ONTARIO INTERNATIONAL AIRPORT

AUDITED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2021 AND 2020

ONTARIO, CALIFORNIA

ONTARIO INTERNATIONAL AIRPORT AUTHORITY
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FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the Ontario International Airport Authority, (the Authority) as of and for the year ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Ontario International Airport Authority, as of June 30, 2021 and 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management 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; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Other Reporting Responsibilities

Required Supplementary Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 23, 2021, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Lance, Soll & Lunghard, LLP

Brea, California
November 23, 2021

The following discussion and analysis of the financial performance and activity of the Ontario International Airport Authority (Authority) provides an introduction to the Authority's financial statements for the year ended June 30, 2021 (2021). Information for the previous years ended June 30, 2020 and 2019 (2020 and 2019, respectively) has been included to provide a better insight into the overall financial position of the Authority.

The Authority is a business-type activity and, as such, the Basic Financial Statements consists of Management's Discussion and Analysis (MD&A), the Statements of Net Position, the Statements of Revenues, Expenses, and Changes in Net Position, the Statements of Cash Flows, and the Notes to Financial Statements. This MD&A has been prepared by management and should be read and considered in conjunction with the Authority's Basic Financial Statements.

Coronavirus (COVID-19)

On March 13, 2020, a national emergency was declared by the President of the United States in response to the novel coronavirus known as SARS-CoV-2 (COVID-19), which the World Health Organization announced on March 11, 2020 could be characterized as a pandemic (Declaration). The Federal Government along with State and local governments, took extraordinary actions to prevent and slow the spread of the virus, which required nonessential businesses to close and stay-at-home orders were issued for all but essential workers. This Declaration and corresponding actions by Federal, State, and local governments had an immediate and unprecedented impact on the commercial passenger aviation industry, including airports.

On February 24, 2021, a continuation of the national emergency was declared by the President of the United States in response to COVID-19. The national emergency was in effect through June 30, 2021 and remains in effect subsequent to June 30, 2021.

Ontario International Airport (ONT) passenger levels decreased by 74.1% from March 2020 to June 2020 compared to the same period for 2019. Prior to March 1, 2020, passenger activity increased by 12.4% compared to 2019. As of June 30, 2020, one domestic carrier and two international carriers suspended air service at ONT. A substantial portion of airport revenues relate directly to passenger activity levels, including parking, rental cars, and concessions (e.g., news and gifts, food and beverage). These revenues were experiencing year-over-year increases prior to the Declaration and after, concessions decreased significantly in relation to decreases in passenger activity.

ONT passenger levels continued to experience decreases as a result of the Declaration during 2021. ONT passenger levels decreased by 61.4% from July 2020 to February 2021 compared to the same period for 2020. In March 2021, ONT passenger levels began to experience increases and passenger levels increased by 185.3% from March 2021 to June 2021 compared to the same period for 2020. However, increases did not reach pre-Declaration levels as passenger levels from March 2021 to June 2021 were still 26.1% lower compared to the same period in 2019.

Coronavirus (COVID-19) – continued

Unlike many commercial service airports in the United States, cargo carrier activity makes up a substantial portion of airplane operations at ONT. As commercial passenger activity decreased, cargo carrier activity increased in response to substantial increases in e-commerce and the need for personal protective equipment (PPE). This resulted in net total increases in landed weights and landing fees as passenger carrier landed weights were offset by increases in cargo landed weights in 2020 over 2019.

In 2021, ONT continued to experience substantial increases in cargo carrier activity, which helped mitigate the decline in commercial passenger activity. Cargo carrier landed weights increased by 477,134 one-thousand-pound units (9.8%) in 2021 over 2020. However, as a result of the Declaration, commercial passenger landed weights decreased by 684,836 one-thousand-pound units (25.2%) in 2021 over 2020. This resulted in a net total decrease in landed weights and landing fees in 2021 over 2020.

Facility and land rent revenues were not significantly impacted by the Declaration, as the Airline Operating Use and Terminal Lease Agreements (ULAs) require that terminal rents be paid regardless of air service suspension. In addition, other non-terminal lessees were obligated to continue paying rents under similar lease terms.

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

In April 2020, the United States Congress passed the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). The CARES Act provided financial assistance to United States commercial service air carriers and airports. The Authority received an award of approximately $22.2 million. The award was in the form of a grant to be used for any airport purpose allowed under existing law including expenses, capital expenditures, and debt service. The CARES Act provided funding on a reimbursement basis, retroactive to January 21, 2020. The funding did not have an expiration date. As of June 30, 2021, the Authority invoiced the full $22.2 million for operating expenses. Approximately $2.7 million of the invoiced amount was received subsequent to June 30, 2021.

Coronavirus Response and Relief Supplemental Appropriation Act (CRRSA Act)

In December 2020, the United States Congress passed the Coronavirus Response and Relief Supplemental Appropriation Act (CRRSA Act). The CRRSA Act provided financial assistance to United States airports and eligible concessions at those airports to prevent, prepare for, and respond to the COVID-19 pandemic, including relief from rent and minimum annual guarantees (MAG) for eligible airport concessions at primary airports. The Authority received an award of approximately $8.8 million, which includes an allocation of approximately $0.6 million for concession relief.

Coronavirus (COVID-19) – continued

Coronavirus Response and Relief Supplemental Appropriation Act (CRRSA Act) – continued

The award was in the form of a grant to be used for costs related to operations, personnel, cleaning, sanitization, janitorial services, combating the spread of pathogens at the airport, and debt service payments. For the concession relief allocation of the grant award, the Authority must provide relief from rent and MAG to on-airport car rental, on-airport parking, and in-terminal airport concessions (collectively, concessions). The CRRSA Act requires an airport sponsor taking a concession relief grant to provide such relief on a proportional basis until the sponsor has provided relief equaling the total allocation amount. The airport sponsor may retain up to 2 percent of the allocation amount for relief administration. Only relief associated with rent due for concession occupancy or commercial use after December 27, 2020 (the date the CRRSA Act was enacted) is eligible for grant payment.

The CRSSA Act provides funding on a reimbursement basis, and the funding is retroactive to January 20, 2020 for operating expenses. The funds are available until and must be obligated by September 30, 2021. As of June 30, 2021, the Authority has not requested reimbursement under the CRSSA Act.

American Rescue Plan Act of 2021 (ARPA)

In March 2021, the United States Congress passed the American Rescue Plan Act of 2021 (ARPA) The ARPA provided financial assistance to United States airports to prevent, prepare for, and respond to the COVID-19 pandemic, including relief from rent and MAG for eligible airport concessions at primary airports. The Authority received an award of approximately $27.2 million, which includes an allocation of approximately $2.3 million for concession relief.

The award was in the form of a grant to be used for costs related to operations, personnel, cleaning, sanitization, janitorial services, combating the spread of pathogens at the airport, and debt service payments. The ARPA requires an airport sponsor taking a concession relief grant to provide such relief on a proportional basis to eligible small airport concessions and eligible large airport concessions, respectively, until the sponsor has provided relief equaling the total allocation amount. The ARPA does not allow reimbursement for administrative expenses for relief administration. Only relief associated with rent due for concession occupancy or commercial use after March 11, 2021, which is the date of enactment of the ARPA, is eligible for grant payment.

The ARPA provides funding on a reimbursement basis, and the funding is retroactive to January 20, 2020 for operating expenses. The funds are available until and must be obligated by September 30, 2024. As of June 30, 2021, the Authority has not requested reimbursement under the ARPA.

Coronavirus (COVID-19) – continued

During the year ended June 30, 2021, national, regional, and local economies, as well as the commercial passenger carrier industry and the Authority, experienced moderate recoveries as COVID-19 restrictions were lifted or eased. However, accelerations in COVID-19 cases throughout the year resulted in many State and local jurisdictions returning to more stringent business restrictions for varying durations of time. On December 12, 2020, the Federal Food and Drug Administration (FDA) authorized the first COVID-19 vaccine to be eligible to the general public under emergency use authorization (EUA).

Subsequent to June 30, 2021, the Authority continues to experience recoveries as COVID-19 restrictions are lifted or eased and as more of the general public is vaccinated. On August 23, 2021, the FDA approved the first COVID-19 vaccine outside of EUA to be available to the general public. On September 22, 2021, the FDA authorized COVID-19 booster doses for certain populations of the general public under EUA.

The airport industry, like many travel-related industries, will continue to be impacted until COVID-19 case levels are reduced to levels that substantially limit the spread of the disease through vaccination of the public as well as preventive measures such as physical distancing and the use of masks.

The MD&A and the Authority's Basic Financial Statements reflect the blend of pre and post Declaration activities and financial results discussed above. They should be read and considered in light of the realized and continuing impact caused by COVID-19.

Airport Activities and Highlights

ONT passenger carrier activity, which is measured by enplaned and total passengers, decreased by 34.5% and 34.3% in 2021 over 2020, respectively. ONT passenger carrier activity decreased by 17.6% and 17.7% in 2020 over 2019, respectively. Aircraft operations decreased by 1.1% in 2021 and decreased by 0.3% in 2020 compared to the previous year. Landed weight decreased by 6.0% in 2021 to 7,394,849 one-thousand-pound units compared to 2020. Landed weight increased by 9.0% in 2020 to 7,866,856 one-thousand-pound units compared to 2019.

Eight major domestic and two international passenger carriers served ONT during 2021. Seven major domestic and two international passenger carriers served ONT during 2020 and 2019. Southwest Airlines and American Airlines have dominated both passenger activity and air carrier landed weight. These two carriers accounted for 63.8%, 66.7% and 69.7% of passenger traffic in 2021, 2020 and 2019, respectively. Four major cargo carriers operated at ONT in 2021 and 2020 compared to two in 2019. Each of the major passenger and cargo carriers serving ONT in 2021 had signed signatory ULAs.

Airport Activities and Highlights – continued

	2021	2020	2019
Enplaned Passengers	1,420,116	2,168,058	2,632,231
% Increase (Decrease)	(34.5) %	(17.6) %	9.8 %
Total Passengers	2,849,587	4,339,234	5,273,816
% Increase (Decrease)	(34.3) %	(17.7) %	9.6 %
Aircraft Operations	75,566	76,374	76,632
% Increase (Decrease)	(1.1) %	(0.3) %	(14.4) %
Landed Weight (One-Thousand-Pound Units)	7,394,849	7,866,856	7,219,155
% Increase (Decrease)	(6.0) %	9.0 %	8.7 %

Financial Highlights

Summary of Operations and Changes in Net Position

Total operating revenues decreased by $11.6 million (14.2%) in 2021 over 2020 and increased by $8.6 million (11.9%) in 2020 over 2019. Decreases in operating revenues in 2021 were primarily related to decreases in revenues from landing fees, facility and land rents, parking, and concessions, with offsetting increases in non-aeronautical revenues associated with CARES Act funding. Increases in operating revenues in 2020 were primarily related to increases in non-aeronautical revenues associated with CARES Act funding.

