Contract No. SCONT-000104 with E.L. Engineering Corporation for plumbing repair services, and SCONT-000134 with E.L. Engineering Corporation for light construction and board-ups, for an amount not to exceed $300,000 annually per contract for an overall amount not to exceed $600,000 over the term of each contract; and, authorize the CEO to exercise the second extension option for each contract for the third/final contract year. Funds for these contracts are included in the current Fiscal Year 2019 budget. Funding for subsequent years will be requested through the annual budget process.

7. **AWARD OF CONTRACT FOR A TWO-YEAR PERIOD TO MODSQUAD INCORPORATED FOR 24/7/365 SOCIAL MEDIA MODERATION COVERAGE (IN ENGLISH, SPANISH, AND MANDARIN) AND ANALYTICS FOR THE ONTARIO INTERNATIONAL AIRPORT FACEBOOK, TWITTER, INSTAGRAM, LINKEDIN, YELP, AND YOUTUBE ACCOUNTS**

The Ontario International Airport Authority (OIAA) authorized the award of a two-year contract with ModSquad Inc. for 24/7/365 social media moderation coverage and analytics for the Ontario International Airport social media accounts and authorized the extension of the contract at the discretion of the OIAA's CEO, for three, one-year extension periods, for an overall term not to exceed 5 years and an increase of no more than 5% for each extension year. The total cost allocation will not exceed $700,000 for ModSquad Inc. for the (2) year period. This item was approved in the 2018-19 Budget Marketing and Advertising.

8. **APPROVE THE FIRST ONE-YEAR EXTENSION OPTION WITH KENAZ DESIGNS LLC FOR CONTINUED STRATEGIC SUPPORT RELATED TO CARGO AND OPERATIONS AND AUTHORIZE THE CHIEF EXECUTIVE OFFICER TO EXECUTE THE SECOND ONE-YEAR EXTENSION OPTION FOR THE THIRD AND FINAL CONTRACT YEAR**

The Ontario International Airport Authority (OIAA) approved the first one-year extension (second contract year) for a monthly amount of $20,000 and an overall amount not to exceed $480,000 over the contract term, and authorize the Chief Executive Officer to execute the second extension option (third/final contract year). OIAA will pay Kenaz Designs LLC a monthly retainer fee of $20,000 per month for one year with one renewal option. Funds for this contract were approved in the 2017-2018 budget.

9. **APPROVE THE FIRST ONE-YEAR EXTENSION OPTION WITH PAUL A. HANEY & ASSOCIATES LLC FOR CONTINUED STRATEGIC SUPPORT RELATED TO STRATEGIC PLANNING, AIRPORT ADMINISTRATION DEVELOPMENT AND PUBLIC AND COMMUNITY RELATIONS AND AUTHORIZE THE CHIEF EXECUTIVE OFFICER TO EXECUTE THE SECOND ONE-YEAR EXTENSION OPTION FOR THE THIRD AND FINAL CONTRACT YEAR**

The Ontario International Airport Authority (OIAA) approved the first one-year extension (second contract year) for a monthly amount of $20,000 and an overall amount not to exceed $480,000 over the contract term, and authorize the Chief Executive Officer to execute the second extension option (third/final contract year). OIAA will pay Paul A. Haney & Associates LLC a monthly retainer fee of $20,000 per month for one year with one renewal option. Funds for this contract were approved in the 2017-2018 budget.

10. APPROVE AND AUTHORIZE THE COOPERATIVE LEASE OF TEN FLEET VEHICLES FOR OIAA STAFF THROUGH NATIONAL COOPERATIVE LEASING UNDER THE SAME TERMS AND CONDITIONS AS THE SOURCEWELL COOPERATIVE CONTRACT 032615-NCL

The Ontario International Airport Authority (OIAA) approved and authorized the Chief Executive Officer (CEO) to enter into a three-year contract with National Cooperative Leasing to lease and receive delivery of one (1) each 15-seat passenger van, two (2) each HOV access cars, three (3) each four-door sedans and three (3) each mid-size SUV's, for a lease amount not to exceed $150,000 annually over the three-year term of contract. **:** Funding of $27,000 was included in the Fiscal Year 2019 budget to lease a 15-passenger van. The OIAA has funds of $491,000 available that will be applied to the first year of the lease through surplus equipment sales not recognized in the current year's budget. Funding for subsequent years will be requested through the annual budget process.

ADMINISTRATIVE DISCUSSION/ACTION/REPORT

11. AUTHORIZE THE COOPERATIVE PURCHASE OF REPLACEMENT AIRCRAFT RESCUE AND FIREFIGHTING (ARFF) VEHICLES/EQUIPMENT THROUGH NATIONAL AUTO FLEET GROUP OF WATSONVILLE, CALIFORNIA, UNDER THE SAME TERMS AND CONDITIONS AS THE SOURCEWELL COOPERATIVE CONTRACT 120716-NAF

The Ontario International Airport Authority (OIAA) authorized the Chief Executive Officer (CEO) to purchase and receive delivery of one (1) each Rescue Stair Truck, one (1) each Airport Command Vehicle, and one (1) each Airport Utility Vehicle through National Auto Fleet Group of Watsonville, California; and, approve 10-8 Retrofit of Ontario, California, and West Coast Lights and Sirens Inc. of Riverside, California, as authorized suppliers for the purchase and installation of electronics and equipment associated with the routine replacement of ARFF fleet vehicles, for an overall amount not to exceed cost of $431,162.82. Funding for $210,000 is approved and available in the Fiscal Year 2019 OIAA Budget. Remaining funds of $221,162.82 are available in the unrestricted cash account.

Chief Executive Officer gave a brief background presentation on the item.

MOTION: Moved by Secretary Bowman, seconded by Commissioner Hagman and carried by a vote of 5-0, to authorize the CEO to purchase and receive delivery of Aircraft Rescue and Firefighting vehicles and equipment.

12. BUDGET UPDATE AND ANALYSIS FOR THE THREE MONTHS ENDED SEPTEMBER 28, 2018 and 2017

The Ontario International Airport Authority (OIAA) reviewed the results of operation for the three months ended September 30, 2018 and 2017. In addition, review the results of operations for the 3 months ended September 30, 2018 with comparison the budget for the corresponding periods.

Commissioners requested that the next financial quarterly update include actual expenses and revenue.

Item was received and filed.

STAFF MATTERS

There were no updates.

COMMISSIONER MATTERS

Vice President Loveridge gave an update on his tour of the San Diego airport and offered three recommendations based on his experience; a sustainability policy, an arts commission, and a mystery shopper program.

Commissioner Gouw had no comments.

Commissioner Hagman suggested that we tour an airport in each category to look for the standards that make each airport the best in each area.

Commissioner Gouw had no comments.

Secretary Bowman donated an issue of Ontario Living from the city of Ontario with a story on “The Ontario International Airport Is Expanding – At Last”.

President Wapner had no comments.

ADJOURNMENT

President Wapner adjourned the Ontario International Airport Authority Commission meeting at 3:46 p.m.

RESPECTFULLY SUBMITTED:

CLAUDIA Y. ISBELL, CLERK OF THE BOARD

APPROVED:

ALAN D. WAPNER, PRESIDENT
ONTARIO INTERNATIONAL AIRPORT AUTHORITY

ONTARIO INTERNATIONAL AIRPORT AUTHORITY

ONTARIO INTERNATIONAL AIRPORT

DATE: **DECEMBER 19, 2018**

SECTION: **CONSENT CALENDAR**

SUBJECT: **ADOPT A RESOLUTION TO REJECT ALL BIDS FOR THE AIRFIELD PAVEMENT MARKING PROJECT AND AUTHORIZE THE RE-ADVERTISEMENT OF A NOTICE INVITING BIDS FOR THE PROJECT**

RELEVANT STRATEGIC OBJECTIVE: Obtain Competitive Pricing From Qualified Firms.

RECOMMENDED ACTION(S): That the Ontario International Airport Authority (OIAA) reject all bids received for the Airfield Marking Project (Project) and authorize staff to re-advertise a new Notice Inviting Bids for the Project.

FISCAL IMPACT SUMMARY: None at this time.

BACKGROUND: On October 10, 2018, the OIAA published a Notice Inviting Bids for the Project. The OIAA sought bids from qualified construction firms to remove existing airfield pavement markings and place new markings on Runways 8L-26R and 8R-26L, most taxiways, and some vehicular service roads.

On October 30, 2018, the OIAA received three bids. The initial apparent low bidder was from Hi-Lite Airfield Services, LLC with a bid of $2,793,239.50. The next lowest bidder was Pave-Tech, Inc. with a much higher bid of $4,195,568.00. The third bidder was from Sterndahl Enterprises, Inc. and its bid was even higher at $5,102,682.50.

Based on the apparent lowest bid amount, a notice of recommendation to award was sent to Hi-Lite Services, LLC. Upon that notification, the OIAA received a bid protest from Pave-Tech, Inc. asserting that Hi-Lite's bid contained several deficiencies, including an incomplete response to the Disadvantaged Business Enterprise requirement. Upon further examination of Hi-Lite's bid documentation, it was

STAFF MEMBER PRESENTING: Mark A. Thorpe, Chief Executive Officer

Department:	Administration Department	Submitted to OIAA:	December 19, 2018
		Approved:	
		Continued to:	
Chief Executive Officer Approval:	Mark A. Thorpe	Denied:	

Item No. 04

determined that its submittal was not in compliance with the bid specifications making it non-responsive.

Because of that, Pave-Tech became the new apparent low bidder. However, Pave-Tech's bid was significantly higher than the engineer's estimate and exceeded the OIAA's budgeted amount for the Project. The highest bid overall submitted by Sterndahl also far exceed the engineer's estimate and budgeted amount.

This means, the Project can be more economically performed by employees of the agency and if the OIAA were to award a contract for the work, it would be committing to spend an amount not currently budgeted. As a result, staff recommends that the OIAA reject all bids and re-advertise the Project to obtain additional competitive pricing. The right to reject bids was specifically reserved by the OIAA in the bid invitation, and rejecting all bids is allowed under the Public Contract Code. Notice of the OIAA's intent to reject all bids was sent by mail to all bidders in advance of this meeting.

CEQA COMPLIANCE AND LAND USE APPROVALS: The proposed purchase decision is not a "project" under CEQA and does not require environmental review.

EXHIBITS & ATTACHMENTS: A resolution rejecting all bids and authorizing re-advertisement.

The Agenda Report references the terms and conditions of the recommended actions and request for approval. Any document(s) referred to herein and that are not attached or posted online may be reviewed prior to or following scheduled Commission meetings in the Office of the Clerk of the Commission. Office hours are 8:30 a.m. to 5:00 p.m., Monday through Friday

This Agenda Report has been reviewed by OIAA General Counsel.

RESOLUTION NO. ______

A RESOLUTION OF THE ONTARIO INTERNATIONAL AIRPORT AUTHORITY TO REJECT ALL BIDS FOR THE AIRFIELD MARKING PROJECT AND AUTHORIZE STAFF TO RE-ADVERTISE A NOTICE INVITING BIDS FOR THE PROJECT

WHEREAS, the Ontario International Airport Authority (the "OIAA" or "Authority") was established for the purpose of operating, maintaining, managing, and developing, the Ontario International Airport (the "Airport"); and

WHEREAS, the OIAA published a Notice Inviting Bids for the Airfield Marking Project (ONT Project # 201807019) (the "Project") requesting bid proposals from qualified firms to remove and replace the existing airfield markings at the Airport;

WHEREAS, on October 30, 2018, three (3) bids were received from prospective bidders;

WHEREAS, the initial apparent lowest bidder was sent a notice of recommendation to award. Upon notification the OIAA received a bid protest asserting the lowest bid contained a number of deficiencies and had incomplete responses. Upon further examination, the lowest bid was non-responsive and out of compliance with the bid specifications;

WHEREAS, the next lowest bid was deemed unreasonable by staff because it was significantly higher than the engineer's estimate and exceeded the OIAA's budgeted amount for the Project. The highest bid overall also far exceeded the engineer's estimate and budgeted amount for the work. Because of this, the Project can be more economically performed by employees of the agency and if the OIAA were to award a contract for the work, it would be spending an amount not currently budgeted;

WHEREAS, OIAA staff recommends that all bids presented be rejected and the Project be re-advertised to solicit new competitive pricing. The lowest bid was non-responsive, and the remaining bids were unreasonable as there is insufficient budget authority to award a contract; and

WHEREAS, California Public Contract Code sections 20166 and/or 22038 allow a public agency to reject any and all bids presented. Notice of OIAA's intent to reject all bids was sent by mail to all bidders at least two business days prior to this meeting;

NOW, THEREFORE, BE IT RESOLVED by the Ontario International Airport Authority as follows:

<u>SECTION 1</u>: The Ontario International Airport Authority Commission rejects all bids and authorizes OIAA staff to re-advertise the Project to solicit new competitive bids.

SECTION 2: This Resolution shall take effect immediately upon its adoption.

SECTION 3: The Commission Clerk of the Ontario International Airport Authority shall certify as to the adoption of this Resolution.

PASSED, APPROVED, AND ADOPTED this 19th day of December 2018.

____
ALAN D. WAPNER, OIAA PRESIDENT

ATTEST:

____
CLAUDIA Y. ISBELL, ASSISTANT SECRETARY

APPROVED AS TO LEGAL FORM:

____
LORI D. BALLANCE
GENERAL COUNSEL

STATE OF CALIFORNIA)
COUNTY OF SAN BERNARDINO)
CITY OF ONTARIO)

I, Claudia Y. Isbell, Commission Clerk of the Ontario International Airport Authority, DO HEREBY CERTIFY that foregoing Resolution No. ____ was duly passed and adopted by the Commission of the Ontario International Airport Authority at their special meeting held December 19, 2018 by the following roll call vote, to wit:

AYES: COMMISSIONERS:

NOES: COMMISSIONERS:

ABSENT: COMMISSIONERS:

CLAUDIA Y. ISBELL, ASSISTANT SECRETARY

(SEAL)

The foregoing is the original of Resolution No. ____ duly passed and adopted by the Commission of the Ontario International Airport Authority at their special meeting held December 19, 2018.

CLAUDIA Y. ISBELL, ASSISTANT SECRETARY

(SEAL)

ONTARIO INTERNATIONAL AIRPORT

DATE: **DECEMBER 19, 2018**

SECTION: **CONSENT CALENDAR**

SUBJECT: **APPROVAL OF A CONTRACT WITH SULLY MILLER CONTRACTING COMPANY FOR THE TERMINAL 1 GATES 1, 2, 3 AND TAXILANE G RECONSTRUCTION PROJECT AT THE ONTARIO INTERNATIONAL AIRPORT**

RELEVANT STRATEGIC OBJECTIVE: Improve Airport Operational Safety, Security and Efficiency

RECOMMENDED ACTION(S): That the Ontario International Airport Authority authorize the Chief Executive Officer (CEO) to execute a contract with Sully-Miller Contracting Company, in the amount of $4,042,250.00 for the Terminal 1 Gates 1, 2, 3 and Taxilane G Reconstruction Project at Ontario International Airport.

FISCAL IMPACT SUMMARY: The cost to construct this project is accounted for in the OIAA Fiscal Year 2018-2019 budget. Total construction cost, $3,674,773.00, plus a 10% contingency in the amount of $367,477.00 for this project is to be paid for with a mix of FAA Airport Improvement Program (AIP) entitlement grant funds (in the amount of $2,961,499.56 80.59%) and OIAA appropriations in the amount of $713,273.44. Project was included in the previously approved 2018 budget.

BACKGROUND: This project is on the Airport Construction Improvement Program (ACIP) list was competitively bid.

PROCUREMENT: Project utilizes expiring Airport Entitlement funds, which will be returned to the FAA if not utilized for this project. Project was publicly bid with three (5) responsive bidders. Bids were opened July 13, 2018. All supplemental documentation has been received, and OIAA has executed the grant offer, AIP Grant Number 3-06-0175-042-2018, from the FAA.

