

**SAN BERNARDINO INTERNATIONAL  
AIRPORT AUTHORITY**

**FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITOR'S REPORT**

For the Fiscal Year Ended  
June 30, 2019

**SAN BERNARDINO INTERNATIONAL AIRPORT AUTHORITY**  
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**June 30, 2019**

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## INDEPENDENT AUDITOR'S REPORT

Board of Commissioners  
San Bernardino International Airport Authority

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### DIRECTORS

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### MANAGERS / STAFF

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### Report on the Financial Statements

We have audited the accompanying financial statements of the San Bernardino International Airport Authority (Authority), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the State Controller's *Minimum Audit Requirements for Special Districts*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the San Bernardino International Airport Authority, as of June 30, 2019, and the respective changes in its financial position, and its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America, as well as accounting systems prescribed by the State Controller's Office and State regulations governing special districts.

## **Other Matters**

### *Required Supplementary Information*

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

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedules listed in the supplementary information section are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report dated December 11, 2019 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 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 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.

*Rogers, Anderson, Malody & Scott, LLP.*

December 11, 2019  
San Bernardino, California

# **SAN BERNARDINO INTERNATIONAL AIRPORT AUTHORITY**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2019**

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### **Executive Summary**

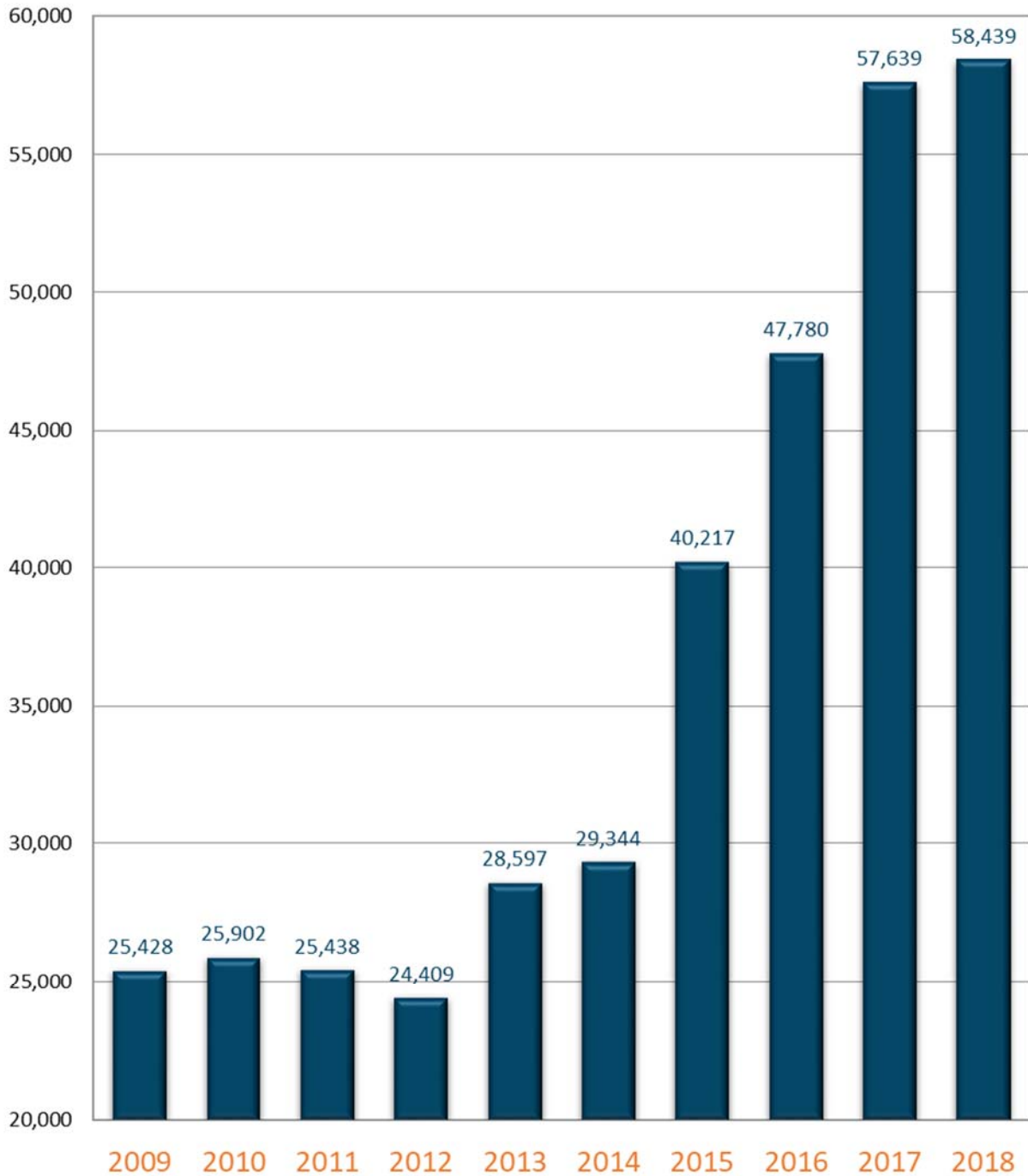
The San Bernardino International Airport Authority's ("SBIAA") Management Discussion and Analysis ("Analysis") provides an overview of SBIAA's financial activities for the fiscal year ended June 30, 2019. Since this information is designed to focus on the year's activities, resulting changes and currently known facts, it should be read in conjunction with SBIAA's financial statements.