Total operating expenses decreased by $15.0 million (21.5%) in 2021 over 2020. Decreases in operating expenses in 2021 were primarily associated with decreases in public safety of $7.3 million (32.5%), contractual services of $4.1 million (15.5%), and other operating expenses of $2.8 million (49.8%). Total operating expenses increased by $1.9 million (2.8%) in 2020 over 2019. Increases in operating expenses in 2020 were primarily associated with increases in personnel costs and contractual services.

Nonoperating revenues decreased by $4.1 million (32.0%) in 2021 compared to 2020. Decreases in nonoperating revenues in 2021 were primarily associated with decreased Passenger Facility Charge (PFC) and Customer Facility Charge (CFC) revenues. Nonoperating revenues decreased by $6.6 million (34.4%) in 2020 compared to 2019. Decreases in nonoperating revenues in 2020 were also primarily associated with decreased PFCs and CFCs.

Nonoperating expenses increased by $0.5 million (16.3%) in 2021 compared to 2020, as a result of increases in bond issuance costs. Nonoperating expenses also increased by $0.8 million (31.5%) in 2020 compared to 2019, as a result of increases in interest expense.

The Authority's assets exceeded liabilities at the end of 2021 by $107.6 million, compared to $91.8 million and $74.1 million 2020 and 2019, respectively. The Authority experienced increases in net position of $15.8 million (17.2%) in 2021 compared to increases of $17.6 million (23.8%) and $26.3 million (55.1%) in 2020 and 2019, respectively.

Summary of Operations and Changes in Net Position – continued

	2021	2020	2019
Operating Revenues	$ 69,842,166	$ 81,418,287	$ 72,780,724
Operating Expenses	54,638,484	69,629,480	67,750,405
Net Operating Income Before Depreciation and Amortization	15,203,682	11,788,807	5,030,319
Depreciation and Amortization	8,728,763	6,053,898	3,453,639
Net Operating Income	6,474,919	5,734,909	1,576,680
Nonoperating Revenues	8,627,326	12,690,771	19,339,233
Nonoperating Expenses	(3,850,061)	(3,309,292)	(2,516,835)
Income Before Capital Contributions	11,252,184	15,116,388	18,399,078
Capital Contributions	4,561,418	2,519,536	7,933,404
Increase in Net Position	15,813,602	17,635,924	26,332,482
Net Position – Beginning of Year	91,750,029	74,114,105	47,781,623
Net Position – End of Year	$ 107,563,631	$ 91,750,029	$ 74,114,105

Statements of Net Position

Current unrestricted assets increased by $38.7 million (71.5%) in 2021 over 2020. The 2021 increase primarily resulted from increases in unrestricted cash and cash equivalents of $40.1 million and prepaid expenses of $1.5 million offset by decreases in accounts receivable of $1.6 million and grants receivable $0.9 million. Current restricted assets increased by $52.7 million (315.2%) in 2021 over 2020. The 2021 increase primarily resulted from increases in restricted cash and cash equivalents of $51.4 million and receivables for PFCs and CFCs of $1.3 million. The increase in restricted cash and cash equivalents was primarily the result of the Authority's issuance of 2021 Revenue Bonds in April 2021. PFC and CFC receivables increased as a result of increased aviation and concession activities in May and June of 2021. Net capital assets increased by $2.7 million (2.0%) in 2021 over 2020 as the result of $12.8 million of expenditures on several continuing projects, as well vehicles and equipment purchased offset by an increase in accumulated depreciation and amortization of $8.7 million.

Current liabilities increased by $25.8 million (169.8%) in 2021 over 2020. This increase included a decrease in accounts payable of $2.2 million (39.5%), an increase in accrued expenses of $8.6 million (748.9%), and an increase in due to airlines of $17.5 million. The current portion of long-term debt increased by $0.3 million (4.7%) and long-term debt increased by $53.9 million (54.7%) as a result of the Authority's issuance of 2021 revenue bonds offset by debt service.

Statements of Net Position – continued

The Authority's net position increased by $15.8 million (17.2%) in 2021 over 2020. Net investment in capital assets decreased by $2.1 million (5.5%) in 2021 over 2020 and represented 33.5% of total net position in 2021 compared to 41.5% in 2020. Net investment in capital assets represents the Authority's investment in capital assets (e.g., land, buildings, machinery and equipment, cash restricted for capital assets, less outstanding debt used to acquire those assets). The Authority uses these assets to provide services to its passengers, visitors, and tenants that generate future revenue streams. Although the Authority's investment in its capital assets is reported net of related debt, the resources needed to repay this debt must be provided from operations since the capital assets themselves cannot be used to retire these liabilities.

An additional portion of the Authority's net position of $12.7 million for 2021 and $8.1 million for 2020 is restricted and represents resources that are subject to restrictions from government grantors, bond resolutions, and government regulatory authorities on how they may be used. Restricted net position represented 11.8% of total net position in 2021 compared to 8.8% in 2020. The increase in restricted net position of $4.6 million (57.6%) in 2021 over 2020 is attributable to increases in restricted cash and receivables for PFC and CFC revenues.

The remaining unrestricted net position balances of $58.8 million for 2021 and $45.6 million for 2020 may be used for any lawful purpose of the Authority. Unrestricted net position increased by $13.2 million (29.1%) in 2021 over 2020 and represented 54.7% of total net position in 2021 compared to 49.7% in 2020.

			Increase (Decrease)	
	2021	2020	$	%
ASSETS				
Current Unrestricted Assets	$ 92,808,185	$ 54,107,682	$ 38,700,503	71.5 %
Current Restricted Assets	69,436,238	16,724,867	52,711,371	315.2
Capital Assets, Net	138,664,167	134,583,439	4,080,728	3.0
Total Assets	300,908,590	205,415,988	95,492,602	46.5
LIABILITIES				
Current Liabilities Payable from Unrestricted Assets	40,932,806	15,170,672	25,762,134	169.8
Noncurrent Liabilities Payable from Unrestricted Assets	152,412,153	70,448,745	81,963,408	116.3
Noncurrent Liabilities Payable from Restricted Assets	-	28,046,542	(28,046,542)	(100.0)
Total Liabilities	193,344,959	113,665,959	79,679,000	70.1
NET POSITION				
Net Investment in Capital Assets	36,015,587	38,095,971	(2,080,384)	(5.5)
Restricted	12,707,718	8,062,230	4,645,488	57.6
Unrestricted	58,840,326	45,591,828	13,248,498	29.1
Total Net Position	$ 107,563,631	$ 91,750,029	$ 15,813,602	17.2 %

Statement of Net Position – continued

Current unrestricted assets decreased in 2020 over 2019 by $9.9 million (15.4%). The 2020 decrease resulted from a decrease in cash and cash equivalents of $16.4 million offset by increases in accounts receivable of $2.6 million, grants receivable of $3.8 million and prepaid expenses of $0.4 million. Current restricted assets decreased by $13.8 million in 2020 over 2019. Cash and cash equivalents decreased by $12.6 million (43.8%) as construction fund cash was drawn for project expenditures. Restricted receivables decreased by $1.2 million (68.5%) as decreases in aviation and concession activities resulted in lower receivables from PFCs and CFCs. Net capital assets increased by $16.6 million (14.1%) in 2020 over 2019 as the result of expenditures on several continuing projects and vehicles and equipment purchases, that included $4.2 million in Airport Rescue Vehicle purchases.

Current liabilities decreased by $14.8 million in 2020 over 2019. This included a decrease in accounts payable of $3.4 million (38.3%) and a decrease in accrued expenses of $12.2 million (91.4%). The current portion of long-term debt increased by $0.7 million and long-term debt decreased by $10.1 million (8.5%) as a result of normal debt service, offset by the debt issued to acquire new vehicles and equipment in 2020.

The Authority's net position increased by $17.6 million (23.8%) in 2020 over 2019. The net investment in capital assets increased by $34.7 million and represented 41.5% of total net position in 2020 compared to 4.6% in 2019.

An additional portion of the Authority's net position of $8.1 million for 2020 and $30.5 million for 2019, is restricted. The decrease in restricted net position of $22.4 million (73.6%) in 2020 over 2019 is primarily attributable to decreases in restricted cash expended on capital projects. The remaining unrestricted net position balances of $45.6 million for 2020 and $40.2 million for 2019 may be used for any lawful purpose of the Authority.

Statements of Net Position – continued

					Increase (Decrease)		
		2020		2019		$	%
ASSETS							
Current Unrestricted Assets	$	54,107,682	$	63,981,491	$	(9,873,809)	(15.4) %
Current Restricted Assets		16,724,867		30,505,467		(13,780,600)	(45.2)
Capital Assets, Net		134,583,439		117,985,602		16,597,837	14.1
Other Long-Term Assets		-		168,516		(168,516)	(100.0)
Total Assets		205,415,988		212,641,076		(7,225,088)	(3.4)
LIABILITIES							
Current Liabilities Payable from Unrestricted Assets		15,170,672		29,954,267		(14,783,595)	(49.4)
Noncurrent Liabilities Payable from Unrestricted Assets		70,448,745		108,572,704		(38,123,959)	(35.1)
Noncurrent Liabilities Payable from Restricted Assets		28,046,542		-		28,046,542	100.0
Total Liabilities		113,665,959		138,526,971		(24,861,012)	(17.9)
NET POSITION							
Net Investment in Capital Assets		38,095,971		3,430,242		34,665,729	1,010.6
Restricted		8,062,230		30,505,467		(22,443,237)	(73.6)
Unrestricted		45,591,828		40,178,396		5,413,432	13.5
Total Net Position	$	91,750,029	$	74,114,105	$	17,635,924	23.8 %

Revenues

Total revenues of $83.3 million decreased by $13.6 million (14.1%) in 2021 over 2020 total revenues of $96.6 million. The decrease was attributable to decreases in operating revenues of $11.6 million (14.2%) and nonoperating revenues of $4.1 million (32.0%) offset by increases in capital contributions of $2.0 million (81.0%).