STAFF MEMBER PRESENTING: Chief Executive Officer, Mark A. Thorpe

Department:	Engineering	Submitted to OIAA:	December 19, 2018
		Approved:	
		Continued to:	
Chief Executive Officer Approval:	Mark A. Thorpe	Denied:	

Item No. 05

CEQA COMPLIANCE AND LAND USE APPROVALS: CATEX has been approved by the FAA. Approval of this contract is not a "project" within the meaning of Section 15378 of the CEQA Guidelines because there is no potential for a direct or indirect physical change in the environment. To the extent any alteration of facilities occurs as a result of approval, CEQA Guidelines section 15301 provides an exemption for minor alterations to existing structures or facilities involving negligible or no expansion of use beyond that existing at the time of the lead agency's determination.

STAFFING IMPACT (# OF POSITIONS): Not applicable.

IMPACT ON OPERATIONS: Terminal 1 Gates 1, 2, 3 and a portion of Taxilane G will be closed during construction.

SCHEDULE: The Terminal 1 Gates 1, 2, 3 and Taxilane G Rehabilitation project is scheduled to be completed by May 14, 2019.

ATTACHMENTS: Draft contract, Sully-Miller Contracting Company Proposal, recommendation of award, FAA grant offer.

The Agenda Report references the terms and conditions of the recommended actions and request for approval. Any document(s) referred to herein and that are not attached or posted online may be reviewed prior to or following scheduled Commission meetings in the Office of the Clerk of the Commission. Office hours are 8:30 a.m. to 5:00 p.m., Monday through Friday

This Agenda Report has been reviewed by OIAA General Counsel.

ONTARIO INTERNATIONAL AIRPORT

DATE: **DECEMBER 19, 2018**

SECTION: **ADMINISTRATIVE DISCUSSION/ACTION/REPORT**

SUBJECT: **APPROVAL OF THE AUTHORITY'S COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR) FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

RELEVANT STRATEGIC OBJECTIVE: **Maintain Financial Accountability, Transparency and compliance with Laws and Regulations**

RECOMMENDED ACTION(S): That the Ontario International Airport Authority approve the Comprehensive Financial Report (CAFR) for the year ended June 30, 2018.

FISCAL IMPACT AND SOURCE OF FUNDS: N/A

BACKGROUND: The Joint Exercise of Powers Agreement of August 21, 2012 created the Ontario International Airport Authority (OIAA) and established the bylaws under which the OIAA would operate and be governed. *Section 9. Accounts and Reports* states that management "shall contract with an independent certified public accountant or firm of certified public accountants to make an annual audit of the accounts and records of the Authority, and a complete written report of such audit shall be filed as public records annually, within six (6) months after the conclusion of the Fiscal Year under examination, with each member of the Commission, the City Clerk of Ontario and the San Bernardino Board of Supervisors."

The authority is also obligated to provide annual audited financial statements to satisfy certain compliance requirements as stated in our bond indenture, operating certificate and other laws and regulation. Annual reports containing the audited financial statements or elements thereof are filed with the FAA, Municipal Securities Rulemaking Board, State Controller's Office, and other interested parties.

CEQA COMPLIANCE: N/A

STAFF MEMBER PRESENTING: Chief Executive Officer, Mark A. Thorpe

Department:	Finance Department	Submitted to OIAA:	December 19, 2018
		Approved:	
		Continued to:	
Chief Executive Officer Approval:	Mark A. Thorpe	Denied:	

Item No. 06

STAFFING IMPACT (# OF POSITIONS): N/A

IMPACT ON OPERATIONS: N/A

SCHEDULE: N/A

EXHIBITS & ATTACHMENTS:

Attachment A: Ontario International Airport Authority, Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2018.

The Agenda Report references the terms and conditions of the recommended actions and request for approval. Any document(s) referred to herein and that are not attached or posted online may be reviewed prior to or following scheduled Commission meetings in the Office of the Clerk of the Commission. Office hours are 8:30 a.m. to 5:00 p.m., Monday through Friday

This Agenda Report has been reviewed by OIAA General Counsel.

Attachment A

Annual Report For Continuing Disclosure Fiscal Year 2017 and 2018

Prepared by
Ontario International Airport Authority

ONTARIO INTERNATIONAL AIRPORT AUTHORITY
$52,015,000
Ontario International Airport Revenue Bonds,
Series 2016 (Taxable)

ANNUAL REPORT FOR CONTINUING DISCLOSURE FISCAL YEAR 2017-2018

Maturity Date (May 15)	Number
2019	683042AC9
2020	683042AD7
2021	683042AE5
2022	683042AF2
2023	683042AG0
2024	683042AH8
2025	683042AJ4
2026	683042AK1

This continuing disclosure Annual Report (the "Report") has been prepared pursuant to the Continuing Disclosure Certificate (the "Disclosure Certificate") of the Authority (the "Issuer") executed in connection with the issuance of the bonds listed above (the"2016 Bonds"). The 2016 Bonds were issued pursuant to a Master Trust Indenture, dated as of November 1, 2016, as amended and supplemented by and between the Issuer and the Bank of New York Mellon Trust Company, N.A., (the "Trustee"). As provided in Section 3 of the Disclosure Certificate, a copy of this Annual Report is being forwarded to the Bank of New York Mellon Trust Company, N.A., (the "Dissemination Agent") which, in turn, will provide it to the MSRB. Unless otherwise defined above, all capitalized terms used herein shall have the meanings set forth in the Disclosure Certificate. The following information is being provided as required under Section 4 of the Disclosure Certificate.

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Years Ended June 30, 2017 and 2018

ONTARIO INTERNATIONAL AIRPORT

Ontario International Airport Administration Offices

1923 E. Avion Street, Ontario, CA 91761

MESSAGE FROM THE CEO

I am pleased to present the Annual Financial Report for Ontario International Airport (ONT) and the Ontario International Airport Authority (OIAA) for the 2017 and 2018 fiscal years.

At ONT, it has been our privilege to oversee the airport's transformation into America's fastest growing international gateway, and the airport of choice for millions of Southern Californians. Since its return to local control in November 2016, ONT has added Frontier Airlines, China Airlines and JetBlue to its carrier lineup, opened up new nonstop destinations (Taiwan, New York City and Orlando, Fla.) and welcomed travelers at a pace not seen in a decade.

For the fiscal year ending June 30, 2018, passenger volume increased to 4,812,145, and is expected to reach 5 million for the 2018 calendar year. ONT's double-digit growth in customers since its return to local control has earned it the No. 1 ranking among fastest-growing airports in the United States by Global Traveler magazine.

Ontario International also ranks among the fastest-growing – and largest – freight airports in North America, posting consistent double-digit increases in cargo volumes.

The best is yet to come. Already, Delta Airlines has announced plans to begin nonstop service to Atlanta beginning in Spring 2019, while Southwest Airlines will begin four daily flights between ONT and San Francisco – and an additional flight to Denver – starting in June 2019. On the freight side, FedEx is developing more than 50 acres on the northwest end of the airport – nearly three times the area it currently occupies. United Parcel Service and Prime Air also have expanded operations in Ontario, making ours one of the few airports in the world with three freight hubs.

Our overall financial performance mirrors this impressive growth in passenger and freight business. As the audited report that follows shows, total assets increased to $155,357,427 by June 30, 2018, while our net position grew to $47,781,623.

Helping to drive this financial improvement has been a series of new and expanded leases, among them: A new 30-year lease for FedEx that includes an investment by the freight carrier of $100 million in expanded facilities; a 10-year term lease with food-and-beverage concessionaire Delaware North that will generate net revenue of approximately $13 million for OIAA during the term; an eight-year lease with the Hudson Group that will pay OIAA 11-18% of the news and gift concessionaire's gross revenues and a 10-year lease with the Lamar Advertising Group that is paying 55% of Lamar's gross advertising revenues to the Authority.

Each of these accomplishments was possible because of the passion and dedication of our employees and the support of our community. It is a partnership we value immensely and will continue to nurture today and into the future.

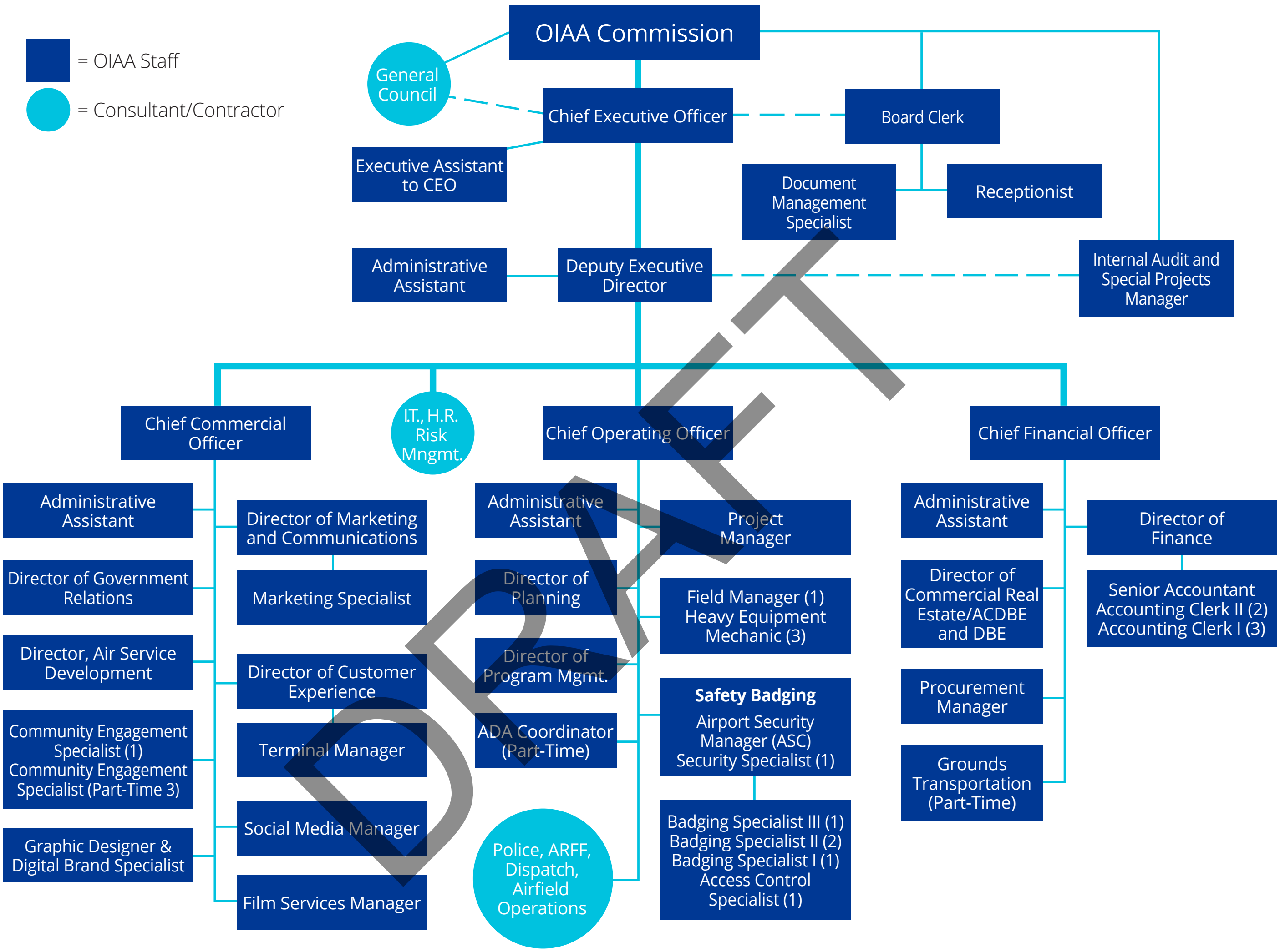
We can't wait to see what tomorrow brings.

Sincerely,

Mark A. Thorpe

Mark A. Thorpe, Chief Executive Officer

OIAA Organizational Chart



ONTARIO INTERNATIONAL AIRPORT AUTHORITY

Management's Discussion And Analysis

Years Ended June 30, 2017 and 2018

Introduction

Management of the ONTARIO INTERNATIONAL AIRPORT AUTHORITY ("Authority"), which operates the Ontario International Airport ("ONT"), offers readers of the Authority's basic financial statements the following Management's Discussion and Analysis (MD&A), which includes a history, description of revenue streams, significant highlights, management's vision and approach and a narrative overview and analysis of the Authority's financial activities for the fiscal years ended June 30, 2017 and 2018. We encourage readers to consider this information in conjunction with the accompanying basic financial statements.

History

ONT was developed prior to World War II, and subsequently the City of Ontario ("City") acquired ONT from the Federal government. In October 1967 the City of Los Angeles Department of Airports ("LAWA") and the City entered into a Joint Powers Agreement whereby the LAWA would manage, operate and control ONT. In July 1985, the City of Los Angeles became the owner of ONT. On November 1, 2016, pursuant to the Settlement Agreement with the City of Los Angeles, the City of Ontario and the Authority acquired ownership and obtained control of the operations and management of ONT.

ONT is classified by the FAA as a medium-hub, full-service airport with commercial jet service to many major cities in the United States, Mexico and Asia. ONT is located approximately 35 miles east of downtown Los Angeles and occupies approximately 1,700 acres.

The terminal facilities at ONT consist of two domestic terminals with a combined total of 570,000 square feet and 26 passenger gates, as well as nine aircraft parking positions at the International Arrivals Terminal. The airfield is equipped with two parallel runways with lengths of 10,200 feet and 12,200 feet. ONT's facilities also include nine parking lots, six of which are currently operational, providing 5,591 surface parking spaces, and a 15,000-square foot consolidated rental car facility ("CONRAC"). Other facilities at ONT include airfreight buildings, various airport and aircraft support services, and administration facilities.

Mission, Strategic Vision and Management Philosophy

Core Values: Accountability, Excellence, Transparency, Empathy

The Authority's mission is to operate and grow ONT as one of the most competitive, efficient, innovative and customer-friendly passenger, cargo, and business airports in the United States. Successfully managing a competitive, service-oriented public organization requires a clear set of goals that define the customer experience and stakeholder expectations. Fiscal responsibility, personal accountability and organizational effectiveness will be key attributes that define the Authority's approach to achieving its goals.

The Authority has identified key operational activities to address goals as follows:

- ***Safety.*** The Authority is committed to providing a safe, secure, and efficient infrastructure and facility for our passengers, employees and stakeholders.
- ***Reduce Airline Costs.*** The Authority seeks to reduce overall costs by evaluating personnel, operational and administrative costs. Personnel costs represented one of the largest costs to ONT. The Authority continues to look to decrease personnel costs through attrition, reassignment, and streamlining activities within the organization. Certain functions such as janitorial, grounds-keeping and other non-aviation related maintenance have been outsourced in a manner that will achieve actual cost savings yet maintain the highest quality of service. Other personnel-related, and administrative services will be streamlined with City and County services to eliminate potential redundancies.
- ***Develop Airport-Related Businesses.*** Airport land will be developed to encourage aviation market uses that are consistent with cargo, freight, express mail, aircraft maintenance, corporate aviation and similar uses. The City of Ontario and County of San Bernardino are one of the largest business logistics and transportation hubs in the nation. The Authority will fully leverage this competitive position and geographic advantage to expand the air transportation component. Additionally, indoor and outdoor advertising, theming and naming rights will be marketed to maximize revenue opportunities.

- ***Expand Air Service.*** The Authority will actively pursue opportunities to increase passenger and cargo activities at ONT. New airlines and increase in routes from existing airlines will be aggressively marketed. Developing air service incentive programs, effective community support programs to build demand and expanding international air traffic with all be explored.
- ***Provide Customer-Friendly Facilities and Services.*** The goal is to provide the best customer experience that significantly increases customer satisfaction.

AGREEMENTS FOR USE OF AIRPORT FACILITIES

General

The Authority is party to and receives payments under different permits and agreements with various airlines and other parties, including operating permits relating to landing fees and leases with various airlines for the leasing of space in terminal buildings. Additionally, other buildings and leases in connection with cargo and hangar facilities and concession agreements relating to the sale of goods and services at ONT, are in effect.