Revenues – continued

Operating revenues decreased by $11.6 million (14.2%) in 2021 over 2020. This decrease was attributable to decreases in all categories of operating revenues in 2021 over 2020 except for operating grants. Operating grants increased by $9.4 million (132.0%) in 2021 over 2020, which was primarily associated with the CARES Act grant funding of $15.6 million recognized in 2021 ($22.2 million awarded less $6.6 million recognized in 2020) and the CRSSA concession relief grant funding of $0.6 million recognized in 2021. Total landing fees decreased by $7.9 million (53.4%) in 2021 over 2020. This decrease was attributable to a decrease in landed weights, a decrease in the landing fee rate from $1.98 per thousand pounds of gross landed weight in 2020 to $1.84 per thousand pounds of gross landed weight in 2021, and a year-end true-up of surplus landing fees invoiced in excess of budgeted amounts of $7.0 million. Facility and land rentals decreased by $5.8 million (22.1%) as a result of additional non-terminal rents offset by a year-end true-up of surplus facility rents invoiced in excess of budgeted amounts of $10.6 million. Parking decreased by $3.8 million (21.6%) in 2021 over 2020 due to decreases in passenger activity. Concession revenues decreased by $2.4 million (45.7%) in 2021 over 2020 as a result of decreased passenger activity and concession relief granted to tenants during 2021. Rental car privilege fees decreased by $0.8 million (11.1%) in 2021 over 2020 as a result of decreased passenger activity. Other operating revenues decreased by $0.4 million (11.2%), which was primarily due to a decrease in filming revenues as a result of the Declaration.

Nonoperating revenues decreased by $4.1 million (32.0%) in 2021 over 2020. This decrease occurred across all nonoperating revenue financial statement categories except for gain on disposition of assets. Investment income decreased by $0.8 million (95.6%), PFCs and CFCs decreased by $2.2 million (25.6%) and $1.2 million (34.9%), respectively in 2021 over 2020. PFC and CFC decreases were a consequence of lower passenger activity. Gain on disposition of assets increased by $28K (32.9%).

Capital contributions of $4.6 million in 2021 was $2.0 million (81.0%) higher than 2020 capital contributions of $2.5 million. This increase was attributable to increases in Airport Improvement Program (AIP) grant revenues as eligible AIP projects were completed.

Revenues – continued

	2021	2020	Increase (Decrease) $	Increase (Decrease) %
OPERATING REVENUES				
Landing Fees	$ 6,854,142	$ 14,710,660	$ (7,856,518)	(53.4) %
Facility and Land Rents	20,448,380	26,243,649	(5,795,269)	(22.1)
Parking	13,799,864	17,600,660	(3,800,796)	(21.6)
Rental Car Privilege Fees	6,565,026	7,383,170	(818,144)	(11.1)
Concessions	2,804,496	5,160,614	(2,356,118)	(45.7)
Operating Grants	16,533,704	7,126,536	9,407,168	132.0
Other Operating Revenues	2,836,554	3,192,998	(356,444)	(11.2)
Total Operating Revenues	69,842,166	81,418,287	(11,576,121)	(14.2)
NONOPERATING REVENUES				
Investment Income	35,084	794,984	(759,900)	(95.6)
Passenger Facility Charges	6,289,645	8,448,989	(2,159,344)	(25.6)
Customer Facility Charges	2,187,354	3,360,085	(1,172,731)	(34.9)
Gain on Disposition of Assets	115,243	86,713	28,530	32.9
Total Nonoperating Revenues	8,627,326	12,690,771	(4,063,445)	(32.0)
Capital Contributions	4,561,418	2,519,536	2,041,882	81.0
Total Revenues	$ 83,030,910	$ 96,628,594	$ (13,597,684)	(14.1) %

Total revenues of $96.6 million decreased by $3.4 million (3.4%) in 2020 over 2019 total revenues of $100.1 million. The decrease was attributable to increases in operating revenues of $8.6 million (11.9%) offset by decreases in nonoperating revenues of $6.6 million (34.4%) and decreases in capital contributions of $5.4 million (68.2%).

Operating revenues increased by $8.6 million (11.9%) in 2020 over 2019. This increase was largely driven by an increase in operating grants of $6.5 million (974.8%), which was associated with the CARES Act grant funding of $6.6 million. Total landing fees increased by $0.6 million (4.0%) in 2020 over 2019. This increase was attributable to greater landed weights. Facility and land rentals increased by $2.5 million (10.3%) as a result of additional non-terminal rents. Parking decreased by $0.3 million (1.9%) due to decreases in passenger activity, mitigated by parking rate increases effective July 1, 2019. Concession revenues increased by $0.7 million (15.3%) despite decreases in passenger activity as contractually required MAG offset actual concessionaire sales decreases. Rental car privilege fees remained relatively flat in 2020 compared to 2019. Other operating revenues decreased by $1.2 million (27.2%), which was primarily due to a decrease in filming revenues as a result of the Declaration.

Revenues – continued

Nonoperating revenues decreased by $6.6 million (34.4%) in 2020 over 2019. This decrease occurred across all nonoperating revenue financial statement categories. Investment income decreased by $0.5 million (36.6%), PFCs and CFCs decreased by $2.4 million (21.9%) and $0.7 million (17.3%), respectively in 2020 over 2019. PFC and CFC decreases were a consequence of lower passenger activity. The decrease in gain on disposal of assets in 2020 over 2019 is attributed to a sale of vehicles to the Authority's airfield operations contractor. The decrease in other nonoperating revenues of $2.4 million in 2020 resulted from a one-time settlement in 2019 on estimates for accrued expenses related to the Los Angeles World Airports (LAWA) settlement agreement.

Capital contributions of $2.5 million in 2020 was $5.4 million (68.2%) lower than 2019 capital contributions of $7.9 million. This decrease was attributable to decreases in AIP grant revenues as eligible AIP projects were put on hold as a result of the Declaration.

			Increase (Decrease)	
	2020	2019	$	%
OPERATING REVENUES				
Landing Fees	$ 14,710,660	$ 14,138,867	$ 571,793	4.0 %
Facility and Land Rents	26,243,649	23,797,234	2,446,415	10.3
Parking	17,600,660	17,937,975	(337,315)	(1.9)
Rental Car Privilege Fees	7,383,170	7,378,129	5,041	0.1
Concessions	5,160,614	4,477,220	683,394	15.3
Operating Grants	7,126,536	663,040	6,463,496	974.8
Other Operating Revenues	3,192,998	4,388,258	(1,195,260)	(27.2)
Total Operating Revenues	81,418,287	72,780,723	8,637,564	11.9
NONOPERATING REVENUES				
Investment Income	794,984	1,253,343	(458,359)	(36.6)
Passenger Facility Charges	8,448,989	10,814,570	(2,365,581)	(21.9)
Customer Facility Charges	3,360,085	4,061,658	(701,573)	(17.3)
Gain on Disposition of Assets	86,713	789,604	(702,891)	(89.0)
Other Nonoperating Revenue	-	2,420,058	(2,420,058)	(100.0)
Total Nonoperating Revenues	12,690,771	19,339,233	(6,648,462)	(34.4)
Capital Contributions	2,519,536	7,933,404	(5,413,868)	(68.2)
Total Revenues	$ 96,628,594	$ 100,053,360	$ (3,424,766)	(3.4) %

Expenses

Total expenses decreased by $11.8 million (14.9%) in 2021 over 2020. This included decreases in operating expenses of $15.0 million (21.5%) offset by increases in depreciation and amortization of $2.7 million (44.2%), and nonoperating expenses of $0.5 million (16.3%).

Operating expenses decreased by $15.0 million (21.5%) in 2021 over 2020. Personnel expenses remained relatively flat in 2021 over 2020. Public safety expenses of $15.1 million decreased by $7.3 million (32.5%) in 2021 over 2020. Contractual services decreased by $4.1 million (15.5%) in 2021 over 2020. These decreases were primarily the result of the general decrease in airport activity in 2021 and cost-saving measures put in place by the Authority as a result of the Declaration. Materials and supplies and telecommunication and utilities decreased by $0.1 million (11.9%) and $0.3 million (63.2%), respectively. The decreases resulted primarily from personnel working remotely as a result of the Declaration. The decrease in utilities and administration resulted from decreases across all utility categories, including electric, gas, and water. Insurance and administration remained relatively flat in 2021 over 2020. Bad debt expense decreased by $383K (63.2%) in 2021 over 2020 as a result of improved accounts receivable collections. Marketing expense reductions in 2021 compared to 2020 accounted for a majority of the decrease in other operating expenses of $2.8 million (49.8%). Depreciation and amortization expense increased by $2.7 million (44.2%) in 2021 over 2020 due to the acquisition of new capital assets and the completion of capital projects.

Nonoperating expenses increased by $0.5 million (16.3%) in 2021 over 2020. This change resulted from an increase in bond issuance costs, which was attributable to the issuance of new debt to finance capital projects.

	2021	2020	Increase (Decrease) $	Increase (Decrease) %
OPERATING EXPENSES				
Personnel	$ 7,184,686	$ 7,116,113	$ 68,573	1.0 %
Public Safety	15,102,848	22,377,074	(7,274,226)	(32.5)
Contractual Services	22,537,291	26,662,656	(4,125,365)	(15.5)
Materials and Supplies	1,044,759	1,186,140	(141,381)	(11.9)
Insurance and Administration	1,286,859	1,251,621	35,238	2.8
Telecommunication and Utilities	4,405,245	4,749,119	(343,874)	(7.2)
Bad Debt Expense	222,927	606,339	(383,412)	(63.2)
Other Operating Expenses	2,853,868	5,680,418	(2,826,550)	(49.8)
Total Operating Expenses	54,638,483	69,629,480	(14,990,997)	(21.5)
Depreciation and amortization	8,728,763	6,053,898	2,674,865	44.2
NONOPERATING EXPENSES				
Interest Expense	2,733,010	3,296,292	(563,282)	(17.1)
Bond Issuance Costs	1,117,051	13,000	1,104,051	8,492.7
Total Nonoperating Expenses	3,850,061	3,309,292	540,769	16.3
Total Expenses	$ 67,217,307	$ 78,992,670	$ (11,775,363)	(14.9) %

Expenses – continued

Total expenses increased by $5.3 million (7.2%) in 2020 over 2019. This included increases in operating expenses of $1.9 million (2.8%), depreciation and amortization of $2.6 million (75.3%), and nonoperating expenses of $0.8 million (31.5%).

Operating expenses increased by $1.9 million (2.8%) in 2020 over 2019. Personnel expenses increased by $1.7 million (31.0%) in 2020 over 2019 due to the increase in the number of Authority staff from 2019. Public safety expenses of $22.4 million remained relatively flat in 2020 over 2019. Contractual services increased by $1.5 million (6.0%) in 2020 over 2019. Materials and supplies, insurance and administration, and telecommunication and utilities decreased by $0.4 million (27.2%), $0.3 million (20.9%), and $0.6 million (11.1%), respectively. The decreases resulted primarily from personnel working remotely as a result of the Declaration. The decrease in utilities and administration resulted from decreases across all utility categories, including electric, gas, and water. Bad debt expense increased by $606K (100.0%) in 2020 over 2019 as a result of an increase in accounts receivable write offs. Marketing expense reductions in 2020 compared to 2019 accounted for a majority of the decrease in other operating expenses of $0.5 million (8.2%). Depreciation and amortization expense increased by $2.6 million (75.3%) in 2020 over 2019 due to the acquisition of new capital assets and the completion of capital projects.

Nonoperating expenses increased by $0.8 million (31.5%) in 2020 over 2019. This change resulted from an increase in interest expense, which was attributable to the issuance of new debt to finance capital projects.

			Increase (Decrease)	
	2020	2019	$	%
OPERATING EXPENSES				
Personnel	$ 7,116,113	$ 5,430,436	$ 1,685,677	31.0 %
Public Safety	22,377,074	22,423,975	(46,901)	(0.2)
Contractual Services	26,662,656	25,150,581	1,512,075	6.0
Materials and Supplies	1,186,140	1,629,892	(443,752)	(27.2)
Insurance and Administration	1,251,621	1,581,606	(329,985)	(20.9)
Telecommunication and Utilities	4,749,119	5,343,547	(594,428)	(11.1)
Bad Debt Expense	606,339	-	606,339	100.0
Other Operating Expenses	5,680,418	6,190,367	(509,949)	(8.2)
Total Operating Expenses	69,629,480	67,750,404	1,879,076	2.8
Depreciation and amortization	6,053,898	3,453,639	2,600,259	75.3
NONOPERATING EXPENSES				
Interest Expense	3,296,292	2,240,335	1,055,957	47.1
Bond Issuance Costs	13,000	276,500	(263,500)	(95.3)
Total Nonoperating Expenses	3,309,292	2,516,835	792,457	31.5
Total Expenses	$ 78,992,670	$ 73,720,878	$ 5,271,792	7.2 %

Capital Assets

Net capital assets increased by $4.1 million (3.0%) in 2021 over 2020. The increase resulted from spending on capital improvement program projects being higher than current year depreciation and amortization expense. Land improvements, buildings and improvements, and construction in progress (CIP) increased by $4.3 million (14.1%) and $2.9 million (7.6%), respectively, as long-term capital projects were completed and placed in service. The most significant 2021 CIP projects were for the Taxiway C Improvement Project, which was completed and placed in service in 2021, and the Runway 8R-26L Rehabilitation and Connecting Taxiways Project, which is still in progress.

			Increase (Decrease)	
	2021	2020	$	%
Capital Assets – Not Depreciated:				
Land	$ 56,503,866	$ 56,503,866	$ -	- %
Air Avigation Easements	7,273,370	7,273,370	-	-
Construction in Progress	8,235,649	3,253,139	4,982,510	153.2
Total	72,012,885	67,030,375	4,982,510	7.4
Capital Assets – Depreciated:				
Land Improvements	34,404,618	30,150,647	4,253,971	14.1
Buildings and Improvements	40,976,148	38,066,172	2,909,976	7.6
Information Technology Hardware and Software	5,116,817	4,659,526	457,291	9.8
Furniture and Fixtures	72,723	72,723	-	-
Machinery, Equipment, and Vehicles	7,385,816	7,199,098	186,718	2.6
Total	87,956,122	80,148,166	7,807,956	9.7
Total Capital Assets	159,969,007	147,178,541	12,790,466	8.7
Less: Accumulated Depreciation and Amortization	(21,304,840)	(12,595,102)	(8,709,738)	69.2
Total Capital Assets, Net	$ 138,664,167	$ 134,583,439	$ 4,080,728	3.0 %

Net capital assets increased by $16.6 million (14.1%) in 2020 over 2019. The increase resulted from spending on capital improvement program projects being higher than current year depreciation and amortization expense. Land improvements and buildings and improvements increased by $15.7 million (108.7%) and $18.7 million (96.1%), respectively, as long-term capital projects were completed and placed in service and are offset by a related decrease in CIP. In addition, machinery, equipment and vehicles increased by $4.9 million (208.2%) primarily from the replacement of Aircraft Rescue and Firefighting (ARFF) and airside operations vehicles. The most significant 2020 CIP projects were for the Airfield Marking and the Northwest Cargo Development.

Additional detailed information regarding capital asset activity may be found in Note 5 in the accompanying Notes to Financial Statements.

Capital Assets – continued

	2020	2019	Increase (Decrease) $	Increase (Decrease) %
Capital Assets – Not Depreciated:				
Land	$ 56,503,866	$ 56,503,866	$ -	- %
Air Avigation Easements	7,273,370	7,273,370	-	-
Construction in Progress	3,253,139	19,893,356	(16,640,217)	(83.6)
Total	67,030,375	83,670,592	(16,640,217)	(19.9)
Capital Assets – Depreciated:				
Land Improvements	30,150,647	14,443,681	15,706,966	108.7
Buildings and Improvements	38,066,172	19,410,708	18,655,464	96.1
Information Technology Hardware and Software	4,659,526	4,593,000	66,526	1.4
Furniture and Fixtures	72,723	72,723	-	-
Machinery, Equipment, and Vehicles	7,199,098	2,336,102	4,862,996	208.2
Total	80,148,166	40,856,214	39,291,952	96.2
Total Capital Assets	147,178,541	124,526,806	22,651,735	18.2
Less: Accumulated Depreciation and Amortization	(12,595,102)	(6,541,204)	(6,053,898)	92.6
Total Capital Assets, Net	$ 134,583,439	$ 117,985,602	$ 16,597,837	14.1 %

Debt Activity

At the end of 2021, the Authority had total long-term debt outstanding of $159.4 million. The debt consisted principally of 2021 revenue bonds issued in April 2021 ($124.7 million), 2016 revenue bonds ($28.3 million), and other notes and capital lease obligations ($6.5 million). The notes payable to LAWA and subordinated revenue notes were paid off in connection with the Authority's issuance of the 2021 revenue bonds. This debt was secured by airport revenues and/or by PFCs. The increase of $54.2 million (51.6%) in 2021 over 2020 was primarily related to the issuance of 2021 revenue bonds offset by normal debt service.

Debt Activity – continued

	2021	2020	Increase (Decrease) $	Increase (Decrease) %
Revenue Bonds:				
Series 2016	$ 28,250,000	$ 33,395,000	$ (5,145,000)	(15.4) %
Series 2021:				
Series 2021 A	57,750,000	-	57,750,000	100.0
Series 2021 A Premium	12,060,876	-	12,060,876	100.0
Series 2021 B	41,685,000	-	41,685,000	100.0
Series 2021 B Premium	9,258,009	-	9,258,009	100.0
Series 2021 C	3,905,000	-	3,905,000	100.0
Total Series 2021	124,658,885	-	124,658,885	100.0
Total Revenue Bonds	152,908,885	33,395,000	119,513,885	357.9
Direct Borrowings:				
Notes Payable – LAWA	-	28,046,542	(28,046,542)	(100.0)
Subordinated Revenue Notes	-	34,370,500	(34,370,500)	(100.0)
Other Notes and Capital Lease Obligations	6,468,215	9,338,063	(2,869,848)	(30.7)
Total Direct Borrowings	6,468,215	71,755,105	(65,286,890)	(91.0)
Total Long-Term Debt	$ 159,377,100	$ 105,150,105	$ 54,226,995	51.6 %

At the end of 2020, the Authority had total long-term debt outstanding of $105.2 million. The debt consisted principally of 2016 revenue bonds ($33.4 million), notes payable to LAWA ($28.0 million), and subordinated revenue notes ($34.4 million). This debt was secured by airport revenues and/or by PFCs. The decrease in long-term debt of $9.4 million (8.2%) in 2020 over 2019 was primarily related to the issuance of debt to finance vehicles and airport improvements, offset by normal debt service.

	2020	2019	Increase (Decrease) $	Increase (Decrease) %
Revenue Bonds:				
Series 2016	$ 33,395,000	$ 38,405,000	$ (5,010,000)	(13.0) %
Total Revenue Bonds	33,395,000	38,405,000	(5,010,000)	(13.0)
Direct Borrowings:				
Notes Payable – LAWA	28,046,542	34,715,284	(6,668,742)	(19.2)
Subordinated Revenue Notes	34,370,500	34,370,500	-	-
Other Notes and Capital Lease Obligations	9,338,063	7,044,576	2,293,487	32.6
Total Direct Borrowings	71,755,105	76,130,360	(4,375,255)	(5.7)
Total Long-Term Debt	$ 105,150,105	$ 114,535,360	$ (9,385,255)	(8.2) %

Debt Activity – continued

Additional detailed information regarding long-term debt activity may be found in Note 8 in the accompanying Notes to Financial Statements.

Debt Service Coverage

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

The Authority is required to maintain debt service coverage ratios for the 2016 revenue bonds, 2021 revenue bonds, and the 2019 subordinated revenue notes that were repaid during 2021.

The required debt service coverage ratio for the 2016 and 2021 revenue bonds is 125% of annual principal and interest payments. The debt service coverage ratio was 326.0% as of June 30, 2021, compared to 302.2% and 179.4% as of June 30, 2020 and 2019, respectively.

The 2019 subordinated revenue notes were subordinate to the 2016 revenue bonds in terms of priority of claims. The required debt service coverage ratio for the 2019 Notes was 110% of annual principal and interest payments. The debt service coverage ratio was 254.1% and 137.9% as of June 30, 2020 and 2019, respectively.

As of September 30, 2021, the Authority was in compliance with all financial covenants. Variances in the debt service coverage year-over-year are primarily attributable to normal debt service and changes in net airport system revenue.

Airline Rates and Charges

The Authority has residual cost ULAs with seven signatory passenger airlines that expire on September 30, 2024. This agreement provides a method for securing the financial stability of the Authority through a schedule of rates and charges. The following table details some of the key rates and charges included in the agreement. Additional detailed information regarding ULAs and airline rates and charges may be found in Note 2 in the accompanying Notes to Financial Statements.

Airline Rates and Charges – continued

	2021	2020	2019
Fee Type:			
Signatory Landing Fees per Thousand Pounds of Gross Landed Weight	$ 1.84	$ 1.98	$ 1.98
Signatory Annual per Square Foot Terminal Rental Rate	$ 99.38	$ 109.76	$ 109.76
Non-Preferential Gate Use, per Turn	$ 280.00	$ 280.00	$ 280.00
Jet Bridge Utility Per Use	$ 189.00	$ 189.00	$ 189.00

Airline Cost Per Enplanement

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

	2021	2020	2019
Airline Cost per Enplanement:			
Passenger Airline Revenues	$ 8,776,399	$ 24,102,471	$ 22,960,517
Enplaned Passengers	1,420,116	2,168,058	2,632,231
Cost per Enplanement	$ 6.18	$ 11.12	$ 8.72

CPE decreased by $4.94 (44.42%) per enplaned passenger in 2021 over 2020. This decrease was the result of a disproportionate decrease in passenger airline revenues (63.6%) in relation to enplaned passengers (34.5%) due to the impacts of the Declaration on the aviation industry.