Operating Use and Terminal Lease Agreements

Operating Use and Terminal Lease Agreements ("ULAs") have been executed with eight airlines (the "Signatory Airlines") at ONT, which permit the airlines to use ONT facilities and to lease terminal space. The eight Signatory Airlines are: Alaska Airlines, Inc., American Airlines Inc., Delta Airlines, Inc., Federal Express Corp., Southwest Airlines Co., United Airlines, Inc., United Parcel Services, and Concesionaría Vuela Compañia de Aviación (Volaris). Each air carrier serving ONT has the opportunity to become a Signatory Airline. Non-signatory airlines pay landing fees that are 25% higher and lease rates that are 10% higher than rates paid by Signatory Airlines.

Under the ULAs, the Signatory Airlines will pay the Authority terminal rental fees and landing fees. Each of these fees will be calculated on a residual rate-setting methodology, whereby the rental rates and landing fees are calculated to provide revenue in an amount equal to the difference between ONT's total expense and the revenues collected from other, non-airline sources, such as concession and parking revenue. Terminal rental rates are determined by totaling the costs attributable to the terminal, including maintenance and operating expenses, Authority debt service and certain deposits to the Authority's reserve and other Authority discretionary accounts, and any other applicable expenses, then dividing such total by the total space leased to the applicable Signatory Airlines. Terminal rental rates are calculated at least annually. Landing fees are calculated by totaling costs attributable to the airfield, including maintenance and operation expenses.

Each ULA has a basic term of twenty-five years from October 1, 1999 to September 30, 2024, subject to earlier termination by each airline on October 1, 2019, provided the applicable airline has ceased service at ONT by such date. In certain circumstances the ULAs may be terminated by the Authority prior to the end of their term.

Parking, Concession and Rental Car Agreements

The Authority is party to various concession agreements for the management of public parking, rental car operations, food and beverage, news and gifts, public payphones, wireless internet, automated teller machines, and luggage carts at ONT.

The following are brief summaries of certain key concession agreements at ONT:

Parking Concepts, Inc. ("PCI") provides parking facility management and operation services and associated courtesy transportation services with respect to ONT's three operational parking lots under an agreement effective as of April 4, 2014. The term of the agreement extends for eight years until April 3, 2022, with two one-year extension options. Under this agreement, PCI manages the parking lots, collects parking fees from users of the lots, and transfers such fees to the Authority in exchange for a management fee, payment for its operational expenses, and certain other payments.

There are three on-airport rental car concessionaires at ONT operating nine brands at the CONRAC. The three rental car concessionaires operate pursuant to a concession lease and a ground lease, each of which expire February 28, 2019. Under the concession agreements, the concessionaire car rental companies pay ground rent as well as 10% of their respective gross revenue, subject to a minimum annual guarantee. There are also two off-airport car rental companies with current agreements at ONT, each of which are on a month-to-month agreement that pay the Authority 9% of their gross revenues, subject to a minimum annual guarantee.

There were two food and beverage concession agreements at ONT: one with SSP America ("SSP"), which expired on October 31, 2018, and one with Delaware North Companies Travel Hospitality Services Inc. ("DNC"), where the initial term expires on May 1, 2022 and has two options to extend this agreement until May 1, 2027. Under the DNC agreement, DNC currently pays the Authority 12%-16% annual gross revenues on food and beverages. The minimum annual guarantee is 80% of the previous year's "percentage rent" adjusted annually for each succeeding year.

News and gift concessions at ONT are managed by Hudson Group with a contract effective date of September 1, 2017 with a term of 8 years. Under the agreement with Hudson Group, Hudson Group will pay the Authority 11% of Hudson Group's gross revenues until their construction plan is complete. Hudson Group will invest $2.4 million to their facilities and once their construction is complete their annual gross revenues to the Authority will be 12%-18% percentage rent of gross revenues. The minimum annual guarantee is 80% of the previous year's percentage rent adjusted annually for each succeeding year.

Lamar Advertising Company manages advertising concessions at ONT pursuant to an agreement that expires July 27, 2027. Under the initial term of this agreement (July 27, 2017-February 1, 2018) Lamar paid 55% of gross advertising revenues to the Authority. During the primary term, Lamar paid the greater of the minimum annual guarantee, which is, no less than $350,000, or the percentage of gross advertising revenue, which is a percentage payment of gross advertising revenue of 55%.

Elements of the Basic Financial Statements

This following discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The basic financial statements include the statements of net position, the statements of revenues, expenses and changes in net position, the statements of cash flows, and the notes to the basic financial statements.

The statements of net position present information on all of the Authority's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating. The Authority currently has no deferred outflows or inflows of resources to report.

The statements of revenues, expenses, and changes in net position present information showing how the Authority's net position changed during the fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The statements of cash flows present information on the Authority's cash receipts and payments during the fiscal year. These cash flows are grouped into four categories: operating activities, noncapital financing activities, capital and related financing activities, and investing activities.

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

Highlights of Airport Activities

- On November 1, 2016, the Authority completed a transaction for the acquisition of ONT from LAWA pursuant the Settlement Agreement dated December 22, 2015.
- In November 2016, the Authority issued $52,015,000 million of 2016 Revenue Bonds.
- The Authority's total net position increased by $45,312,730 and $17,443,030 for the years ended June 30, 2017 and 2018, respectively.
- The Authority's net capital assets increased by $76,050,408 in fiscal year ("FY") 2017, consisting of additions of $77,303,296 and depreciation expense of $1,252,888. Approximately $74,743,552 of capital assets were acquired in the purchase of ONT from LAWA.
    - Operational Results:
        - The financial statements present the revenue, expenses and changes in net position of the Authority for the continuous 12-month periods

ended June 30, 2017 and 2018. As previously mentioned, for the year ended June 30, 2017, the revenue generating operations of ONT are reflected from the date of acquisition, November 1, 2016, through June 30, 2017. Prior to the acquisition of ONT, the Authority's operations primarily consisted of incurring legal, consulting, payroll and other expenses associated with building the Authority's infrastructure, issuance of bonds and the acquisition of ONT.

- In fiscal year 2017, total passengers of 4,376,427 increased from 4,219,291 in FY 2016 an increase of 1.3%. In fiscal year 2018, passenger volume increased to 4,812,145 representing a 9.05% increase from the prior year. The Authority remained focused on maintaining efficient passenger operations, matching the timing of capital programs to alternate funding sources, and upgrading infrastructure.
- ONT's ability to maintain its passenger traffic levels and/or attain any future passenger development is contingent on various economic factors and decisions by airline management to provide air service at ONT to meet customer demand. The airline industry is cyclical and is characterized by intense competition, high operating and capital costs, and varying demand. Passenger and cargo volumes are sensitive to general and localized economic trends, and passenger traffic may vary substantially with seasonal travel patterns.
- Total operating revenues generated from November 1, 2016 (date of acquisition) to June 30, 2017 was $43,755,901 and $70,734,016 for the year ended June 30, 2018.
- Total operating expenses for the years ended June 30, 2017 and 2018 were $45,587,300 and $72,078,470 respectively.

Schedule of Net Position

A condensed summary of the Authority's net position as of June 30, 2017 and 2018 is shown below:

Schedule of Net Position

	2017	2018
Assets		
Current Unrestricted Assets	$ 62,053,935	$ 54,663 ,668
Current Restricted Assets	5,813,516	8,068,344
Capital Assets, Net	76,050,408	85,245,953
Intangible Assets, Net	7,392,508	7,374,462
Total Assets	151,310,367	155,357,427
Liabilities		
Current Liabilities	14,849,846	19,431,151
Liabilities Payable from Restricted Assets	4,998,939	5,502,146
Total Long-Term Liabilities	97,163,489	82,637,507
Total Liabilities	117,012,274	107,570,804
Net Position		
Net Investment in Capital Assets	29,594,427	49,896,248
Restricted for Capital Projects	5,813,516	8,068,344
Unrestricted	(1,109,850)	(10,182,969)
Total Net Position	$ 34,298,093	$ 47,781,623

Net Position

The significant changes in the Authority's net position resulted from the following events:

- ***June 30, 2017.*** The Authority completed a transaction for the acquisition of ONT from LAWA pursuant the Settlement Agreement dated December 22, 2015. (See "Acquisition of Ontario Airport")
- In November 2016, the Authority issued $52,015,000 million of 2016 Revenue Bonds.
- ***June 30, 2018.*** Investment in capital assets increased by approximately $11,227,400.
- Loan payable to seller decreased by approximately $11,124,300
- Bonds payable decreased by $4,805,000
- Unrestricted net position decreased by approximately $9,073,100

Net position may serve over time as a useful indicator of the Authority's financial position. The Authority's assets exceeded its liabilities and deferred inflows of resources (net position) by $34,298,093 and $47,781,623, at June 30, 2017 and 2018, respectively.

Net position is categorized in the accompanying financial statements as follows:

Restricted Assets

The following restricted assets were established as a result of the Authority's acquisition of ONT and the 2016 Revenue Bonds: (i)Net Investments in Capital Projects and Restricted for Capital Projects, (ii) Net Position Restricted for Capital Projects consist of PRC and CFC Funds.

The Passenger Facility Charge ("PFC") is an FAA-approved charge levied on each enplaned passenger (currently $4.39, net of collection fee of $0.11). The balance in the PFC Fund is dependent on the timing of receipts and expenditures on approved projects. The PFC reserve consists of cash from the PFC program maintained as a separate reserve account and are pledged to repay amounts due to LAWA in connection with the acquisition.

The fund balance was $2,097,925 and $497,188 consisting of PFC revenues less distributions to LAWA. PFC revenue for fiscal years ended June 30, 2017 and 2018 totaled $5,696,823 and $9,463,951 respectively. During the fiscal years ended June 30, 2017 and 2018, funds totaling $3,598,898 and $11,124,322 were remitted to LAWA.

The Customer Facility Charge ("CFC") is a State of California permitted $10 charge established by the Authority levied per rental car contract. The balance in the CFC Fund is dependent on the timing of receipts and expenditures. CFC Fund consists of cash from the CFC program maintained as a separate reserve and restricted for planning, design, construction and financing of a consolidated rental car facility. CFC revenue for fiscal years ended June 30, 2017 and 2018 totaled $2,678,303 and $4,078,166. There were no disbursements from the fund in FY 2017 or 2018.

Restricted assets represent resources that are subject to external restrictions on how they may be used. The restrictions may be imposed by the 2016 Bonds indenture, the use and lease Agreements or regulatory agencies.

Restricted assets consisted of the following as June 30, 2017 and June 30, 2018:

	2017	2018
Passenger Facility Charges	$ 3,132,645	$ 1,689,333
Customer Facility Charges	2,680,871	6,379,011
	$ 5,813,516	$ 8,068,344

Net Investment in Capital Assets

Net investment in capital assets represents (land, buildings, runways, etc.); less any related debt used to acquire those assets that is still outstanding. The Authority uses these capital assets to provide services to ONT users; consequently, these assets are not available for future spending. 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 other sources since the capital assets themselves cannot be used to liquidate these liabilities.

Net investment in capital assets consisted of the following at June 30, 2017 and 2018:

	2017	2018
Capital Assets-Net	$ 83,442,916	$ 92,620,415
Capital Related Borrowings	(53,848,489)	(42,724,167)
Net Investments in Capital Assets	$ 29,594,427	$ 49,896,248

Unrestricted Net Position

The final portion of net position is unrestricted net position and may be used to meet the Authority's ongoing obligations to ONT users and creditors.

Unrestricted net position consisted of the following at the end of June 2017 and 2018.

	2017	2018
Total Net Position	$ 34,298,093	$ 47,781,623
Restricted Position	(5,813,516)	(8,068,344)
Net Investments in Capital Assets	(29,594,427)	(49,896,248)
Balance	$ (1,109,850)	$ (10,182,969)

As of June 30, 2017 and June 30, 2018, the Authority reported positive balances in all categories of net position, except unrestricted.

Other Required Reserves

Maintenance and Operating Reserve is to be used for payment of operations and maintenance costs as they become due and payable. The funds appropriated to this reserve represent an amount equal to 1/12 of the maintenance and operation expenses budgeted for the then current fiscal year. The indenture further requires that the Authority establish a Maintenance and Operations Reserve Fund. The reserve required equals to 25% of the maintenance and operation expenses budgeted for the then current fiscal year. The maintenance and operational fund amounted to $13,745,743 and 14,920,389 at June 30, 2017 and 2018 respectively.

Airport Discretionary Reserve represents amounts reserved under the agreement to fund capital projects not requiring "Majority in Interest" approval of the Signatory Airlines. The term Signatory Airlines is defined as any passenger or cargo airline that has signed the "Operating use and Terminal Lease" agreement. The agreement further defines Majority in Interest to generally mean any combination of passenger or cargo carriers who together have landed more than 50% of the total landed weight at the airport. The airport discretionary fund amounted to $9,558,810 and $9,715,554 at June 30, 2017 and 2018 respectively.

Debt Service Reserve represents an amount equal to 1/12 of the aggregate Principal amounts becoming due and payable on the next succeeding installment and 1/6 of the amount of interest becoming due and payable during the next ensuing six months. The debt service reserve amounted to $594,355 and $590,636 at June 30, 2017 and 2018 respectively.

Acquisition of Ontario Airport

On November 1, 2016, the Authority completed a transaction for the acquisition of Ontario International Airport ("ONT") from Los Angeles World Airways ("LAWA"). Pursuant the Settlement Agreement dated December 22, 2015. The Authority acquired substantially all assets and liabilities of ONT including accounts receivable, real property, equipment, vehicles, leases, contracts, agreements, accounts payable, accrued expenses and debt. Certain proprietary systems and other IT related assets were excluded from the transaction as well as liabilities related to LAWA personnel. No contingent consideration was contemplated pursuant to the Settlement Agreement.

As a condition of the change in control of the operations of ONT, the Authority was to obtain approval from the Federal Aviation Administration ("FAA"), in the form of a certificate authorizing the Authority to operate ONT pursuant to Title 14, Code of Federal Regulations Part 139. The Authority successfully obtained its Part 139 Certification prior to the acquisition on November 1, 2016.

The total purchase price of the net assets of ONT was approximately $242,015,000. Pursuant to the agreement, the purchase price was to be paid as follows:

Cash Due at Closing	$ 30,000,000
Cash Payment at Closing From Unrestricted Cash of ONT	40,000,000
Payment Due on Fifth Anniversary (1)	50,000,000
Payment Due on Tenth Anniversary	70,000,000
Authority 2016 Revenue Bonds (2)	52,015,000
Total Cash Consideration	$ 242,015,000

(1) The cash payment due on the fifth anniversary in the amount of $50,000,000 was satisfied at closing from existing cash in ONT accounts. The prepayment resulted in a discount $2,661,500 and thus $47,338,500 was paid.

(2) On November 1, 2016, the Authority issued revenue bonds in the amount of $52,015,000. The proceeds from the 2016 Bonds were used to extinguish existing LAWA bonds on the closing date.

The transaction was accounted for as an "acquisition" in accordance with GASB Statement No. 69, ***Government Combinations and Disposal of Government Operations*** (January 2013). An acquisition is characterized under the statement by obtaining control over the assets in exchange for significant consideration. Under the guidance provided in that statement, business combinations meeting the criteria for "acquisition" should be accounted for at fair value. Accordingly, the Authority engaged an independent appraisal firm to conduct a valuation of the assets and liabilities acquired including real property, equipment, intangibles, and debt.

A condensed summary of the assets acquired and liabilities assumed at fair market value is as follows:

Current Assets	$ 165,170,700
Property, Plant and Equipment	1,243,436,000
Intangible Assets	123,182,100
Total Assets	1,531,788,800
Current Liabilities	(16,599,900)
Non-Current Liabilities	(52,424,700)
Fair Value of Net Position Acquired	$1,462,764,200

In accordance with GASB 69, when the fair market value of net position acquired exceeds the consideration paid the difference results in "negative goodwill". The resulting negative goodwill should be eliminated by reducing the acquisition values assigned to non-current assets acquired. Negative goodwill amount to approximately $1,284,470,000.

Consideration Paid (Discounted to Fair Value)	$ 178,294,200
Liabilities Assumed	69,024,600
Total Consideration	247,318,800
Fair Market Value of Net Position Acquired	(1,531,788,800)
Negative Goodwill	$(1,284,470,000)

The negative goodwill was applied to non-current assets acquired (land, buildings, improvements, equipment, vehicles and intangible assets) on a pro rata basis.

The carrying value of assets (net of negative goodwill) acquired from LAWA consisted of the following:

Land	$ 56,503,866
Site Improvements	4,807,978
Buildings and Improvements	13,150,353
Machinery and Equipment	222,634
Vehicles	52,385
Furniture and Fixtures	6,336
Total Capital Assets Acquired	$ 74,743,552

In addition, the following intangible assets were identified as follows:

Land Use/Air Space Rights	$ 7,273,370
In Place Lease Value	66,990
Favorable Lease Value	64,180
Total Intangible Assets Acquired	$ 7,404,540

2016 Bond Issuance

On November 1, 2016, The Authority issued Airport Revenue Bonds with a face value of $50,015,000, issued at par value. The bonds mature over a 10-year period and contain 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 net proceeds of the 2016 Bond were as follows:

Bonds Payable	$ 52,015,000
Underwriters Discount	(366,988)
Premium on 2016 Bond Insurance Policy	(115,798)
Premium on 2016 Bond Reserve Surety Bond	(119,635)
Bond Issuance Costs	(2,151,865)
Net Proceeds from 2016 Bonds Used to Extinguish LAWA 2016 Bonds	$ 49,260,714

The 2016 Bonds are due in principal installments on May 15th annually with the interest installments due on May 15th and November 15th each year. In connection with the bond financing, the Authority secured a Bond Reserve Surety Bond with a face value of $5,201,500 to provide coverage for debt service. The balance outstanding as of June 30, 2017 and 2018 was $48,120,000 and $43,315,000 respectively.

SELECTED FINANCIAL DATA

Current Assets

Current assets consisted of the following at June 30, 2017 and 2018:

	2017	2018	Increase (Decrease)
Accounts Receivable	$ 9,546,883	$ 4,670,517	$ (4,876,366)
Accrued Interest Receivable	115,492	226,438	110,946
Other Receivables	2,017,782	6,953,665	4,935,883
Prepaid Expenses	248,732	536,372	287,640
	$ 11,928,889	$ 12,386,992	$ 458,103

Accounts receivable consists of amounts due from customers for goods and services rendered such as fees charged for aircraft operations, rental of land, terminal and facilities to airlines, concessionaires and rental car companies. The decrease in 2018 of approximately $4,876,300 was primarily attributable to more efficient billing and concerted collection practices.

Accrued interest receivable consisted of earnings due at June 30 on the LAIF Investment. Earnings, are a function of general market conditions, investable balances and the quality of the underlying investment vehicles.

Other receivables consist of amounts due from airlines under the residual rate methodology used in the Operating and Use Agreement. (See Footnote 7 to the Financial Statements). Under the residual rate methodology, billing rates are set on July 1 of each year based on budgeted amounts, with a reconciliation and settlement occurring based on actual results at June 30 of each year. The reconciliation results in an amount due from or payable to the airlines. Amounts due at June 30, 2017 and 2018 were approximately $1,679,300 and $2,300,400 respectively. Other receivables at June 30, 2018 includes approximately $4,402,700 of grant funds due from the FAA for capital projects.

Prepaid expenses consist of amounts paid in advance for services attributable and benefiting future periods. Balances at June 30 consist of amounts paid to insure the 2016 Revenue Bonds, software licenses and subscriptions covering multiple periods and general expenses paid in advance of their service dates.

Accounts payable consists of trade payables to suppliers for operations and capital projects. The increase of approximately $5,654,500 was primarily attributable to payables due for capital projects of $1,332,500; Customs and Border patrol of $385,000; contingent liability due to seller from severances of $2,849,600 offset by a general reduction in the remaining payables of approximately $1,087,400 from payables management at June 30, 2018.

Customers deposits consisted of advanced payments from customers primarily for recurring rent payments. These amounts will be recognized in the following period.

Accrued payroll, payroll taxes and benefits consist of base pay for employees, required tax contributions and mandatory 401A retirement contributions. The decrease of approximately $1,716,000 was primarily attributable to the termination of the Staff Augmentation Agreement with LAWA employees effective March 31, 2018, with those functions being outsourced to unrelated third parties effective in 2018.

Due to related parties consist of amounts due the City of Ontario for goods and services provided to OIAA primarily for Police, Fire and Dispatch Services as well as administrative services such as IT consulting and Human Capital Management. The increase of approximately $3,840,100 was primarily attributable to a general increase in services in 2018 as well as the timing of invoicing and payments.

Due to airlines consists of amounts due airlines under the ***residual rate methodology*** used in the Operating and Use Agreement. (see Footnote 7 to the Financial Statements). Under the residual rate methodology, billing rates are set on July 1, of each year based on budgeted amounts with a reconciliation and settlement occurring based on actual results at June 30 of each year. The reconciliation results in an amount due from or payable to the airlines.

Capital Assets

Capital assets consisted of the following at June 30, 2017 and 2018:

	2017	2018	Increase (Decrease)
Land	$ 56,503,866	$ 56,503,866	$ -
Site Improvements	4,966,248	5,306,556	340,308
Building and Improvements	14,009,760	15,791,616	1,781,856
Construction In Progress	-	$5,463,086	5,463,086
IT Hardware and Software	1,198,533	3,817,395	2,618,862
Furniture and Fixtures	35,149	35,149	-
Machinery and Equipment	589,740	1,613,067	1,203,327
Accumulated Depreciation	(1,252,888)	(3,284,782)	(2,031,894)
Total Capital Assets, Net	$ 76,050,408	$ 85,245,953	$ 9,195,545

Site improvements increased by approximately $340,300 and was primarily attributed to surface paving and markings. Building improvements increased by approximately $1,781,800 which was primarily attributable to expansion of TSA lanes for $250,000, safety bollards for $252,500, security cameras for $171,000, signage for $129,000 with the remaining general improvements.

IT hardware and software increased by approximately $2,618,800 which was primarily attributable to ERP software for $1,823,000 with the remaining information display systems in the terminals. Machinery and equipment increased by approximately $1,023,000 which was primarily attributable to mobile ramps for $346,000, kiosks for $640,000 with the remaining general equipment purchases. Construction in progress represents improvement made to the S&W taxiway. The project was completed in November 2018.

Long-Term Debt

On November 1, 2016, the Authority issued $52,015,000 of 2016 Airport Revenue Bonds (2016 Bonds) with an effective interest rate ranging from 1.290% to 2.998% issued at par. 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 are due in principal installments on May 15th annually with the interest installments due on May 15th and November 15th each year. In connection with the bond financing, the Authority secured a Bond Reserve Surety Bond with a face value of $5,201,500 to provide coverage for debt service. The balances outstanding as of June 30, 2017 and 2018 were $48,120,000 and $43,315,000, respectively.

Debt service payments through maturity are as follows at June 30, 2018:

	Principal	Interest	Total
May 15, 2019	$ 4,910,000	$ 1,088,817	$ 5,998,817
May 15, 2020	5,010,000	999,553	6,009,553
May 15, 2021	5,145,000	895,145	6,040,145
May 15, 2022	5,290,000	782,778	6,072,778
May 15, 2023	5,455,000	651,375	6,106,375
May 15, 2024	5,645,000	507,690	6,152,690
May 15, 2025	5,820,000	349,743	6,169,743
May 15, 2026	6,040,000	181,079	6,221,079
	$ 43,315,000	$ 5,456,180	$ 48,771,180

Interest expense for the years ended June 30, 2017 and amounted to $838,083 and $1,151,162 respectively.

The underlying ratings of 2016 were reviewed in October 2017 and 2018 by Fitch Ratings which reaffirmed its rating of A-. Standard and Poor's reviewed its rating of the 2016 Bonds in February 2018 and reaffirmed its A-rating. Additional information regarding the Authority's long-term debt can be found in Notes 6 and 7, in the accompanying notes to the basic financial statements.

Liabilities Payable from Restricted Assets

Liabilities payable from restricted assets consisted of the following at June 30, 2017 and 2018:

	2017	2018
Current Portion of Bonds Payable	$ 4,805,000	$ 4,910,000
Note Payable	-	403,956
Accrued Interest Payable	193,939	188,190
	$ 4,998,939	$ 5,502,146

Current Portion of Bonds Payable represent amounts due during the fiscal year. Principal payments are made annually on May 15th of each year. Interest payments are made semi-annually on November 15 and May 15 of each year according to a predetermined schedule. Notes payable consist of equipment financing for an ERP system.

Noncurrent Liabilities

Noncurrent liabilities consisted of the following at June 30, 2017 and 2018:

	2017	2018
Loan Payable Seller	$ 53,848,489	$ 42,724,167
Bonds Payable - Net of Current Portion	43,315,000	38,405,000
Note Payable	-	1,508,340
	$ 97,163,489	$ 82,637,507

Schedule of Revenues, Expenses and Changes in Net Position

The following table illustrates a condensed summary of the changes in net position for the fiscal years ended June 30, 2017 and 2018:

	2017	2018
Operating Revenues	$ 43,755,901	$ 70,734,016
Operating Expenses	46,852,221	74,153,736
Operating Income (Loss)	(3,096,320)	(3,419,720)
Non-Operating Revenue (Expenses)	4,922,285	16,903,250
Income (Loss) Before Capital Contributions	1,825,965	13,483,530
Capital Contributions	43,489,765	-
Change in Net Position	45,315,730	13,483,530
Net Position - Beginning of the Year	(11,017,637)	34,298,093
Net Position - End of the Year	$ 34,298,093	$ 47,781,623

Operating Revenues

Operating revenues consisted of the following for the fiscal years ended June 30, 2017 and 2018:

	2017	2018
Aviation		
Landing Fees - Passenger	$ 3,775,549	$ 5,982,255
Landing Fees - Cargo	5,497,311	8,685,256
Building Rentals	11,695,106	19,502,944
Land Rentals	1,353,491	3,227,486
Gate Use and Plane Parking	829,659	1,941,947
Other Operating Revenues Revenue	3,487,724	1,726,171
	$ 26,638,840	$ 41,066,059
Non-Aviation		
Concession	1,610,848	3,191,903
CONRAC	5,428,458	8,400,322
Auto Parking	10,077,755	18,075,732
Total Operating Revenue	$ 43,755,901	$ 70,734,016

Operating Expenses

Operating expenses consisted of the following fiscal years ended June 30, 2017 and 2018:

	2017	2018
Salaries and Benefits	$ 11,038,687	$ 12,346,473
Maintenance and Operations	4,488,953	7,393,306
Police, Fire and Rescue	16,005,498	28,665,975
CONRAC Expenses	6,743,037	9,618,460
Utilities	2,570,934	4,439,569
Professional Services	2,777,500	4,298,762
Other Operating Revenue	1,962,691	5,315,925
	$ 45,587,300	$ 72,078,470

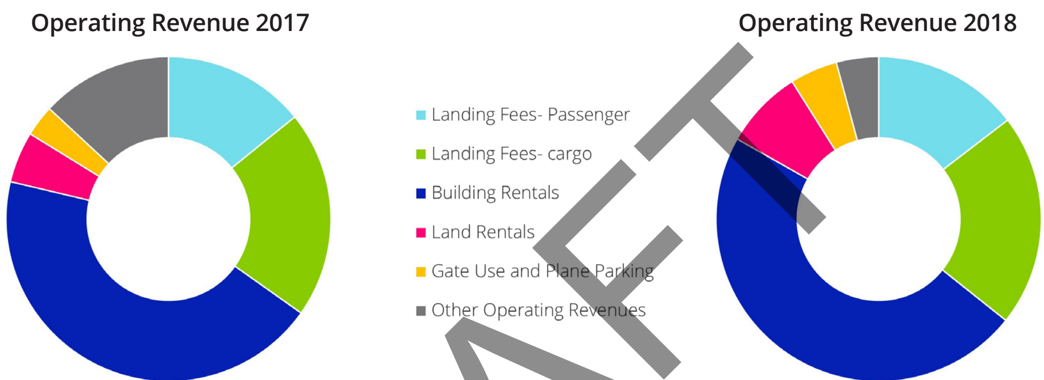
Non-Operating expenses consisted of the following fiscal years ended June 30, 2017 and 2018:

	2017	2018
Non-Operating Revenue (Expenses)		
Passenger Facility Charges	$ 5,696,823	$ 9,463,951
Customer Facility Charges	2,678,303	4,078,166
Investment Income	225,623	703,964
Interest Expense	(1,451,038)	(2,073,167)
2016 Bond Issuance Costs	(2,227,426)	-
Grant Revenue	-	4,818,061
Bad Debts	-	(121,458)
Gain (Loss) on Disposal of Assets	-	33,733
	$ 4,922,285	$ 16,903,250

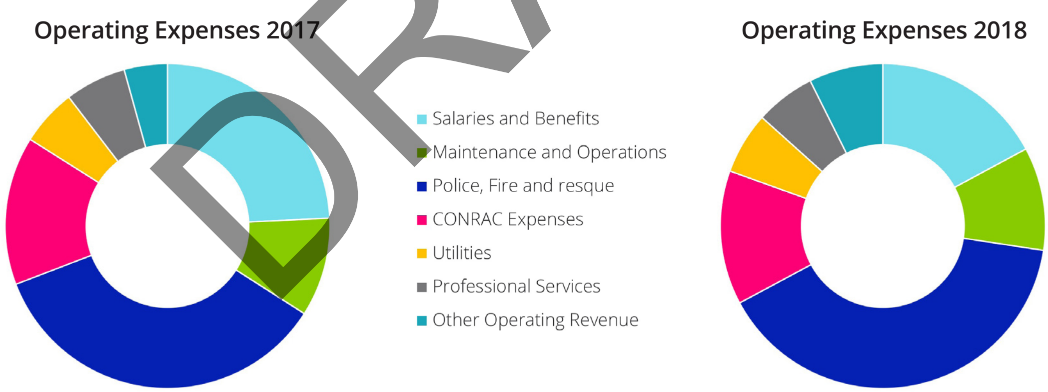
Results of Operations—Comparison of Fiscal 2017 vs 2018

The OIAA acquired the airport on November 1, 2016 and accordingly the selected financial data presented above contains the revenue and operational expenses for 8 months from the date of acquisition through June 30, 2017, while the fiscal year ended June 30, 2018, contains the information for the full 12-month period. The change in control to OIAA reflected a change in management philosophy, cost structure, one-time costs, and transitional costs that may be difficult to isolate or measure for the purposes of comparison. For this reason, caution should be exercised while attempting to annualize or compare data that may produce inaccurate or distorted results. The results of operations may not be indicative of operations that would be produced, had the change in control not occurred.

The chart below illustrates the distribution of major sources of operating revenues in FY 2017 and 2018:



The chart below illustrates the distribution of major sources of operating expenses in FY 2017 and 2018:



Capital Contributions

The Authority was created in 2012 under a Joint Powers Agreement between the City of Ontario ("City") and the County of San Bernardino. From inception through November 1, 2016 (the date which the Authority acquired the revenue generating operations of ONT), the City paid, on behalf of the Authority, all costs associated with acquiring control of ONT. Expenditures included legal and consulting fees, salary and benefits for Authority employees as well as other general and administrative costs.

The Authority incurred a total of $11,017,637 expenses through June 30, 2016 which were paid by the City. The Authority also incurred an additional $2,472,128 of expenses which were paid by the City, for the period from July 1, 2017 through October 31, 2016. Additionally, The City also directly provided approximately $30,000,000 used as the initial installment credited toward the purchase price of ONT. The total amounting to $43,489,765 are reflected as capital contributions at June 30, 2017 in the accompanying financial statements.

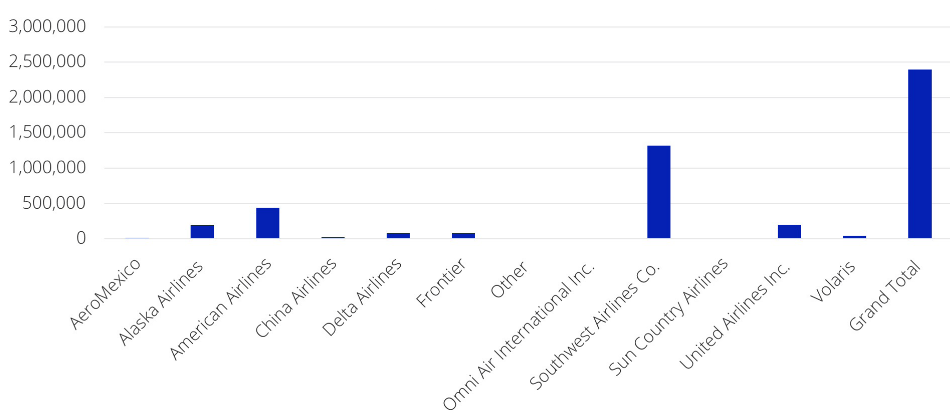
The amounts reflected above do not contain any formal terms for repayment. However, the Authority may make periodic distributions from future operations.