			Increase (Decrease)	
	2021	2020	$	%
Airline Cost per Enplanement:				
Passenger Airline Revenues	$ 8,776,399	$ 24,102,471	$ (15,326,072)	(63.6) %
Enplaned Passengers	1,420,116	2,168,058	(747,942)	(34.5)
Cost per Enplanement	$ 6.18	$ 11.12	$ (4.94)	(44.4) %

Airline Cost Per Enplanement – continued

CPE increased by $2.40 (27.5%) per enplaned passenger in 2020 over 2019. This increase was the result of an increase in passenger airline revenues and a decrease in total passengers.

	2020	2019	Increase (Decrease) $	Increase (Decrease) %
Airline Cost per Enplanement:				
Passenger Airline Revenues	$ 24,102,471	$ 22,960,517	$ 1,141,954	5.0 %
Enplaned Passengers	2,168,058	2,632,231	(464,173)	(17.6)
Cost per Enplanement	$ 11.12	$ 8.72	$ 2.40	27.5 %

Requests for Information

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

ONTARIO INTERNATIONAL AIRPORT AUTHORITY
STATEMENTS OF NET POSITION
JUNE 30, 2021 AND 2020

	2021	2020
ASSETS		
Current Assets:		
Unrestricted Assets:		
Cash and Cash Equivalents – Note 3	$ 75,043,777	$ 34,991,929
Accounts Receivable, Net of Allowance for Doubtful Accounts of $564,272 and $538,631 at June 30, 2021 and 2020, Respectively	8,303,513	9,938,685
Grants Receivable	6,935,095	7,858,834
Interest Receivable	26,705	118,344
Current Portion of Note Receivable – Note 4	-	168,516
Prepaid Expenses	2,499,095	1,031,374
Total Unrestricted Current Assets	92,808,185	54,107,682
Restricted Assets:		
Cash and Cash Equivalents – Note 3	67,591,845	16,181,957
Accounts Receivable	1,844,393	542,910
Total Restricted Current Assets	69,436,238	16,724,867
Total Current Assets	162,244,423	70,832,549
Noncurrent Assets:		
Capital Assets – Note 5		
Not Depreciated	72,012,885	67,030,375
Depreciated, Net of Accumulated Depreciation and Amortization of $21,304,840 and $12,595,102 at June 30, 2021 and 2020, Respectively	66,651,282	67,553,064
Net Capital Assets	138,664,167	134,583,439
Total Noncurrent Assets	138,664,167	134,583,439
TOTAL ASSETS	**$ 300,908,590**	**$ 205,415,988**

See Accompanying Notes to Financial Statements

ONTARIO INTERNATIONAL AIRPORT AUTHORITY
STATEMENTS OF NET POSITION – CONTINUED
JUNE 30, 2021 AND 2020

	2021	2020
LIABILITIES		
Current Liabilities:		
Payable from Unrestricted Assets:		
Accounts Payable	$ 3,348,191	$ 5,536,289
Accrued Expenses	9,728,837	1,146,001
Accrued Payroll and Vacation	685,231	615,564
Accrued Interest	616,482	366,015
Customer Deposits – Note 6	568,820	221,688
Current Portion of Long-Term Debt – Note 8	6,964,947	6,654,818
Due to Airlines – Note 7	17,529,409	-
Unearned Revenues – Note 6	1,490,889	630,297
Total Unrestricted Current Liabilities	40,932,806	15,170,672
Noncurrent Liabilities:		
Payable from Unrestricted Assets:		
Long-Term Debt – Note 8:		
Revenue Bonds – Series 2016	22,960,000	28,250,000
Revenue Bonds – Series 2021	124,658,885	-
Subordinated Revenue Notes	-	34,370,500
Other Notes and Capital Lease Obligations	4,793,268	7,828,245
Total Unrestricted Noncurrent Liabilities	152,412,153	70,448,745
Payable from Restricted Assets:		
Notes Payable – LAWA – Note 8	-	28,046,542
Total Restricted Noncurrent Liabilities	-	28,046,542
Total Noncurrent Liabilities	152,412,153	98,495,287
Total Liabilities	193,344,959	113,665,959
NET POSITION		
Net Investment in Capital Assets	36,015,587	38,095,971
Restricted	12,707,718	8,062,230
Unrestricted	58,840,326	45,591,828
Total Net Position	107,563,631	91,750,029
TOTAL LIABILITIES AND NET POSITION	**$ 300,908,590**	**$ 205,415,988**

See Accompanying Notes to Financial Statements

ONTARIO INTERNATIONAL AIRPORT AUTHORITY
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
OPERATING REVENUES		
Landing Fees	$ 6,854,142	$ 14,710,660
Facility and Land Rents	20,448,380	26,243,649
Parking	13,799,864	17,600,660
Rental Car Privilege Fees	6,565,026	7,383,170
Concessions	2,804,496	5,160,614
Operating Grants	16,533,704	7,126,536
Other Operating Revenues	2,836,554	3,192,998
Total Operating Revenues	69,842,166	81,418,287
OPERATING EXPENSES		
Personnel	7,184,686	7,116,113
Public Safety	15,102,848	22,377,074
Contractual Services	22,537,291	26,662,656
Materials and Supplies	1,044,759	1,186,140
Insurance and Administration	1,286,859	1,251,621
Telecommunication and Utilities	4,405,245	4,749,119
Bad Debt Expense	222,927	606,339
Other Operating Expenses	2,853,869	5,680,418
Total Operating Expenses	54,638,484	69,629,480
Net Operating Income Before Depreciation and Amortization	15,203,682	11,788,807
Depreciation and Amortization	8,728,763	6,053,898
Net Operating Income	6,474,919	5,734,909
NONOPERATING REVENUES (EXPENSES)		
Interest Income on Investments	35,084	794,984
Passenger Facility Charges	6,289,645	8,448,989
Customer Facility Charges	2,187,354	3,360,085
Interest Expense	(2,733,010)	(3,296,292)
Bond Issuance Costs	(1,117,051)	(13,000)
Gain on Disposition of Assets	115,243	86,713
Total Nonoperating Revenues	4,777,265	9,381,479
Net Income Before Capital Contributions	11,252,184	15,116,388
Capital Contributions:		
Federal Grants and Other	4,561,418	2,519,536
Increase in Net Position	15,813,602	17,635,924
TOTAL NET POSITION - BEGINNING OF YEAR	**91,750,029**	**74,114,105**
TOTAL NET POSITION - END OF YEAR	**$ 107,563,631**	**$ 91,750,029**

See Accompanying Notes to Financial Statements

ONTARIO INTERNATIONAL AIRPORT AUTHORITY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Airlines and Tenants	$ 73,457,840	$ 71,846,159
Operating Grants	20,785,674	3,282,113
Payments to Suppliers	(45,007,399)	(77,993,933)
Payments for Personnel Services	(7,115,019)	(6,884,309)
Net Cash Provided (Used) by Operating Activities	42,121,096	(9,749,970)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Federal Grants and Other Capital Contributions	1,233,187	2,519,536
Acquisition of Capital Assets	(9,433,638)	(17,909,998)
Proceeds from Sale of Capital Assets	145,848	86,713
Principal Paid on Long-Term Debt	(70,633,116)	(15,657,763)
Proceeds from Issuance of Long-Term Debt	123,363,151	-
Bond Issuance Costs	(673,497)	(13,000)
Passenger Facility Charge Receipts	5,079,602	9,630,036
Customer Facility Charge Receipts	2,095,914	3,360,085
Interest Paid on Long-Term Debt	(2,132,050)	(2,316,590)
Net Cash Provided (Used) by Capital and Related Financing Activities	49,045,401	(20,300,981)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Income on Investments	126,723	879,081
Collections of Notes Receivable	168,516	181,039
Net Cash Provided by Investing Activities	295,239	1,060,120
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	91,461,736	(28,990,831)
CASH AND CASH EQUIVALENTS – BEGINNING OF YEAR	51,173,886	80,164,717
CASH AND CASH EQUIVALENTS – END OF YEAR	$ 142,635,622	$ 51,173,886

See Accompanying Notes to Financial Statements

ONTARIO INTERNATIONAL AIRPORT AUTHORITY
STATEMENTS OF CASH FLOWS – CONTINUED
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
RECONCILIATION OF NET OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Net Operating Income	$ 6,474,919	$ 5,734,909
Adjustments to Reconcile Net Operating Income to Net Cash Provided (Used) by Operating Activities:		
Bad Debt Expense	222,927	606,339
Depreciation and Amortization	8,728,763	6,053,898
Effects of Changes in Operating Assets and Liabilities:		
Accounts Receivable	1,412,245	(2,364,168)
Grants Receivable	4,251,970	(3,844,423)
Prepaid Expenses	(543,208)	(405,497)
Accounts Payable	(3,107,665)	(3,435,883)
Accrued Expenses	5,874,345	(12,245,525)
Accrued Payroll and Vacation	69,667	231,804
Customer Deposits	347,132	148,731
Due to Airlines	17,529,409	-
Unearned Revenues	860,592	(230,155)
Net Cash Provided (Used) by Operating Activities	$ 42,121,096	$ (9,749,970)
NONCASH NONOPERATING, CAPITAL, FINANCING, AND INVESTING ACTIVITIES		
Amortization of 2021 Bond Premium	$ 72,333	$ -
Capital Assets Acquired by Issuance of Debt	$ 201,226	$ 5,217,959
Capital Assets Acquired through Accounts Payable and Accrued Expenses	$ 3,205,232	$ -
Net Appreciation (Depreciation) in Fair Value of Investments	$ (162,053)	$ 105,097
Prepaid 2021 Bond Insurance Paid by Bond Trustee	$ 718,597	$ -
Prepaid 2021 Bond Surety Reserve Paid by Bond Trustee	$ 205,916	$ -

NOTE 1 – ORGANIZATION AND REPORTING ENTITY

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

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

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

Acquisition of ONT by the Authority

The Authority acquired substantially all assets and liabilities of ONT from the City of Los Angeles department known as Los Angeles World Airports (LAWA) on November 1, 2016 (Transfer Date) pursuant to a Settlement Agreement (Settlement Agreement) executed on December 22, 2015. The Settlement Agreement provides for a schedule of payments by the Authority to LAWA as compensation for the transfer of ONT to the Authority, including from cash on hand and Passenger Facility Charge (PFC) revenues received or to be received by the Authority. All amounts due to LAWA under the Settlement Agreement have been paid as of April 2021. See Note 8.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of significant accounting policies follows:

Basis of Accounting

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Measurement Focus and Basis of Accounting

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

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

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

Use of Estimates in Preparing Financial Statements

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

Cash and Cash Equivalents

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Investments

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

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

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

Accounts and Grants Receivable

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Capital Assets

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

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

Land Improvements	5-15 Years
Buildings and Improvements	20-33 Years
Information Technology Hardware and Software	1-5 Years
Furniture and Fixtures	3-5 Years
Machinery, Equipment, and Vehicles	1-10 Years

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

Interest incurred on debt obligations to finance construction projects is expensed as incurred during the construction period.

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

Restricted Assets and Liabilities

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Compensated Absences

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

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

Bonds Payable, Bond Premiums and Discounts

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

Airline Operating Use and Terminal Lease Agreements (ULAs)

The Authority has entered into ULAs with signatory passenger and cargo airlines operating at ONT, which expire on September 30, 2024. The ULAs define a signatory airline as a passenger or cargo airline who has executed a ULA at ONT. Airlines not executing ULAs are considered non-signatory airlines. The ULAs establish the rate-setting mechanisms for the costs of operating at ONT on a residual basis. This methodology establishes two residual cost centers, airfield and terminal, at ONT. The net annual requirement for the airfield and terminal cost centers are recovered through landing fees and terminal rents, respectively. Landing fees are assessed to each airline for every aircraft landing at ONT based on the Maximum Gross Weight (MGW) of that aircraft. Terminal rents are assessed using the airlines' leased space plus an allocation of common use space. Signatory rates are established at the beginning of each year based on the Authority's adopted budgeted and forecasted aviation activity. Non-signatory airlines are required to pay a premium on these rates that range from 10% to 25%. At the end of each fiscal year, using audited results of the Authority and in accordance with the provisions of the ULAs, a true-up is prepared that calculates the net annual requirement (surplus) for each cost center based on actual results. The Authority allocates this net annual requirement (surplus) to each signatory airline and establishes a corresponding asset or liability by airline in accordance with the ULAs. Non-signatory airlines are not included in the annual true-up.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Net Position

The Authority's policy is to restrict net position to the extent that assets restricted for bond debt service exceed the applicable debt service liabilities, and these assets are funded from operations rather than bond proceeds. Because these restricted assets do not exceed debt service liabilities as of June 30, 2021 and 2020, no reservation of net position is required.

Passenger Facility Charges (PFCs)

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

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

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Customer Facility Charges (CFCs)

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

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

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

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

New Accounting Standards

Implementation of the following GASB pronouncements was effective for the years ended June 30, 2021 and 2020:

GASB Statement No. 84, *Fiduciary Activities.*

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements.*

GASB Statement No. 90, *Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61.*

GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*.

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

GASB Statement No. 87, *Leases.* The requirements of this statement are effective for fiscal years beginning after June 15, 2021.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

New Accounting Standards – continued

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period.* The requirements of this statement are effective for reporting periods beginning after December 15, 2020.

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans.* The requirements of this statement are effective for fiscal years beginning after June 15, 2021.

GASB Statement No. 91, *Conduit Debt Obligations.* The requirements of this statement are effective for reporting periods beginning after December 15, 2021.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The requirements of this statement are effective for fiscal years beginning after June 15, 2022.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. The requirements of this statement are effective for fiscal years beginning after June 15, 2022.

Reclassifications

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

NOTE 3 – CASH, CASH EQUIVALENTS, AND INVESTMENTS

Deposits with Financial Institutions

As of June 30, 2021, the carrying amount of the Authority's deposits was $109,930,039 and the bank balance was $111,347,555. As of June 30, 2020, the carrying amount of the Authority's deposits was $18,580,990 and the bank balance was $19,418,599. The difference between the carrying amounts and the bank balances represents outstanding checks, deposits in transit, and other reconciling items.

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

Interest Rate Risk

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

Custodial Risk (Deposits)

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

Custodial Credit Risk (Investments)

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

Credit Risk (Investments)

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

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

Cash and cash equivalents consisted of the following as of June 30, 2021 and 2020:

	Cash and Cash Equivalents	
	2021	2020
Deposits with Financial Institutions	$ 109,930,039	$ 18,580,990
Local Agency Investment Fund (LAIF)	32,705,583	32,592,896
Total Cash and Cash Equivalents	$ 142,635,622	$ 51,173,886

Cash and cash equivalents are classified as follows as of June 30, 2021 and 2020:

	Cash and Cash Equivalents	
	2021	2020
Unrestricted	$ 75,043,777	$ 34,991,929
Restricted:		
Debt Service Reserve – 2016 Revenue Bonds	1,012,129	-
Debt Service Reserve – 2021 Revenue Bonds	845,652	-
Projects Fund – 2021 Revenue Bonds	56,728,520	-
Capitalized Interest Fund – 2021 Revenue Bonds	1,180,051	-
Customer Facility Charge Fund	5,148,864	4,817,205
Passenger Facility Charge Fund	2,659,656	2,702,115
Other	16,973	-
Construction Fund	-	8,662,637
Total Restricted Cash and Cash Equivalents	67,591,845	16,181,957
Total Cash and Cash Equivalents	$ 142,635,622	$ 51,173,886

Investment in State Investment Pools

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

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

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

Investment in State Investment Pools – continued

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

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

NOTE 4 – NOTE RECEIVABLE

The Authority held a note receivable from the sale of certain vehicles and equipment. The original amount of $364,511 was due in monthly installments of $14,956, including interest at 1.6%, and was paid in full as of May 2021.

Note receivable consisted of the following as of June 30, 2021 and 2020:

	2021	2020
Note Receivable	$ -	$ 168,516
Less: Current Portion	-	(168,516)
Long-Term Portion	$ -	$ -

NOTE 5 – CAPITAL ASSETS

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

	For the Year Ended June 30, 2021				
	Balance at June 30, 2020	Reclassifications	Additions	Deletions	Balance at June 30, 2021
Capital Assets – Not Depreciated:					
Land	$ 56,503,866	$ -	$ -	$ -	$ 56,503,866
Air Avigation Easements	7,273,370	-	-	-	7,273,370
Construction in Progress	3,253,139	(7,158,734)	13,239,291	(1,098,047)	8,235,649
Total	67,030,375	(7,158,734)	13,239,291	(1,098,047)	72,012,885
Capital Assets – Depreciated:					
Land Improvements	30,150,647	4,253,971	-	-	34,404,618
Buildings and Improvements	38,066,172	2,904,763	5,213	-	40,976,148
Information Technology Hardware and Software	4,659,526	-	457,291	-	5,116,817
Furniture and Fixtures	72,723	-	-	-	72,723
Machinery, Equipment, and Vehicles	7,199,098	-	236,348	(49,630)	7,385,816
Total	80,148,166	7,158,734	698,852	(49,630)	87,956,122
Less: Accumulated Depreciation and Amortization:					
Land Improvements	(5,857,785)	-	(3,228,585)	-	(9,086,370)
Buildings and Improvements	(2,484,815)	-	(1,790,648)	-	(4,275,463)
Information Technology Hardware and Software	(2,046,733)	-	(932,375)	-	(2,979,108)
Furniture and Fixtures	(24,662)	-	(10,389)	-	(35,051)
Machinery, Equipment, and Vehicles	(2,181,107)	-	(2,766,766)	19,025	(4,928,848)
Total	(12,595,102)	-	(8,728,763)	19,025	(21,304,840)
Capital Assets – Depreciated, Net	67,553,064	7,158,734	(8,029,911)	(30,605)	66,651,282
Capital Assets, Net	$134,583,439	$ -	$ 5,209,380	$ (1,128,652)	$138,664,167

NOTE 5 – CAPITAL ASSETS – continued

Capital asset activity for the year ended June 30, 2020 follows:

	For the Year Ended June 30, 2020				
	Balance at June 30, 2019	Reclassifications	Additions	Deletions	Balance at June 30, 2020
Capital Assets – Not Depreciated:					
Land	$ 56,503,866	$ -	$ -	$ -	$ 56,503,866
Air Avigation Easements	7,273,370	-	-	-	7,273,370
Construction in Progress	19,893,356	(33,560,381)	18,151,506	(1,231,342)	3,253,139
Total	83,670,592	(33,560,381)	18,151,506	(1,231,342)	67,030,375
Capital Assets – Depreciated:					
Land Improvements	14,443,681	15,093,469	613,497	-	30,150,647
Buildings and Improvements	19,410,708	18,466,912	188,552	-	38,066,172
Information Technology Hardware and Software	4,593,000	-	66,526	-	4,659,526
Furniture and Fixtures	72,723	-	-	-	72,723
Machinery, Equipment, and Vehicles	2,336,102	-	4,862,996	-	7,199,098
Total	40,856,214	33,560,381	5,731,571	-	80,148,166
Less: Accumulated Depreciation and Amortization:					
Land Improvements	(3,384,808)	-	(2,472,977)	-	(5,857,785)
Buildings and Improvements	(1,446,522)	-	(1,038,293)	-	(2,484,815)
Information Technology Hardware and Software	(1,239,237)	-	(807,496)	-	(2,046,733)
Furniture and Fixtures	(14,273)	-	(10,389)	-	(24,662)
Machinery, Equipment, and Vehicles	(456,364)	-	(1,724,743)	-	(2,181,107)
Total	(6,541,204)	-	(6,053,898)	-	(12,595,102)
Capital Assets – Depreciated, Net	34,315,010	33,560,381	(322,327)	-	67,553,064
Capital Assets, Net	$117,985,602	$ -	$ 17,829,179	$ (1,231,342)	$134,583,439

Depreciation and amortization expense was $8,278,763 and $6,053,898 for the years ended June 30, 2021 and 2020, respectively.

NOTE 5 – CAPITAL ASSETS – continued

Net investment in capital assets as of June 30, 2021 and 2020 is as follows:

	2021	2020
Capital Assets	$ 159,969,007	$ 147,178,541
Cash Restricted for Capital Projects	56,728,520	8,662,637
Less: Accumulated Depreciation	(21,304,840)	(12,595,102)
Less: Outstanding Debt	(159,377,100)	(105,150,105)
Net Investment in Capital Assets	$ 36,015,587	$ 38,095,971

NOTE 6 – CUSTOMER DEPOSITS AND UNEARNED REVENUES

The Authority holds received security deposits, rent payments from certain tenants, and certain other payments applicable to future periods. Such amounts have been classified as Customer Deposits and Unearned Revenues in the accompanying Statements of Net Position. Customer deposits and unearned revenues amounted to $568,820 and $1,490,889 as of June 30, 2021. Customer deposits and unearned revenues amounted to $221,688 and $630,297 as of June 30, 2020.