Selected Data on Operational Statistics

Illustrated below is enplaned passenger data by carrier for the years ended June 30, 2017 and 2018:

	Total Enplaned	
Carrier	**2017**	**2018**
AeroMexico	31,186	14,644
Alaska Airlines	187,276	190,797
American Airlines	418,725	438,617
China Airlines	-	20,655
Delta Airlines	50,198	82,080
Frontier	-	75,729
Other	553	600
Omni Air International Inc.	172	3,805
Southwest Airlines Co.	1,242,232	1,319,872
Sun Country Airlines	516	2,243
United Airlines Inc.	106,729	202,842
Volaris	43,313	45,892
Grand Total	2,080,900	2,397,776

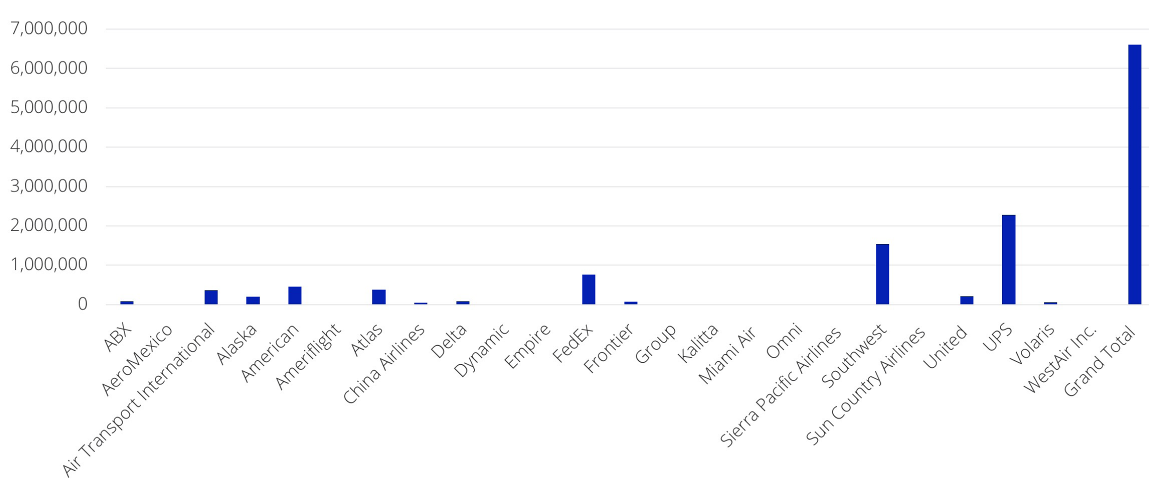
Total Enplanements 2018



Illustrated below is landed weight data by carrier for the years ended June 30, 2017 and 2018 were:

	Landed Weight	
Carrier	**2017**	**2018**
ABX	161,165	82,242
AeroMexico	23,936	14,078
Air Transport International	176,471	61,369
Alaska	195,663	204,376
American	435,712	462,356
Ameriflight	24,082	-
Atlas	95,468	379,926
China Airlines	-	54,292
Delta	94,075	90,394
Dynamic	-	3,520
Empire	9,145	8,930
FedEx	667,926	767,548
Frontier	-	74,456
Group	29	-
Kalitta	12,818	12,236
Miami Air	1,024	585
Omni	1,750	8,140
Sierra Pacific Airlines	215	975
Southwest	1,441,578	1,536,018
Sun Country Airlines	1,606	2,340
United	206,511	215,894
UPS	2,219,789	2,274,95
Volaris	46,580	54,854
WestAir Inc.	21,817	-
Grand Total	5,837,360	6,609,479

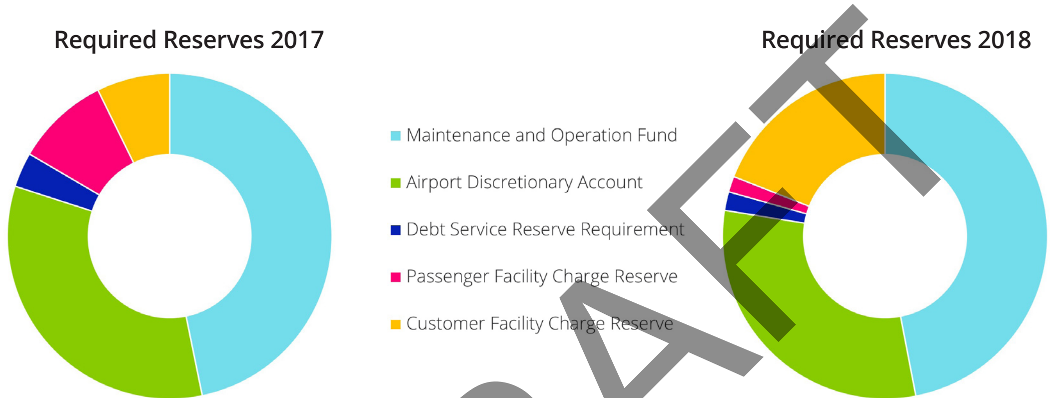
Landed Weight by Airline 2018



Required Reserves

Illustrated below are the required reserves as of June 30, 2017 and 2018:

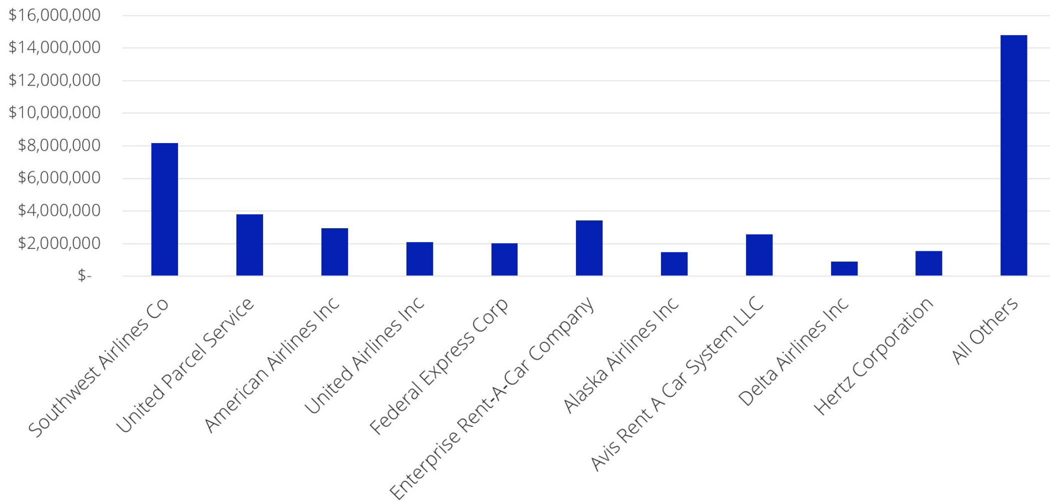
Required Reserves	2017	2018
Maintenance and Operation Fund	$ 13,475,743	$ 14,920,389
Airport Discretionary Account	9,558,810	9,715,554
Debt Service Reserve Requirement	994,772	590,636
Passenger Facility Charge Reserve	2,678,303	497,188
Customer Facility Charge Reserve	2,097,925	6,048,045
Total Required Reserves	$ 28,805,552	$ 31,771,812



Illustrated below is the top ten (10) customers by revenue for the period from inception (November 1, 2016) through June 30, 2017 and the year ended June 30, 2018:

	2017		2018	
Customers	Revenue	Percentage	Revenue	Percentage
Southwest Airlines Co	$ 8,186,447	18.71%	$ 12,444,646	17.59%
United Parcel Service	3,808,246	8.70%	5,595,243	7.91%
American Airlines Inc.	2,949,521	6.74%	4,648,078	6.57%
United Airlines Inc.	2,080,357	4.75%	3,336,372	4.72%
Federal Express Corp	2,024,068	4.63%	2,976,324	4.21%
Enterprise Rent-A-Car Company	3,413,865	7.80%	3,266,102	4.62%
Alaska Airlines Inc.	1,471,713	3.36%	2,392,568	3.38%
Avis Rent A Car System LLC	2,584,067	5.91%	2,556,395	3.61%
Delta Airlines Inc.	900,472	2.06%	1,661,681	2.35%
Hertz Corporation	1,548,457	3.54%	1,553,754	2.20%
All Others	14,788,688	33.80%	30,302,853	42.84%
Total Operating Revenue	$ 43,755,901	100.00%	$ 70,734,016	100.00%

Top Ten (10) Customers by Revenue



Illustrated below is debt service coverage ratio data as of June 30, 2017 and 2018:

			(Restated) 2017	2018
Operating Revenue				
	Airline Revenue		$ 31,984,416	$ 34,170,455
	Land Rentals		2,865,155	3,227,486
	Other Aviation Revenue		1,689,898	2,736,295
	Total Aviation Revenue		36,539,469	40,134,236
	Concession Revenue			
	Food & Beverage		1,697,640	1,728,257
	Advertising		700,823	436,895
	Other		348,589	931,822
	Total Concession Revenue		2,747,052	3,096,974
	Off-Terminal			
	Auto Parking		16,194,036	18,075,732
	Rental Car		7,570,143	8,400,322
	Bus, Limo & Taxi		339,734	1,026,751
			24,103,913	27,502,806
	Total Revenue		63,390,434	70,734,016
Add:	Non-Operating Revenue		2,247,198	703,963
Add:	Transfer from Surplus Revenue Fund		-	7,605,550
	Total Pledged Revenues		**65,637,632**	**79,043,529**
Less:	**Total M&O Expenses**	(2)	**(60,886,526)**	**(72,078,470)**
	Net Pledged Revenues Before CONRAC		4,751,106	6,965,060
Add:	25% of Annual Debt Service	(3)	495,418	1,492,158
Add:	CONRAC EXPENSES	(4)	1,083,075	2,513,811
	Net Pledged Revenue		**$ 6,329,599**	**$ 10,971,028**
	Total Debt Service		$ 4,549,145	$ 5,968,631
	Debt Service Coverage Ratio		**139.14%**	**183.81%**
	Required Ratio		**125.00%**	**125.00%**

Explanatory Notes to Restated Debt Service Coverage Ratio-June 30, 2017

[1] The Authority began operations on November 1, 2016 (four months into the fiscal year). In the coverage table presented by the Authority in the Annual Report filed on March 29, 2018 (the "Prior Report"), the Authority annualized certain revenues and expenses instead of adding actual data later provided by LAWA for these four months. There are also slight differences in the way certain revenues and expenses are categorized.

[2] The Operating expenses from the Prior Report included certain costs that were not operating costs for purposes of determining debt service coverage, but included one-time costs attributable to the transfer of the Airport from LAWA.

[3] Per the Master Indenture, Pledged Revenues are increased by 25% of Maximum Aggregate Annual Debt Service. The Prior Report added back only 25% of Annual Debt Service in the Current Fiscal Year.

[4] Addback for CONRAC expenses is corrected to exclude expenses not attributable to debt service coverage.

Annualized figures are shown to reflect the results of operations for 12 months as if the acquisition had occurred on the first day of our fiscal year. The accompanying financial statements reflect actual revenues earned for the eight months from the date of acquisition (November 1, 2016) through June 30, 2017.

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

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Ontario International Airport Authority (the Authority) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Statements of Net Position

June 30, 2017 and 2018

Assets	2017	2018
Current Unrestricted Assets:		
Cash And Investments – Current Operating Fund (Note 2)	$ 50,072,046	$ 42,276,676
Accounts Receivable, Net of Allowance	9,546,883	4,670,517
Accrued Interest Receivable	115,492	226,438
Other Receivables (Note 3)	2,070,782	6,953,665
Prepaid Expenses	248,732	536,372
Total Current Unrestricted Assets	62,053,935	54,663,668
Current Restricted Assets:		
Other Restricted Cash and Investments (Note 2):		
Passenger Facility Charge Fund	2,097,925	497,188
Customer Facility Charge Fund	2,678,303	6,048,645
Total Restricted Cash and Investments	4,776,228	6,545,233
Passenger Facility Charge Receivables	1,034,720	1,192,145
Customer Facility Charge Receivables	2,568	330,966
Total Current Restricted Assets	1,037,288	1,523,111
Total Restricted Assets	5,813,516	8,068,344
Capital Assets (Note 4):		
Land	56,503,866	56,503,866
Construction in Progress	-	5,463,086
Site Improvements	4,966,248	5,306,556
Buildings and Improvements	14,009,760	15,791,616
IT Hardware/Software	1,198,533	3,817,395
Furniture and Fixtures	35,149	35,149
Machinery and Equipment	589,740	1,613,067
Less: Accumulated Depreciation	(1,252,888)	(3,284,782)
Total Capital Assets, Net	76,050,408	85,245,953
Intangible Assets, Net	7,392,508	7,374,462
Total Assets	**$ 151,310,367**	**$ 155,357,427**

See accompanying notes to basic financial statements—continued.

See accompanying notes to basic financial statements-continued.

Liabilities	2017	2018
Current Liabilities:		
Accounts Payable	$ 3,430,653	$ 9,085,162
Customer Deposits	-	449,772
Accrued Payroll, Taxes and Benefits	2,018,614	302,349
Due to Related Party	3,297,556	7,137,698
Due to Airlines	6,103,023	2,456,170
Total Current Liabilities	14,849,846	19,431,151
Liabilities Payable From Restricted Assets:		
Current Portion of Bonds Payable	4,805,000	4,910,000
Notes Payable – Current Portion	-	403,956
Accrued Interest Payable	193,939	188,190
Total Liabilities Payable from Restricted Assets	4,998,939	5,502,146
Long-Term Debt, Net Of Current Portion:		
Loans Payable (Note 5)	53,848,489	42,724,167
Bonds Payable, Net of Current Portion (Note 6)	43,315,000	38,405,000
Notes Payable – Net of Current Portion (Note 7)	-	1,508,340
Total Long-Term Liabilities	97,163,489	82,637,507
Total Liabilities	117,012,274	107,570,804
Net Position		
Net Investment in Capital Assets	29,594,427	49,896,248
Restricted for Capital Projects	5,813,516	8,068,344
Unrestricted	(1,109,850)	(10,182,969)
Total Net Position	**$ 34,298,093**	**$ 47,781,623**

See accompanying notes to basic financial statements.

Statements of Revenues, Expenses and Changes in Net Position

Years Ended June 30, 2017 and 2018

	2017	2018
Operating Revenues		
Charges for Services:		
Landing Fees	$ 9,272,860	$ 14,667,511
Building and Land Rentals	13,878,256	22,730,430
Auto Parking	10,077,755	18,075,732
Rental Car	5,428,458	8,400,322
Concessions	1,610,848	3,191,903
Other Operating Revenues	3,487,724	3,668,118
Total Operating Revenues	43,755,901	70,734,016
Operating Expenses:		
Salaries and Benefits (Note 8)	11,038,687	12,346,473
Airport Maintenance Operations and Facility	4,488,953	7,393,306
Police, Fire and Rescue	16,005,498	28,665,975
Conrac Expenses	6,743,037	9,618,460
Utilities	2,570,934	4,439,569
Professional Services	2,777,500	4,298,672
Other Operating Expenses	1,962,691	5,315,925
Total Operating Expenses Before Depreciation	45,587,300	72,078,470
Operating Income (Loss) Before Depreciation	(1,831,399)	(1,344,454)
Depreciation (Note 4)	1,264,921	2,075,266
Operating Income (Loss)	(3,096,320)	(3,419,720)
Non-Operating Revenues (Expenses):		
Passenger Facility Charge Revenue	5,696,823	9,463,951
Customer Facility Charge Revenue	2,678,303	4,078,166
Grant Revenue	-	4,818,061
Provision for Doubtful Accounts	-	(121,458)
Gain on Disposing of Assets	-	33,733
Investment Income	225,623	703,964
Interest Expense	(1,451,038)	(2,073,167)
2016 Bonds Issuance Costs	(2,227,426)	-
Total Non-Operating Revenues, Net	4,922,285	16,903,250
Income (Loss) Before Capital Contributions	1,825,965	13,483,530
Capital Contributions (Note 1)	43,489,765	-
Changes in Net Position	45,315,730	13,483,530
Total Net Position – Beginning of Year	(11,017,637)	34,298,093
Total Net Position – End of Year	**$ 34,298,093**	**$ 47,781,623**

See accompanying notes to basic financial statements.