NOTE 7 – DUE TO AIRLINES

Pursuant to the ULAs annual true-up provision, landing fees and terminal rents invoiced by the Authority to signatory airlines for the year ended June 30, 2021 were determined to be in excess of amounts needed to fund the annual airfield and terminal cost center requirements at ONT. The net surplus for the year ended June 30, 2021 in the amount of $19,876,118 was first applied to cover prior year net annual requirements that were not assessed by the Authority of $2,346,709, with the remainder of the surplus to be refunded to signatory airlines. The refund due to signatory airlines as of June 30, 2021 totaled $17,529,409 and is classified as Due to Airlines in the accompanying Statements of Net Position.

NOTE 8 – LONG-TERM DEBT

Long-term debt consisted of the following as of June 30, 2021 and 2020:

Public Offerings

Bonds Payable – Series 2016

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

The 2016 Bonds are due in principal installments on May 15 annually with semi-annual interest installments due on May 15 and November 15 each year. In connection with the bond financing, the Authority secured a Reserve Surety Bond with a face value of $5,201,500 to provide coverage for debt service. The balance outstanding on the 2016 Bonds as of June 30, 2021 and 2020 was $28,280,000 and $33,395,000, respectively. Interest expense for the years ended June 30, 2021 and 2020, amounted to $859,015 and $999,553, respectively.

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

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

NOTE 8 – LONG-TERM DEBT – continued

Bonds Payable – Series 2016 – continued

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

For the Year Ending June 30,	Principal	Interest	Total
2022	$ 5,290,000	$ 782,778	$ 6,072,778
2023	5,455,000	651,375	6,106,375
2024	5,645,000	507,690	6,152,690
2025	5,820,000	349,743	6,169,743
2026	6,040,000	181,079	6,221,079
Total	$ 28,250,000	$ 2,472,665	$ 30,722,665

Bonds Payable – Series 2021

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

The 2021 Bonds are due in principal installments on May 15 annually with semi-annual interest installments due on May 15 and November 15 each year. In connection with the bond financing, the Authority secured a Reserve Surety Bond with a face value of $6,863,850 to provide coverage for debt service. The balance outstanding on the 2021 Bonds as of June 30, 2021 was $124,658,885, net of bond premium of $21,318,885.

Interest expense for the year ended June 30, 2021 amounted to $350,444. Amortization of the 2021 Bond premium amounted to $72,333 for the year ended June 30, 2021 and is included as a reduction to interest expense in the accompanying Statements of Revenues, Expenses, and Changes in Net Position.

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

NOTE 8 – LONG-TERM DEBT – continued

Bonds Payable – Series 2021 – continued

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

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

For the Year Ending June 30,	Principal	Interest	Total
2022	$ -	$ 4,775,444	$ 4,775,444
2023	-	4,476,979	4,476,979
2024	-	4,476,979	4,476,979
2025	-	4,476,979	4,476,979
2026	-	4,476,979	4,476,979
2027 – 2031	12,715,000	21,594,038	34,309,038
2032 – 2036	15,995,000	18,311,850	34,306,850
2037 – 2041	19,670,000	14,635,150	34,305,150
2042 – 2046	24,415,000	9,890,000	34,305,000
2047 – 2051	30,545,000	3,761,000	34,306,000
Total	$ 103,340,000	$ 90,875,398	$ 194,215,398

Direct Borrowings and Placements

Loans Payable – LAWA

In connection with the acquisition of ONT from LAWA, a $70 million noninterest-bearing loan was due to 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 1.10%.

NOTE 8 – LONG-TERM DEBT – continued

Loans Payable – LAWA – continued

The original loan for $70 million was for a 10-year term and was 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 was amortized over the life of the loan. There was no fixed amortization schedule. The loan was paid in full in April 2021 in connection with the issuance of 2021 Bonds. Following is a summary of the outstanding balance as of June 30:

	2021	2020
Notes Payable – LAWA	$ -	$ 33,774,612
Less: Deferred Interest	-	(5,728,070)
Outstanding Balance	$ -	$ 28,046,542

Subordinated Revenue Notes

On May 22, 2019, The Authority executed a note purchase agreement with a financial institution. The credit facility titled *Subordinated Revenue Notes, Series 2019*, provided financing for specifically identified capital projects (net of eligible third-party grants) approved in accordance with the Airline Operating Use and Terminal Lease Agreements (ULAs). The capital projects consisted of airfield rehabilitation and upgrades, airside site improvements, and warehouses, terminal infrastructure improvements and various machinery, equipment, and vehicles.

The proceeds of the loan in the amount of $34,370,500 ($32,684,000 plus issuance costs) were deposited in a separate custodial account (Construction Account) at the Authority's financial institution, less $1,410,000 placed in escrow for a project until approved in accordance with the ULAs. These conditions were subsequently satisfied, and the escrow funds were released and deposited in the Construction Account.

The note purchase agreement was for a 2-year term and bore interest of 3.06% per annum calculated on 360-day basis. Interest was due and payable semi-annually on December 1 and June 1 each year. The note was paid in full in April 2021 in connection with the issuance of 2021 Bonds. The balance outstanding as of June 30, 2020 was $34,370,500.

The note was secured by net pledged revenues, junior and subordinate to the 2016 Revenue Bonds. Net pledged revenues are defined as pledged revenues less maintenance and operating expenses.

NOTE 8 – LONG-TERM DEBT – continued

Subordinated Revenue Notes – continued

The Authority made draws on the Construction Account as costs were incurred on eligible projects. Construction Account draws for the years ended June 30, 2021 and 2020 totaled $2,653,566 and $15,052,950, respectively. The remaining Construction Account balance in the amount of $6,009,071 after draws on eligible projects was used towards the repayment of the Subordinated Revenue Notes in connection with the issuance of 2021 Bonds. The Construction Account balance as of June 30, 2021 and 2020 was $0 and $8,662,637, respectively.

In addition to general affirmative and negative covenants, The Authority agreed to maintain a Debt Service Coverage Ratio of at least 110% of Aggregate Annual Debt Service for that fiscal year. In the event of non-compliance with the financial ratio, the Authority has 120 days in which to cure the condition. As further contemplated by the agreement, the Authority intends and covenants to the lender to obtain long term bond financing to retire the subordinated revenue bonds. In addition, the Authority is to submit a PFC application to seek approval from the Federal Aviation Administration (FAA) to use PFCs collected to repay that portion of the bond financing that is attributable to approved PFC eligible projects.

The note was classified as Noncurrent as of June 30, 2020 in the accompanying Statements of Net Position as the Authority intended to and refinanced the total outstanding debt by June 30, 2021.

Notes Payable – Enterprise Resource Planning System

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

The required debt service payments for the note payable for the years ending June 30 are as follows:

For the Year Ending June 30,	Principal	Interest	Total
2022	$ 610,152	$ 37,313	$ 647,465
2023	382,750	12,911	395,661
2024	70,238	1,692	71,930
Total	$ 1,063,140	$ 51,916	$ 1,115,056

NOTE 8 – LONG-TERM DEBT – continued

Notes Payable – Parking Management Operator

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

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

The balance outstanding as of June 30, 2021 and 2020 was $1,090,054 and $1,200,826, respectively.

The required debt service payments for the note payable for the years ending June 30 are as follows:

For the Year Ending June 30,	Principal	Interest	Total
2022	$ 434,428	$ 51,872	$ 486,300
2023	390,499	22,676	413,175
2024	170,692	9,110	179,802
2025	94,435	1,735	96,170
Total	$ 1,090,054	$ 85,393	$ 1,175,447

Terminal Improvement Financing

On June 19, 2018, the Authority entered into an agreement with a third-party to operate common use lounges in the airport terminals as well as certain online reservation car parking services (Pre-book). The agreement required the operator to construct and finance lounges in Terminals 2 and 4. The total cost of the lounges was $3,611,798 and was to be repaid from concession fees earned under the agreement. The agreement required that 100% of concession fees earned under the agreement, less certain expenses, would be applied to the outstanding debt until paid in full. The balance was paid in full as of June 30, 2021. The balance outstanding as of June 30, 2020 totaled $1,654,012.

NOTE 8 – LONG-TERM DEBT – continued

Note Payable – Airport Rescue and Firefighting (ARFF) Vehicles

The Authority executed a note payable with a financial institution for the acquisition of ARFF vehicles with a total cost of $4,234,887. The terms of the note are: 10 years, bearing annual interest of 1.80%, with annual principal and interest installments of $471,430, maturing October 2029. The note is secured by the vehicles. The outstanding balance as of June 30, 2021 and 2020 was $3,885,108 and $4,234,887, respectively.

The required debt service payments for the note payable for the years ending June 30 are as follows:

For the Year Ending June 30,	Principal	Interest	Total
2022	$ 401,538	$ 69,893	$ 471,431
2023	411,012	60,419	471,431
2024	417,271	54,160	471,431
2025	424,777	46,654	471,431
2026	432,419	39,012	471,431
2027 – 2030	1,798,091	76,844	1,874,935
Total	$ 3,885,108	$ 346,982	$ 4,232,090

Capital Lease Obligations

The Authority leases various vehicles under capital lease obligations from two lenders. Lease payments are due monthly, range from $1,329 to $6,727 and mature on dates ranging from July 2023 to August 2025. The outstanding balance as of June 30, 2021 and 2020 was $429,913 and $598,498, respectively.

The required debt service payments for the capital lease obligations for the years ending June 30, are as follows:

For the Year Ending June 30,	Principal	Interest	Total
2022	$ 228,829	$ 24,372	$ 253,201
2023	101,013	11,956	112,969
2024	76,969	4,383	81,352
2025	20,458	515	20,973
2026	2,644	14	2,658
Total	$ 429,913	$ 41,240	$ 471,153

NOTE 8 – LONG-TERM DEBT – continued

Long-term debt activity for the year ended June 30, 2021 follows:

	For the Year Ended June 30, 2021				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Revenue Bonds:					
Series 2016	$ 33,395,000	$ -	$ (5,145,000)	$ 28,250,000	$ 5,290,000
Series 2021:					
Series 2021 A	-	57,750,000	-	57,750,000	-
Series 2021 A Premium	-	12,094,472	(33,596)	12,060,876	-
Series 2021 B	-	41,685,000	-	41,685,000	-
Series 2021 B Premium	-	9,296,746	(38,737)	9,258,009	-
Series 2021 C	-	3,905,000	-	3,905,000	-
Total Series 2021	-	124,731,218	(72,333)	124,658,885	-
Total Revenue Bonds	33,395,000	124,731,218	(5,217,333)	152,908,885	5,290,000
Direct Borrowings:					
Notes Payable – LAWA	28,046,542	-	(28,046,542)	-	-
Subordinated Revenue Notes	34,370,500	-	(34,370,500)	-	-
Other Notes and Capital Lease Obligations	9,338,063	201,226	(3,071,074)	6,468,215	1,674,947
Total Direct Borrowings	71,755,105	201,226	(65,488,116)	6,468,215	1,674,947
Total Long-Term Debt	$105,150,105	$124,932,444	$ (70,705,449)	$159,377,100	$ 6,964,947

Long-term debt activity for the year ended June 30, 2020 follows:

	For the Year Ended June 30, 2020				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Revenue Bonds:					
Series 2016	$ 38,405,000	$ -	$ (5,010,000)	$ 33,395,000	$ 5,145,000
Total Revenue Bonds	38,405,000	-	(5,010,000)	33,395,000	5,145,000
Direct Borrowings:					
Notes Payable – LAWA	34,715,284	-	(6,668,742)	28,046,542	-
Subordinated Revenue Notes	34,370,500	-	-	34,370,500	-
Other Notes and Capital Lease Obligations	7,044,576	5,348,076	(3,054,589)	9,338,063	1,509,818
Total Direct Borrowings	76,130,360	5,348,076	(9,723,331)	71,755,105	1,509,818
Total Long-Term Debt	$114,535,360	$ 5,348,076	$ (14,733,331)	$105,150,105	$ 6,654,818

NOTE 9 – RELATED PARTY TRANSACTIONS

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

Amounts due to the City are included in Accounts Payable and Accrued Expenses in the accompanying Statements of Net Position. The following summarizes the Authority's related party transactions for the years ended June 30, 2021 and 2020:

	2021	2020
Public Safety	$ 15,102,848	$ 22,377,074
Utilities	920,970	947,368
Administrative Services	895,345	1,586,854
Parking Taxes	1,513,349	2,171,222
Total	$ 18,432,512	$ 27,082,518

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

NOTE 10 – OPERATING LEASES WITH LESSEES

The Authority is the lessor of various land, facilities, and equipment within the Airport System. Lease contracts are generally written with noncancelable terms of up to 30 years. Costs and related accumulated depreciation and amortization of property under leases are not practically determinable, as the majority of the leases relate only to portions of buildings.

Future minimum rental commitments under these leases are as follows:

For the Year Ending June 30,	Amount
2022	$ 26,900,579
2023	24,116,776
2024	24,114,174
2025	11,648,682
2026	6,987,912
2027 – 2031	27,192,431
2032 – 2036	23,204,341
2037 – 2041	22,209,936
2042 – 2046	22,209,936
2047 – 2051	19,198,690
Total	$ 207,783,457

NOTE 10 – OPERATING LEASES WITH LESSEES – continued

Several lease agreements have provisions for contingent rentals based on a percentage of the tenant's gross sales at ONT. Gross sales percentage amounts and MAGs vary by type of tenant, as well as by tenant products and services provided. The tenant is required to pay the greater of the amount calculated as a percentage of sales or the MAG based on the established annual contract period.

NOTE 11 – RETIREMENT PLANS

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

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

The Authority established the "Ontario International Airport Authority 401(a) Defined Contribution Plan" (401(a) Plan), which is administered by an unrelated third-party. All employees participate in the Authority's 401(a) Plan. The Authority contributes 10% of the employee's eligible wages and 12% of eligible wages for executive employees. Employees may not contribute to the plan. All employer contributions are fully vested at the date of contribution. Maximum permissible contributions for the plan year are $58,000 per employee. Amounts contributed to the plan for the years ended June 30, 2021 and 2020 amounted to approximately $585,051 and $570,060, respectively.

457(b) Plan – Employee Deferred Compensation Plan

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

457(f) Plan

The "Ontario International Authority 457(f) Deferred Compensation Plan" is a non-qualified deferred compensation arrangement which provides supplemental retirement benefits to a select management group. The plan has no active participants and no plan assets as of June 30, 2021 and 2020.

NOTE 12 – CONCENTRATION OF OPERATING REVENUES

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

Significant customers for the years ended June 30, 2021 and 2020 consisted of the following:

		2021		2020	
Customer	Customer Type	Revenues	% of Operating Revenues	Revenues	% of Operating Revenues
Customer A	Cargo Carrier	$ 6,927,182	9.9 %	$ 6,324,224	7.8 %
Customer C	Cargo Carrier	5,777,800	8.3	3,020,717	3.7
Customer B	Passenger Carrier	3,104,550	4.4	10,495,956	12.9
Customer E	Rental Car Company	2,685,831	3.8	2,801,144	3.4
Customer F	Rental Car Company	2,664,542	3.8	3,358,551	4.1
Customer I	Cargo Carrier	1,876,965	2.7	1,450,577	1.8
Customer D	Passenger Carrier	1,522,232	2.2	4,244,758	5.2
Customer G	Passenger Carrier	1,120,268	1.6	1,545,451	1.9
Customer J	Passenger Carrier	979,995	1.4	2,280,720	2.8
Customer H	Passenger Carrier	463,153	0.7	2,237,878	2.7

NOTE 13 – PASSENGER FACILITY CHARGES

The PFC Program for ONT was established under previous ownership by the City of Los Angeles, Los Angeles World Airports (LAWA). In accordance with the Settlement Agreement for the Authority's acquisition of ONT from LAWA, a PFC application was submitted to the FAA to authorize use of PFC collections at ONT for a single project at the Los Angeles International Airport (LAX). On July 18, 2016, the FAA issued a Final Agency Decision approving this application (16-05-C-00-ONT), which approved the imposition of a $4.50 PFC at ONT for use on the LAX project. On September 16, 2016, the FAA approved amendment number 1 (16-05-C-01-ONT) to increase the approved amount for the project from $47,338,500 to $117,338,550. The Authority is required to remit ONT PFC revenues directly to LAWA until it pays in full amounts due under its loan agreement with LAWA (see Note 7).

NOTE 13 – PASSENGER FACILITY CHARGES – continued

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

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

On May 1, 2020, the Authority submitted a new application to impose and use $104,024,601 ($52,397,490 for bond capital and $51,657,111 for bond financing and interest) for 15 projects at the Authority to be financed through a new bond issue. On May 29, 2020 the FAA notified the Authority that the application (20-06-C-00-ONT) was determined to be substantially incomplete. On June 2, 2020, the Authority notified the FAA that it intended to provide a supplement to the application. This notification placed a hold on the FAA's requirement to approve or disapprove the application within 120 days of its final submission. The application supplement has not been submitted to the FAA.

PFC revenues for the years ended June 30, 2021 and 2020 totaled $6,289,645 and $8,448,989, respectively.

NOTE 14 – CUSTOMER FACILITY CHARGES

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

The following summarizes allowable expenditures for the CFC program for the years ended June 30, 2021 and 2020:

	2021	2020
Debt Service – 2016 Revenue Bonds	$ 604,015	$ 586,306
Shuttle Services	1,009,576	1,723,284
Total	$ 1,613,591	$ 2,309,590

CFC revenues for the years ended June 30, 2021 and 2020 totaled $2,187,354 and $3,360,085, respectively.

NOTE 15 – RISK MANAGEMENT

The Authority is exposed to various risks or losses related to torts, theft of, damage to and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The Authority's risk management activities include purchase of commercial insurance with standard deductibles for all significant insurable risks. There have been no significant changes in insurance coverage in the last year. The amounts of settlements have not exceeded insurance coverage for the past three years. The financial statements do not include any liability for uninsured claims as of June 30, 2021 and 2020.

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

NOTE 16 – COMMITMENTS AND CONTINGENCIES

Coronavirus (COVID-19)

On March 13, 2020, a national emergency was declared by the President of the United States in response to the novel coronavirus known as SARS-CoV-2 (COVID-19), which the World Health Organization announced on March 11, 2020 could be characterized as a pandemic (Declaration). The Federal Government, along with State and local governments, took extraordinary actions to prevent and slow the spread of the virus, which required nonessential businesses to close and stay-at-home orders were issued for all but essential workers. This Declaration and corresponding actions by Federal, State, and local governments had an immediate and unprecedented impact on the commercial passenger aviation industry, including airports.

On February 24, 2021, a continuation of the national emergency was declared by the President of the United States in response to COVID-19. The national emergency was in effect through June 30, 2021 and remains in effect subsequent to June 30, 2021.

For ONT, passenger levels decreased by 34.3% for the year ended June 30, 2021 compared to 2020. However, As of June 30, 2021, all air service has resumed at ONT. A substantial portion of airport revenues relate directly to passenger activity levels, including parking, rental cars, and concessions (e.g., news and gifts, food and beverage).

NOTE 16 – COMMITMENTS AND CONTINGENCIES – continued

Coronavirus (COVID-19) – continued

Subsequent to June 30, 2021, national, regional, and local economies as well as the commercial passenger carrier industry and the Authority continue to experience moderate recoveries. For the three months ended September 30, 2021, passenger activity had recovered to 146.3% compared to passenger activity for the three months ended September 30, 2020. Passenger activity at ONT is expected to lag the general economic recovery. While the financial impact associated with the Declaration is partially mitigated by the residual airport agreement, long-term lease agreements and the growth of cargo activity at ONT, the Authority remains at substantial risk for the potential failure of one or more of its significant airport partner airlines, tenants, or concessionaires. The possible financial impact to the Authority's asset values and future financial performance cannot be estimated. The Authority's MD&A, Financial Statements, and Notes to Financial Statements should be read and considered in light of these extraordinary circumstances

Construction Projects

Total commitments for contractual services for federally funded and other construction projects as of June 30, 2021 totaled approximately $24,214,627. The remaining balance on these contracts at that date was $10,573,841. These commitments will be funded in whole or in part by federal grants of $18,202,071 and revenue bonds of $6,012,556.

Federal Grants

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

Other Contingencies

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

NOTE 17 – RESTRICTED NET POSITION

Restricted net position includes restricted assets required to be set aside to repay principal and interest under debt covenants; and to comply with other legal or contractual requirements; less liabilities payable from these assets.

Restricted net position as of June 30, 2021 and 2020 is as follows:

	2021	2020
Restricted Net Position:		
Customer Facility Charges	$ 5,402,384	$ 4,979,285
Passenger Facility Charges	4,250,529	3,082,945
Debt Service – 2016 Revenue Bonds	1,012,129	-
Debt Service – 2021 Revenue Bonds	845,652	-
Other	1,197,024	-
Total Restricted Net Position	$ 12,707,718	$ 8,062,230