Statements of Cash Flows

Years Ended June 30, 2017 and 2018

	2017	2018
Cash Flows from Operating Activities		
Cash Received from Airline Carriers, Tenants, Others	$ 33,773,019	$ 78,047,541
Cash Paid for Salaries & Benefits	(24,502,049)	(42,750,676)
Cash Paid to Suppliers for Goods and Services	(17,508,416)	(25,483,902)
Cash Paid for Parking Taxes to City	(1,634,784)	(2,173,667)
Net Cash from Operating Activities	**(9,872,230)**	**7,639,296**
Cash Flows From Capital and Related Financing Activities		
Cash Paid for Capital Assets	(2,559,745)	(9,255,099)
Cash Received from Sale of Fixed Assets	-	76,196
Cash Paid on Note Payable – Seller	(3,687,641)	(11,124,322)
Cash Paid for Principal on Bonds Payable	(3,895,000)	(4,805,000)
Cash Paid for Note Payable	-	(104,641)
Cash Paid for Interest	(1,310,226)	(2,078,915)
Cash Paid for Bond Issuance Costs	(2,227,426)	-
Cash Received from Passenger Facility Charges	4,662,102	9,306,527
Cash Received from Customer Facility Charges	2,675,736	3,749,768
Cash Received in Acquisition	55,892,805	-
Net Cash from Capital and Related Financing Activities	**49,550,605**	**(14,235,486)**
Cash Flows From Investing Activities		
Cash Received from Interest and Investments	163,258	569,825
Net Cash from Investing Activities	**163,258**	**569,825**
Net Increase (Decrease) in Cash	**39,841,633**	**(6,026,365)**
Cash and Cash Equivalents – Beginning	**$ 15,006,641**	**$ 54,848,274**
Cash and Cash Equivalents – Ending	**$ 54,848,274**	**$ 48,821,909**
Operating Income (Loss)	**$ (1,831,399)**	**$ (1,344,454)**
Adjustments to Reconcile Net Income (Loss) to Excess (Deficiency) Cash Provided by Operating Activities		
(Increase)/Decrease in Trade Accounts Receivable	(9,546,884)	4,997,824
(Increase)/Decrease in Other Receivables	(2,070,782)	(480,182)
(Increase)/Decrease in Prepaid Expenses	(248,733)	(287,640)
(Increase)/Decrease in Accounts Payable	(8,577,378)	4,693,293
(Increase)/Decrease in Accrued Expenses	7,086,776	(2,513,194)
Due to Related Party	3,297,556	3,840,142
Increase/(Decrease) in Customer Deposits	1,894,378	449,772
Increase/(Decrease) in Accrued Payroll Taxes and Benefits	124,236	(1,716,265)
Net Cash Provided by (used for) Operating Activities	$ (9,872,230)	$ 7,639,296

See accompanying notes to basic financial statements—continued.

Statements of Cash Flows

Years Ended June 30, 2017 and 2018

	2017	2018
Supplemental Disclosure of Cash Flow Information:		
Interest Paid	$ 644,144	$ 1,174,483

Supplemental Disclosure of Non-Cash Investing and Financing Activities:

	2017	2018
Assets Acquired in Acquisition		
Purchase Price	$ 242,015,000	$ -
Cash Paid to Seller by Related Party	(30,000,000)	-
Surplus Revenue Fund Retained by Seller	(40,000,000)	-
Passenger Facility Charges Retained by Seller	(50,000,000)	-
Note Due Seller	(70,000,000)	-
Bonds Proceeds	(52,015,000)	-
Cash Paid for Acquisition	$ -	$ -
Related Party Debt Converted to Net Position	$ 11,017,637	$ -
Expenses Paid by Related Party	$ 2,472,129	$ -
Credits Against Loan Payable – Seller	$ (4,111,246)	$ -
Assets Acquired By Debt	$ -	$ 2,016,937

See accompanying notes to basic financial statements

Note 1: Summary of Significant Accounting Policies

a. Description of 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 OIAA 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 prominent citizens of the community at large.

The debts, liabilities, and obligations of the Authority do not constitute debts, liabilities, or obligations of the Municipalities. The accompanying basic financial statements are not included in the reporting entity of any of the Municipalities.

b. Acquisition of Ontario International Airport

On November 1, 2016, the Authority completed a transaction for the acquisition of Ontario International Airport ("ONT") from Los Angeles World Airways ("LAWA"). Pursuant to the Settlement Agreement dated December 22, 2015, the Authority acquired substantially all assets and liabilities of ONT including accounts receivable, real property, equipment, vehicles, leases, contracts, agreements, accounts payable, accrued expenses and debt. Certain proprietary systems and other IT-related assets were excluded from the transaction as well as liabilities related to LAWA personnel.

As a condition of the change in control of the operations of ONT, the Authority was required to obtain approval from the Federal Aviation Administration ("FAA") in the form of a certificate authorizing the Authority to operate ONT pursuant to Title 14, Code of Federal Regulations Part 139. The Authority successfully obtained its Part 139 Certification prior to the acquisition on November 1, 2016.

The total purchase price of the net position of ONT was approximately $242,015,000. Pursuant to the agreement, the purchase price was to be paid as follows:

Cash Due at Closing	$ 30,000,000
Cash Payment at Closing from Unrestricted Cash of ONT	40,000,000
Payment Due on Fifth Anniversary (1)	50,000,000
Payment Due on Tenth Anniversary	70,000,000
OIAA 2016 Revenue Bonds	52,015,000
Total Cash Consideration	$ 242,015,000

(1) The cash payment due on the fifth anniversary in the amount of $50,000,000 was satisfied at closing from cash acquired from LAWA in ONT accounts. As an inducement for prepay, the Authority received a discount in the amount of $2,661,500 resulting in a cash payment of $47,338,500.

On November 1, 2016, OIAA issued revenue bonds in the amount of $52,015,000. The proceeds from the 2016 bonds were used to repay existing LAWA bonds on the closing date (see note 6).

No contingent consideration was contemplated pursuant to the Settlement Agreement.

The transaction was accounted for as an "acquisition" in accordance with GASB Statement No. 69, Government Combinations and Disposal of Government Operations (January 2013). Under the guidance provided in that statement, business combinations meeting the criteria for an "acquisition" should be accounted for at fair value. An acquisition is characterized under the statement by obtaining control over the assets in exchange for significant consideration. Accordingly, the Authority engaged an independent appraisal firm to conduct a valuation of the assets and liabilities acquired including real property, equipment, intangibles, and debt.

A condensed summary of the assets acquired and liabilities assumed at fair market value is as follows:

Current Assets	$ 165,170,700
Property, Plant & Equipment	1,243,436,000
Intangible Assets	123,182,100
Total Assets	1,531,788,800
Current Liabilities	(16,599,900)
Non-Current Liabilities	(52,424,700)
Fair Value of Net Position Acquired	$ 1,462,764,200

In accordance with GASB 69, when the fair market value of net position acquired exceeds the consideration paid the difference results in "negative goodwill". The resulting negative goodwill should be eliminated by reducing the acquisition values assigned to non-current assets acquired. Negative goodwill amount to approximately $1,284,470,000 as follows:

Consideration Paid (Discounted to fair Value)	$ 178,294,200
Liabilities Assumed	69,024,600
	247,318,800
Fair Market Value of Net Position Acquired	(1,531,788,800)
Negative Goodwill	$ 1,284,470,000

The negative goodwill was applied to non-current assets acquired (land, buildings, improvements, equipment, vehicles and intangible assets) on a pro rata basis.

c. Government Wide and Fund Financial Statements

The basic financial statements of the Authority have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing accounting and financial reporting principles.

d. Basis of Accounting

The Authority reports its financial operations as a governmental enterprise activity, and as such, its financial statements are presented using the economic resources measurement focus and the accrual method of accounting. Revenues are recorded when earned and expenses are recognized when a liability is incurred, regardless of the timing of related cash flows. The measurement focus is on determination of changes in net position, financial position, and cash flows. Operating revenues include charges for services and tenant rent. Operating expenses include costs of services as well as materials, contracts, personnel, and depreciation. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

The Authority maintains a fiscal year of June 30th and accordingly depict the operations of the Authority for the fiscal years ended June 30, 2017 and 2018 respectively. The Authority acquired the operating assets of ONT on November 1, 2016, and reflect the results of operations of ONT from the acquisition date through June 30, 2017. For the year ended June 30, 2018, the accompanying financial statement reflects twelve months of activity.

e. *Description of Basic Financial Statements*

Statements of Net Position – The statements of net position are designed to display the financial position of the Authority including its assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. The Authority's equity is reported as net position which is classified into three categories defined as follows:

- *Net Investment in Capital Assets* – This component of net position consists of capital and intangible assets, net of accumulated depreciation and amortization and reduced by outstanding long-term debt due to LAWA (See Notes 4, 5). Net Investment in Capital Assets amounted to $29,594,427 and $49,896,248 at June 30, 2017 and 2018, respectively.
- *Restricted for Capital Projects* – This component of net position consists of assets on which constraints have been placed by external sources. The restrictions are imposed by regulatory agencies requiring funds be used for capital projects. Pursuant to the settlement agreement, PFCs are remitted to LAWA until the remaining purchase price is paid.

Net Restricted position at June 30, 2017 and 2018 consisted of the following:

	2017	2018
PFC Fund	$ 3,132,645	$ 497,188
CFC Fund	2,680,871	6,048,045
Capital Projects	29,594,427	49,896,248
Total Restricted	$ 35,407,943	$ 56,441,481

- *Unrestricted* – This component of net position, totaling $(1,109,850), and $(10,182,969), at June 30, 2017, and 2018, consists of net position that does not meet the definition of "restricted".

Statements of Revenues, Expenses and Changes in Net Position – The statements of revenues, expenses and changes in net position are the operating statements for the Authority. Revenues are reported by major source. This statement distinguishes between operating and non-operating revenues and expenses and presents a separate subtotal for operating revenues, operating expenses before depreciation, and operating income.

Statements of Cash Flows – The statements of cash flows present information on the Authority's cash receipts and payments during the fiscal year. These cash flows are grouped into three categories: operating activities, capital and related financing, and investing activities.

Notes to Basic Financial Statements – The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

f. *Operating and Non-Operating Revenues and Expenses*

The Authority distinguishes between operating revenues and expenses and non-operating items. Operating revenues and expenses generally result from providing goods and services to Airport users. The principal operating revenues of the Airport are parking fees, landing fees, concession charges, tenant rent, and fuel flowage fees. Operating expenses include contracted airport services, salaries and employee benefits, maintenance and operation of systems and facilities, administrative expenses including compliance with federal, state and local regulatory requirements, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

g. *Restricted Reserves*

Certain assets are restricted based on constraints placed on the assets use through external constraints imposed by creditors (such as through debt covenants), grantors, leases, trust agreements, contributors, laws or regulations of other governments or enabling legislation. Restricted funds are nondiscretionary in terms of use and provide for payment of debt service on Authority bonds, reserves for outstanding bonds, and maintenance. The Authority, after necessary fund transfers have been made to comply with bond covenants, has discretion as to the use of the remaining unrestricted funds.

h. *Grant and Capital Contributions*

The Authority is eligible for grants under the Airport Improvement Program (AIP) from the U.S. Department of Transportation – Federal Aviation Administration (FAA) to finance certain future capital improvements. The Authority began receiving grants during the fiscal year ended June 30, 2018.

Capital Contributions

The Authority was created in 2012 under a Joint Powers Agreement between the City of Ontario and the County of San Bernardino. From inception through November 1, 2016 (the date which the Authority acquired the revenue generating operations of ONT), the City paid, on behalf of the Authority, all costs associated with acquiring control of ONT. Expenditures included legal and consulting fees, salary and benefits for Authority employees as well as other general and administrative costs.

The Authority incurred a total of $11,017,637 expenses through June 30, 2016 which were paid by the City. The authority also incurred an additional $2,472,128 of expenses which were paid by the City, for the period from July 1, 2017 through October 31, 2016. Additionally, the City also directly provided approximately $30,000,000 used as the initial installment credited toward the purchase price of ONT. The total amounting to $43,489,765 is reflected as capital contributions at June 30, 2017 in the accompanying financial statements.

The amounts reflected above do not contain any formal terms for repayment. However, the Authority may make periodic distributions from current operations in the future.

i. *Passenger Facility Charge Revenues*

The Authority imposes a Passenger Facility Charge (PFC) of $4.50 (net of $.11 collection fee) per enplaned passenger, as approved by the FAA, to finance certain capital improvements. Cash and receivables from such revenues are maintained as separate reserves and are generally restricted for approved airport improvement projects. Revenues are recognized during the period earned and are recorded as non-operating revenues.

The Settlement Agreement required the Authority to make certain payments to LAWA prior to and following the acquisition as credits to the purchase price. As such, the Authority agreed to pay LAWA approximately $70,000,000 on the tenth anniversary of the acquisition date. The agreement contemplated that the payment of the $70 million would be funded from the collection of future PFC's from ONT operations and pledged to the repayment of the obligation until fully satisfied.

The Federal Extension, Safety and Security Act ("FAA Reauthorization Act") enacted on July 15, 2016 was intended, in part, to facilitate the change in control from LAWA to ONT. The FAA authorized PFC proceeds collected by ONT to be used to pay the required $70,000,000 purchase price installment due LAWA.

In a letter dated September 14, 2016 ("Side Letter"), the parties agreed to modify the terms of the Settlement Agreement with respect to the repayment terms of the $70 million purchase installment. In accordance with the Side Letter, the Authority would be required to pay LAWA an amount annually (beginning 11/1/19) as determined by the greater of $2 per the number of enplaned passengers or $1,000,000.

j. Customer Facility Charge Revenues

The Authority imposes a Customer Facility Charge (CFC) of $10 per rental car contract to finance the planning, design and construction of a consolidated rental car facility (CONRAC), in accordance with California Civil Code Section I936(m) et seq. Cash and receivables from such revenues are maintained as a separate reserve and are restricted for the CONRAC project. Revenues are recognized during the period earned and are recorded as non-operating revenue.

Pursuant to the 2016 Revenue Bond Indenture, ("2016 Bonds") CFC's are eligible for use in making schedule principal and interest bondholders payments.

k. Revenues and Flow of Funds

All revenues, except PFC's and CFC's, are deposited in the Airport Revenue Fund and are appropriated to the following reserves in priority order as mandated by resolution of the Authority and its bond indenture:

- ***Maintenance and Operations Fund –*** The amount in this fund is to be used for payment of operations and maintenance costs as they become due and payable. The funds appropriated to this reserve represent an amount equal to 1/12 of the maintenance and operation expenses budgeted for the then current fiscal year. The indenture further requires that the Authority establish a Maintenance and Operations Reserve Fund. The reserve required equals to 25% of the maintenance and operation expenses budgeted for the then current fiscal year.
- ***Debt Service Fund -*** The funds appropriated to this reserve represent an amount equal to 1/12 of the aggregate Principal amounts becoming due and payable on the next installment and 1/6 of the amount of interest becoming due and payable during the next ensuing six months.
- ***Reserve Fund -*** The Indenture establishes a Reserve Fund for the bonds issued or to be issued by the Authority pursuant to any Supplemental Indenture. Amounts appropriated to this reserve shall be available only to pay principal and interest on the 2016 Revenue Bonds and any additional bonds. The Required Reserve for the 2016 Bonds (and any Supplemental Bonds) shall be the lesser of: (i) the maximum annual debt services on the bonds or (ii) the amount permitted to be held in the Reserve Fund as permitted to be held under the arbitrage bond regulations prescribed by Section 148 of the Internal Revenue Code. Pursuant to the indenture, a Reserve Fund Surety Policy is acceptable in lieu of cash deposits to the fund. The Authority has obtained a Reserve Fund Surety Policy in the amount of $5,201,500 to satisfy the deposit to the fund.
- Surplus Revenue Fund - After making appropriations to the maintenance and operation fund, debt service fund, and reserve fund, all moneys remaining in the Airport Revenue Fund may be used as directed by the Treasurer or Commission for any discretionary purposes.
- ***Construction Fund -*** Proceeds from bond issuances to be used for costs of a project shall be appropriated to this fund. The Authority did not use the proceeds from the bond issuance for construction projects.

l. Other Reserves

The Authority maintains the following additional restricted reserves:

- ***Airport Discretionary Fund -*** Pursuant to the Operating Use and Terminal Lease Agreement by and between the Signatory Airlines consortium, funds appropriated to this reserve represent amounts reserved under the agreement to fund capital projects not requiring "Majority in Interest" approval of the Signatory Airlines. The term Signatory Airlines is defined as any passenger or cargo airline that has signed the agreement. The agreement further defines Majority in Interest to generally mean…any combination of passenger or cargo carriers who together have landed more than 50% of the total landed weight at the airport.
- ***Passenger Facility Charge Fund –*** Cash from the PFC program is maintained as a separate reserve account and is pledged to repay amounts due to LAWA in connection with the acquisition.
- ***Customer Facility Charge Fund –*** Cash from the CFC program is maintained in a separate account and is restricted for planning, design, construction and financing of a consolidated rental car facility.

m. Allowance for Doubtful Accounts

Accounts receivable arising in the ordinary course of operations include amounts due from airlines and concessions. The Authority recognizes an allowance for losses on accounts receivable in an amount equal to the estimated probable losses, net of recoveries. The allowance is based on an analysis of historical bad debt experience, current receivables aging, and expected future write-offs, as well as an assessment of specific identifiable customer accounts considered at risk or uncollectible. The expense associated with the allowance for doubtful accounts is recognized as a general and administrative expense. The Authority recorded an allowance of $0 and $124,458 for the years ended June 30, 2017 and 2018 respectively.

n. Concentrations of Credit Risk

The Authority had certain customers whose revenue individually represented 10% or more of the Authority's total revenue, or whose accounts receivable balances individually represented 10% or more of the Authority's total accounts receivable, as follows:

	2017		2018	
	Revenue	Accounts Receivable	Revenue	Accounts Receivable
Alaska Airlines Inc.	$ 1,475,233	$ 530,893	$ 2,392,569	$ 529,360
Southwest Airlines Co.	7,666,900	4,927,627	12,444,646	713,102
United Airlines Inc.	1,664,201	1,758,521	3,336,372	1,038,074
United Parcel Service Inc.	4,095,968	417,865	5,595,243	464,271
	$ 14,902,302	$ 7,634,906	$ 23,768,830	$ 2,744,807

o. Intangible Assets

The Authority recognizes intangible assets in accordance with GASB No. 51 Accounting and Financial Reporting for Intangible Assets (June 2007). Intangible assets acquired either individually or in connection with a business combination are capitalized provided certain criteria are met and are recorded at their relative fair values. Intangible assets with definite lives are capitalized and amortized over their contractual or determined lives. Intangible assets with indefinite lives are not amortized and periodically measured for impairment.

In connection with the acquisition of ONT from LAWA, the Authority recorded intangible assets with the following lives:

- Land Use/ Airspace Rights
  The asset represents the estimated legal, financial, regulatory, operational, and environmental costs necessary to secure the requisite land use and airspace rights and other governmental approvals for a newly constructed airport. Estimates of costs generally range from 6%-12% of the land acquisition value. An independent valuation determined the fair value of the Land Use/Air Space rights at $121 million. After giving effect to negative goodwill derived in the transaction, the carrying value was determined to be approximately $7,273,370.

- In Place Lease Value
  The asset represents the estimated value inherent in existing leaseholds. The estimated costs associated with vacant space including lost rent, professional fees and other costs necessary to generate lease income over a three (3) month period. After giving effect to negative goodwill derived in the transaction, the carrying value was determined to be approximately $66,987.

- Favorable Lease Value
  This asset represents existing leases that have contractual terms that are superior to the market rents at the time of acquisition. Leases consummated with a two-year period have been excluded as having no material favorable value. After giving effect to negative goodwill derived in the translation, the carrying value was determined to be approximately $64,183.

Amortization is computed on the straight-line basis over the following periods:

Land Use / Airspace Rights	Indefinite Life
In Place Lease Value	5 years
Favorable Lease Value	13 years

Indefinite lived assets are not amortized but periodically measured for impairment, at least annually, and whenever there is indication that the asset may be impaired. An impairment loss is recognized when the impairment is considered probable and can be reasonably measured. For the purpose of measurement, impairment is recognized when the carrying amount of the asset exceeds the recoverable amount. The recoverable amount of an asset is the higher of the fair value less cost to sell and value in-use. The total impairment loss is recorded as a reduction to the carrying amount of asset and an impairment loss is recognized as an expense.

p. *Capital Assets*

Capital assets are defined by the Authority as assets with an initial, individual cost of $5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost, less accumulated depreciation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Depreciation is computed on a straight-line basis over the following periods:

Site Improvements	5 years
Buildings and Improvements	20-33 years
IT Hardware Software	1-5 years
Furniture for Fixtures	3-5 years
Machinery and Equipment	1-7 years
Vehicles	1-5 years

On disposal of an item of property, plant and equipment, the difference between the disposal proceeds and its carrying amount is recognized in operations within 'gains/losses'.

q. *Compensated Absences*

All full-time employees are entitled to a specified number of hours of Paid Time Off ("PTO") per annum. The hours may be used for vacation time or to accommodate sick time. The annual amounts are predetermined at the outset of employment and are accrued as earned during the year. Employees may carry over any unused PTO to future periods. Beginning in 2018, employees may also elect to convert any unused PTO hours to cash at specified dates during the calendar year. During the years ended June 30, 2017 and 2018, the Authority accrued $180,388 and $219,757 for compensated absences in the accompanying financial statements and are included under accrued expenses. Part time employees are not entitled to paid time off but are afforded a nominal amount of sick days per year. Unused sick days may not be carried over to future years.

Certain management employees are credited an additional 48 hours of personal leave which is credited at the beginning of the calendar year. Any unused personal leave may not be carried over to future periods.

r. *Retirement Plan Contribution*

The Authority established and maintains three retirement plan types for the benefit of employees:

401A Plan- Defined Contribution Plan for Governmental Employees

In March, 2017, the Authority established the "Ontario International Airport Authority 401(a) Defined Contribution Plan", administered by Voya Retirement Insurance and Annuity Company. All full and part time employees are eligible to participate in the Authority's 401A Plan. Contributions amounting to 10% of the employee's eligible wage base are made to the plan by the Authority on behalf of the employees. Maximum permissible contributions for the plan year are $40,000 per employee. All contributions made under this plan are fully vested. Amounts contributed to the plan for the years ended June 30, 2017 and 2018 amounted to approximately $205,438 and $400,812, respectively.

457B Plan- Employee Deferred Compensation Plan

In March, 2017, the authority established the "Ontario International Airport Authority 457(b) Deferred Compensation Plan", administered by Voya Retirement Insurance and Annuity Company. The 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.

457F Plan

In March, 2017, the Authority established the "Ontario International Airport Authority 457(f) Deferred Compensation Plan", administered by Voya Retirement Insurance and Annuity Company. The plan is a non-qualified deferred compensation arrangement which provided supplemental retirement benefits to a select management group. Amounts contributed to the plan for the years ended June 30, 2017 and 2018 amounted to approximately $16,615 and $0, respectively.

s. *Fair Value Measurements*

For assets or liabilities that are required to be reported at fair value, the Authority uses valuation techniques which are appropriate under the circumstances and are either a market approach, a cost approach or an income approach. The Authority categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy of inputs used to measure fair value consists of three levels. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs.

The Authority's assets subject to fair value measurement during the years ended June 30, 2017 and 2018, were investments held at a local agency investment fund (LAIF) and ONT assets and liabilities acquired from LAWA. Substantially all the assets and liabilities were considered Level 3 assets having unobservable inputs except for LAIF which was considered Level 2.

t. *Investments and Invested Cash*

In accordance with California Government Code (Code) Section 53600 et seq., the Authority adopts an investment policy annually for the Operating, PFC and 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 fund 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 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. Unrealized gains and (losses) are included in investment income in the accompanying financial statements at June 30, 2017 and 2018, amounted to $(53,127) and $(23,192), respectively.

u. *Statements of Cash Flows*

For purposes of the statements of cash flows, the Authority considers its cash and investments in the LAIF, to be cash equivalents that function as a demand deposit account, whereby funds may be withdrawn or deposited at any time without prior notice or penalty. The Authority also considers all highly liquid instruments with an original maturity of three months or less to be cash equivalents.

v. *Prepaid Expenses*

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses.

w. *Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the basic financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

x. *Income Taxes*

The Authority is a political subdivision of the State of California. Accordingly, the Authority is not subject to federal or state income taxes.

y. *Pollution Remediation Liabilities*

The Authority implemented GASB Statement No. 49, Accounting and Financial Reporting for Pollution Remediation Obligations, and currently does not believe it has any pollution remediation liabilities at June 30, 2017 or 2018.

z. *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.

aa. *Future Accounting Pronouncements*

The GASB has issued several pronouncements that have effective dates that may impact future presentations. The Authority is evaluating the potential impacts of the following GASB statements on its accounting practices and financial statements.

Issued in November 2016, GASB Statement No. 83, Certain Asset Retirement Obligations establishes standards of accounting and financial reporting for certain Asset Retirement Obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this statement. This statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. Implementation of this statement is effective fiscal year 2019.

Issued in January 2017, GASB Statement No. 84, Fiduciary Activities establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Implementation of this statement is effective fiscal year 2020.

Issued in June 2017, GASB Statement No. 87, Leases is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. Implementation of this statement is effective fiscal year 2021.

Note 2: Cash and Investments

Cash and investments at June 30, 2017 and 2018 are classified in the accompanying statements of net position as follows:

Summary of Cash and Investments	2017	2018
Cash and Cash Equivalents:		
Deposits with Financial Institutions	$ 4,750,074	$ 8,154,241
LAIF	50,098,200	40,667,668
Cash		
Total Cash and Cash Equivalents	$ 54,848 ,274	$ 48,821,909

Investments funds are classified under the general headings of "restricted" or "unrestricted." The Authority has designated separate restricted reserves to carry on specific activities in accordance with special regulations, bond covenants, or enabling legislation. Restricted reserves are nondiscretionary in terms of use and provide for payment of debt service on Authority bonds, reserves for outstanding bonds, construction of long-term assets, and operations and maintenance. The Authority, after necessary fund transfers have been made to comply with bond covenants, has discretion as to the magnitude and use of the remaining unrestricted funds.

	2017	2018
Cash and Investments - Current Assets:		
Operating Fund	$ 50,072,046	$ 42,276,676
Other Restricted Cash and Investments:		
Passenger Facility Charge Fund	2,097,925	497,188
Customer Facility Charge Fund	2,678,303	6,048,045
Total Other Restricted Cash and Investments	4,776,228	6,545,233
Total Cash and Investments	$ 54,848,274	$ 48,821,909

a. *Investments Authorized by the Code*

The Authority Investment portfolio is governed by the California Government Code, Section 53600. The table below identifies the investment types that are authorized for the Authority by the Code.

Investment Type	Maximum Maturity	Maximum % of Portfolio	Minimum Rating
U.S. Treasury Obligations	5 Years	None	None
U.S. Agency Securities	5 Years	None	None
Local Agency Investment Fund	N/A	None	None
Negotiable Certificates of Deposit	5 Years	30%	None
Non-Negotiable Certificates of Deposit	5 Years	None	None
Bankers Acceptances	180 Days	40%	None

Investment Type	Maximum Maturity	Maximum % of Portfolio	Minimum Rating
Commercial Paper	270 Days	25% non-pooled funds 40% pooled funds	Highest letter and number rating by an NRS
Repurchase Agreements	1 Year	None	None
Mutual Funds and Money Market Mutual Funds	N/A	20%	Various
Medium-Term Notes	5 Years	30%	"A" rating Category or equivalent or better

b. *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, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Authority manages its exposure to interest rate risk is by purchasing a combination of shorter and longer-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturing evenly over time, as necessary to provide the cash flow and liquidity needed for operations. None of the Authority's investments are considered highly sensitive to interest rate fluctuations.

c. *Investment in the State Treasurer's Local Agency Investment Fund*

The Authority is a voluntary participant in the LAIF that is regulated by the Code under the oversight of the Treasurer of the State of California. The fair value of the Authority's investment in this pool is reported in the accompanying basic financial statements at amounts based upon the Authority's pro rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. As of June 30, 2018, the total amount invested by all California local governments and special districts in LAIF was $22.5 billion. LAIF is part of the State of California's Pooled Money Investment Account (PMIA), which as of June 30, 2018 had a balance of $88.8 billion. The PMIA is not SEC-registered to invest according to the Code.

Investment Type	Fair Value	12 Months or Less	13 – 24 Months	25 – 60 Months
LAIF 6/30/2017	$50,098,200	$50,098,200	$ 0	$ 0
LAIF 6/30/2018	$40,667,668	$40,667,667	$ 0	$ 0

d. *Concentration of Credit Risk*

The Authority's investment policy limits the amount that can be invested in any one issuer in corporate notes, bankers' acceptances, commercial paper, negotiable certificates of deposit and time certificates of deposit to 5% of the applicable portfolio. The investment policy contains no other limitations on the amount that can be invested in any one issuer beyond that stipulated by the Code. The Authority's investment in LAIF was unrated.

e. *Custodial Credit Risk*

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 deposit or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Code and the Authority's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provisions for deposits: The Code requires that a financial institution secure deposits made by local government units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the government unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure Authority deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

At June 30, 2017 and 2018, a portion of the Authority's deposits with financial institutions were uninsured and the collateral was held in accordance with the Code by the pledging financial institution in the Authority's name, as follows:

	2017	2018
Cash Deposits:		
Insured	$ 250,000	$ 250,000
Uninsured, Collateral Held in the Authority's Name	6,258,047	12,563,994
Total Cash Deposits	6,508,047	12,813,994
Add: Deposits in Transit	-	-
Less: Outstanding Checks	(1,757,973)	(4,659,753)
Carrying Amount of Cash Deposit	$ 4,750,074	$ 8,154,241

Note 3: Other Receivables

The Authority recorded other current receivables not related to operating activities and, therefore, not included in accounts receivable on the accompanying statements of net position. The other receivables at June 30, 2017 and 2018, consist of the following:

	2017	2018
Due from LAWA	$ 391,782	$ 250,564
Due from Airlines	1,679,000	2,300,400
FAA Grants Revenue	-	4,402,701
Total Other Receivables	$ 2,070,782	$ 6,953,665

Note 4: Capital Assets

Capital assets for the years ended June 30, 2017 and 2018 were as follows:

	June 30, 2017			
	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, not being depreciated:				
Land	$ -	$ 56,503,866	$ -	$ 56,503,866
Total	$ -	56,503,866	$ -	$ 56,503,866
Capital Assets, being depreciated:				
Site Improvements	-	4,966,248	-	4,966,248
Building and Improvements	-	14,009,760	-	14,009,760
IT Hardware and Software	-	1,198,533	-	1,198,553
Furniture and Fixtures	-	35,149	-	35,149
Machinery and Equipment	-	589,740	-	589,740
Total	$ -	$ 20,799,430	$ -	$ 20,799,430

Less:				
Accumulated Depreciation:	-		-	
Site Improvements	-	644,674	$ -	$ 644,674
Building and Improvements	-	283,292	-	283,292
IT Hardware and Software	-	133,495	-	133,49
Furniture and Fixtures	-	5,632	-	5,632
Machinery and Equipment	-	185,795	-	185,795
Total	-	1,252,888	-	1,252,888
Total Capital Assets Being Depreciated, Net	$ -	19,546,542	$ -	$ 19,546,542
Total Capital Assets	$ -	$ 76,050,408	$ -	$ 76,050,408

	June 30, 2018			
	Beginning Balance	**Increases**	**Decreases**	**Ending Balance**
Capital Assets, not Being Depreciated:				
Land	$ 56,503,866	-	-	$ 56,503,866
Construction in Progress	-	5,463,086	-	5,463,086
Total	$ 56,503,866	$ 5,463,086	$ -	$ 61,966,952
Capital Assets, Being Depreciated:				
Site Improvements	$ 4,966,248	$ 340,308	$ -	$ 5,306,556
Building and Improvements	14,009.760	1,781,856	-	15,791,616
IT Hardware and Software	1,198,533	2,618,862	-	3,817,395
Furniture and Fixtures	35,149	-	-	35,149
Machinery and Equipment	589,740	1,067,925	(44,598)	1,613,067
Total	$ 20,799,430	$ 5,808,951	$ (44,598)	$ 26,563,783
Less: Accumulated Depreciation	-			
Site Improvements	$ 644,674	$ 1,309,714	$ -	$ 1,954,388
Building and Improvements	283,292	158,217	-	441,509
IT Hardware and Software	133,495	392,121	-	525,616
Furniture and Fixtures	5,632	6,904	-	12,536
Machinery and Equipment	185,795	190,266	(25,328)	350,733
Total	$ 1,252,888	$ 2,057,222	$ (25,328)	$ 3,284,782
Total Capital Assets Being Depreciated, Net	$ 19,546,542	$ 3,751,729	$ (19,270)	$ 2,329,001
Total Capital Assets	$ 76,050,408	$ 9,214,815	$ (19,270)	$ 85,245,953

Included in the carry value above is approximately $74,743,552 of capital assets acquired in the purchase on ONT from LAWA on November 1, 2016. Depreciation expense amounted to $1,252,888 and $2,057,222, for the years ended June 30, 2017 and 2018 respectively.

Intangible assets consisted of the following at June 30, 2017 and 2018:

	June 30, 2017			
	Beginning Balance	Increases	Decreases	Ending Balance
Intangibles, not Being Amortized:				
Land Use / Air Space Rights	$ -	$ 7,273,370	$ -	$ 7,273,370
Total	-	$ 7,273,370	-	$ 7,273,370
Intangibles, Being Amortized:				
Lease Value	-	$ 131,170	-	$ 131,170
Total	-	$ 131,170	-	$ 131,170
Less Accumulated Amortization:				
Lease Value	-	12,032	-	12,032
Total	-	12,032	-	12,032
Total Intangible Assets Being Amortized	-	119,138	-	119,138
Total Intangible Assets	$ -	$ 7,392,508	$ -	$ 7,392,508

	June 30, 2018			
	Beginning Balance	Increases	Decreases	Ending Balance
Intangibles, not Being Amortized:				
Land Use / Air Space Rights	$ 7,273,370	$ -	$ -	$ 7,273,370
Total	7,273,370	-	-	$ 7,273,370
Intangibles, Being Amortized:				
Lease Value	131,170	-	-	$ 131,170
Total	131,170	-	-	$ 131,170
Less Accumulated Amortization:				
Lease Value	12,032	18,046	-	30,078
Total	12,032	18,046	-	30,078
Total Intangible Assets Being Amortized	119,138	(18,046)	-	101,092
Total Intangible Assets	$ -	$ (18,046)	$ -	$ 7,372,508

Amortization expenses for the years ended June 30, 2017 and 2018 amounted to $12,032 and $18,046, respectively.

Note 5: Loans Payable - LAWA

Loans payable consists of the following for the years ended June 30, 2017 and 2018:

June 30, 2017

Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
$ -	$ 60,955,679	$ 7,107,190	$ 53,848,489	$ -

June 30, 2018

Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
$ 53,848,489	$ -	$ 11,124,322	$ 42,724,167	$ -

	2017	2018
Loan Payable – LAWA	$ 70,000,000	$ 70,000,000
Less: Deferred Interest	(9,044,321)	(9,044,321)
Carrying Value of Loan	60,955,679	60,955,679
Less: Payments on Loan	(7,710,144)	(19,738,899)
Amortization of Deferred Interest	602,954	1,507,387
Balances at June 30	$ 53,848,489	$ 42,724,167

In connection with the acquisition of ONT from LAWA, a $70 million noninterest-bearing loan was due LAWA on the tenth anniversary of the closing. Subsequently, the parties agreed to modify the payment provisions of the settlement agreement. The revised agreement requires repayment to commence on the third anniversary from closing (November 1, 2019) by remitting to LAWA on an annual basis the sum of $2 per enplaned passenger (in excess of 2,082,721 passengers), a sum not less than $1 million or 100% of PFCs collected. The Authority may prepay the loan at any time applying a discount of 1.1%.

The original loan from $70 million was for a 10-year term and noninterest bearing. The loan was discounted to net present value using expected future cash flows at a weighted average discount rate of 1.83%. The discount rate reflects the yield on 10-year U.S. Treasury notes at the inception of the loan. Aggregate deferred interest in the amount $9,044,321 was imputed and is amortized to operations over the life of the loan. There is no fixed amortization schedule.

Note 6: 2016 Revenue Bond

Bonds Payable consisted of the following at June 30, 2017 and 2018:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Revenue Bond	$ -	$ 52,015,000	$ 3,895,000	$ 48,120,000	$ 4,805,000
Revenue Bond	$48,120,000	$ -	$ 4,805,000	$ 43,315,000	$ 4,910,000

On November 1, 2016, the Authority issued $52,015,000 of 2016 Airport Revenue Bonds ("2016 Bonds") with effective interest rates ranging from 1.290% to 2.998% issued at par. 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 net proceeds of the 2016 Bond at inception were as follows:

Bonds Payable	$ 52,015,000
Underwriters Discount	(366,988)
Premium on 2016 Bond Insurance Policy	(115,798)
Premium on 2016 Bond Reserve Surety Bond	(119,635)
Bond Issuance Costs	(2,151,865)
Net Proceeds from 2016 Bonds used to Extinguish LAWA 2006 Bonds	$ 49,260,714

The 2016 Bonds are due in principal installments on May 15th annually with interest installments due on May 15th and November 15th 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 as of June 30, 2017 and 2018 was $48,120,000 and $433,155,000, respectively.

Debt service payments through maturity are as follows at June 30, 2018:

	Principal	Interest	Total
May 15, 2019	4,910,000	1,088,817	5,998,817
May 15, 2020	5,010,000	999,553	6,009,553
May 15, 2021	5,145,000	895,145	6,040,145
May 15, 2022	5,290,000	782,778	6,072,778
May 15, 2023	5,455,000	651,375	6,106,375
May 15, 2024	5,645,000	507,690	6,152,690
May 15, 2025	5,820,000	349,743	6,169,743
May 15, 2026	6,040,000	181,079	6,221,079
Total	$ 43,315,000	$ 5,456,180	$ 48,771,180

Interest expense for the years ended June 30, 2017 and 2018, amounted to $838,083 and $1,151,162, respectively.

a. Pledged Revenues, Flow of Funds and Bond Covenants

The 2016 Bonds are special obligations of the Authority payable solely from and secured solely by Pledged Revenues. Pledged Revenues is defined in the Master Indenture to mean all income, receipts earnings, and revenues received by the Authority. The Authority covenants that, as long as the bonds are outstanding, that it will collect Pledged Revenues in amounts sufficient to provide for the flow of funds to the prescribed reserves. The Authority adheres to a prescribed regimen with respect to the flow of funds with cash receipts and cash disbursements. All receipts are deposited in the Airport Revenue Funds. Funds are then allocated and reserved for the following reserves: maintenance and operations, debt service, reserve, construction, and surplus (See Footnote 1). Net Pledged Revenues is defined to mean operating revenue plus investment income on operating funds less operating expenses before depreciation.

The Bond indenture contains various affirmative, negative and financial covenants. 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 if its discovery. The Authority was in compliance with all covenants at June 30, 2017 and 2018.

Note 7: Notes Payable

Notes payable consisted of the following at June 30, 2017 and 2018:

	2017	2018
Note Payable – Lender in connection with the financing of ERP Software System. The Lease/Purchase Master Agreement effective September 29, 2017, extends a credit facility for one year with a maximum drawdown of $2,051,649. The note contains interest at approximately 3.7% per annum. Drawdowns are made on a monthly basis with each drawdown then converting to a term note amortized over 60 months. Principal and Interest Payments are made semi-annually in April and October. The Note is secured by a first lien on the equipment financed under the agreement. The Note can be repaid without penalty at the option of the Authority.	$ -	$ 1,912,296
Less: Current Portion	-	(403,956)
Balance- Long term	$ -	$ 1,508,340

Principal payments on notes payable are as follows:

2019	$ 403,956
2020	411,245
2021	426,724
2022	442,783
2023	227,588
Total	$ 1,912,296

Interest expense for the years ended June 30, 2017 and 2018 was $0 and $17,572, respectively.

Note 8: Related Party Transactions

The Authority is charged for services from City of Ontario that are categorized in the various expense line items in the statements of revenues, expenses, and changes in net assets. The most significant are payments for City parking tax, law enforcement, crash, fire and rescue, utilities and administrative services. The Airport is subject to a 12% tax on parking revenue which tax is payable to the City of Ontario monthly. Administrative services include resources for information technology, human capital management and accounting. Amounts due to related parties amounted to $3,297,556 and $7,137,698 at June 30, 2017 and 2018 respectively, are included in Due to Related Parties on the accompanying basic financial statements.

The Authority incurred the following expenses from the City during the years ended June 30, 2017 and 2018:

	2017	2018
Parking Tax	$ 1,634,784	$ 2,173,667
Police, Fire and Dispatch	3,029,151	16,141,694
Utilities	423,280	642,854
Administrative Services	458,646	1,004,207
Total	$ 5,545,861	$ 19,962,422

The Authority is also charged for services from County of San Bernardino departments that are categorized in the various expense line items in the statements of revenues, expenses and changes in net position. The most significant are payments for emergency communications systems totaling $259,481 and $151,461 during the year ended June 30, 2017 and 2018 respectively.

Note 9: Commitments and Contingencies

a. *Litigation and Claims*

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; workers' compensation; war risk and natural disasters for which the Authority carries commercial insurance, subject to deductibles ranging from $10,000 to $100,000. No settlements exceeded insurance coverage during the years ended June 30, 2017 or 2018.

The Authority from time to time is subject to various litigation, claims and assessments in the ordinary course of business. The Authority does not believe the outcome of any such matters will have any material adverse effect on the financial position or change in net position.

b. *LAWA Staff Augmentation Agreement*

In connection with the acquisition of ONT from LAWA, The Authority entered into an agreement with LAWA to utilize existing ONT staff in order to ensure an effective and efficient transition. The Staff augmentation agreement which became effective with the closing will remain in effect for 21 months with an additional 90 days to accommodate any transition period.

Under the agreement, the Authority will be responsible for all aspects of the operations of ONT. However, to ensure continuity of services and safety, LAWA will provide personnel in substantially the same number of employees, to perform key operations such as airfield operations, facilities maintenance and custodial services, security, aircraft rescue and firefighting services.

The Authority will be responsible for reimbursing LAWA for the base amount of salary and overtime for the employees working at ONT, as well as certain additional costs and administrative charges. Retirement and pension obligations of employees assigned to work at ONT remain the responsibility of LAWA. Amounts paid under the staff augmentation agreement amounted to $20,869,576 and $19,547,968 at June 30, 2017 and 2018 respectively, and is included under salary and benefits, and police, fire and rescue in the accompanying financial statements.

During the term of the staffing agreement, the Authority, at its option, can notify LAWA that one or more of the positions being filled by LAWA has become redundant to ONT's operation. Once notice of a redundant position had been given to LAWA, LAWA has 60 days to matriculate that employee back within its workforce. If LAWA admits the redundant position back within its workforce in a capacity that it otherwise was not looking to fill, the Authority will be liable to LAWA for an amount equal to 6 months of the employee's compensation.

c. *Airline Rates and Methodologies*

Airline rates and charges methodologies refer to how airports charge airlines for the use of airport facilities and equipment. Airports typically set a landing fee for the use of an airfield, and a terminal rental rate for the use of terminal space. Implicitly, they determine how the costs of landside operations, such as parking, rental car operations, or ground transportation are recovered. Many airports also choose to set rates for other facilities and equipment such as common-use terminal space, equipment, jet bridges, etc.

The aviation industry typically classifies rate methodologies into 3 types: residual, compensatory, and hybrid. The residual methodology refers an approach in which the airlines collectively assume significant financial risk by agreeing to pay any costs of running the airport that are not allocated to other users or covered by non airline sources of revenue. The compensatory approach refers to the approach in which the airport assumes the major financial risk of running the airport and charges the airlines fees and rental rates to recover the actual costs of the facilities and services that they use.

ONT operates under the residual methodology for rates and charges. As such, at the beginning of each fiscal year, the Authority projects its costs and revenues to determine how much net costs need to be recovered through charges to the airlines via landing fees and rental rates. During the fiscal year, the Authority will collect fees according to this rate schedule. At the conclusion of each fiscal year, the Authority will compare the actual revenues generated and costs incurred to those projected at the beginning of the year to determine whether the Authority collected an excess amount from the airlines or whether a shortage existed. If the Authority determined that an excess amount was collected the surplus will be returned to the airlines. Conversely, if a shortage was determined, the Authority would be entitled to a shortfall.

Amounts due from airlines are recorded under Other Receivables while amounts due to airlines are recorded as Due to Airlines. Amounts recorded in the accompanying financial statements for the years ended June 30, 2017 and 2018 are as follows:

	2017	**2018**
Other Receivables	$ 1,679,000	$ 2,300,400
Due to Airlines	$ 6,103,000	$ -

d. Leases

The Authority leases land, terminal, hangar, and administrative facilities to various entities under operating leases, airlines, concessions, and ground transportation companies. The cost of the Authority's leased property and the related accumulated depreciation by asset type is presented as of June 30, 2017 as follows:

	2017		**2018**	
	Carrying Value	Accumulated Depreciation	Carrying Value	Accumulated Depreciation
Land	$ 56,503,866	$ -	$ 56,503,866	$ -
Buildings and Improvements	13,412,863	172,699	15,791,616	441,509
Site Improvements	4,966,248	400,665	5,306,556	1,954,388
	$ 74,882,977	$ 573,364	$ 77,602,038	$ 2,395,897

The leases on such properties expire at various times, and generally, terms are provided whereby lease terms may be extended.

Building and Land Rents are charged to Airlines for the use of the airfield, exclusive terminal use and an allocation of common use space. Fixed rental rates are set each year in accordance with the Use and Operating Agreement. Concession revenues are typically based as a percentage of gross receipt often subject to a minimum annual guaranty ("MAG").

Minimum future rental revenue on non-cancelable leases excluding future escalations, in effect at June 30, 2018, for the next 5 years is as follows:

	Lease revenue
Fiscal year ending June 30, 2019:	
2019	$ 18,946,161
2020	18,885,033
2021	18,884,641
2022	18,884,641
2023	18,884,641
	$ 98,485,117

Note 10 Insurance

The Authority maintains various insurance coverage as follows:

Type	Limits		Deductibles
Property and Equipment	$250,000,000	All Property	$25,000
	$100,000,000	Equipment	$10,000
General Liability	$100,000,000	General	-
	$100,000,000	Excess	-
Workers Compensation	$5,000,000	Statutory Limits	-
Directors and Officers	$2,000,000	Errors and Omissions	-

The Authority also maintains policies providing coverage for primary and excess earthquake events, underground storage tanks, foreign travel and automobile policies. The coverages on those policies range from $250,000 to $15,000,000 with deductibles from $0 to $100,000.

Note 11 Subsequent Events

Subsequent events have been evaluated through the date of the Financial Statements.

Ontario International Airport Authority

Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

June 30, 2017

To The Board Of Commissioners
Ontario International Airport Authority
City Of Ontario, California

To The Board Of Commissioners
Ontario International Airport Authority
City Of Ontario, California

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Ontario International Airport Authority
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