SBIAA is an airport that operates under a public utility business model. It constantly seeks to increase enplanements, fuel sales, and airport services. Our vision is to maximize opportunities for the flying public while achieving fair, non-discriminatory, and equitable investment returns to support the airport utility over the long run. To accomplish this, SBIAA creates an airport business environment that supports dynamic leadership, sound capital investment, and long-term employment opportunities for the benefit of the airport, its customers, stakeholders, the region, and the National Air Transportation System.

SBIAA also seeks to ensure that inter-governmental and community support to the San Bernardino International Airport is provided as appropriate. SBIAA should consistently deliver quality airport planning, infrastructure development, community development, and environmental programs, projects, and initiatives.

Finally, SBIAA seeks to realize its potential to provide high quality, higher wage producing employment opportunities for its member agencies and the communities they serve. Overall business attraction and retention across market segments: Commercial Air Passenger, General Aviation, Corporate Aviation, Air Cargo, and Maintenance and Repair Operations.

## SBD Annual Operations 2009 - 2018



*Annual Aircraft Operations are based on calendar year information; therefore information for 2019 operations are not available yet.*

# SAN BERNARDINO INTERNATIONAL AIRPORT AUTHORITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2019

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From the full calendar year 2009 until 2012, aircraft operations were essentially flat at approximately 25,000 operations per year. However, in calendar year 2013 aircraft operations began a trend of successive increases. During calendar years 2013 through 2018, aircraft operations experienced year over year compounded increases of 17%, 3%, 37%, 19%, 21%, and 1% respectively over each successive calendar year. Measured on a fiscal year basis, aircraft operations increased as well. This increase in operations subsequently supported increased jet fuel sales/services and lease revenues by \$7,982,762 for the fiscal year and is reflected on the "Operating Revenue and Expenses" chart shown later in the Analysis.

The "Financial Statements Summary" and the "Operating Revenue and Expenses" charts reflect the continued capital investments in the Airport's infrastructure coupled with a sharp increase in aircraft operations over successive fiscal years since 2013, including increased fuel sales. As a result, the Airport continues to gain awareness amongst pilots and travelers in the Southern California market. During fiscal year 2014 the Airport contracted with a marketing firm in an effort to rebrand the Airport and its fixed based operator, Luxivair SBD. Improving financial results are attributable to new marketing campaigns, key management changes, and clear goals focused on achieving Commission and management's vision for growth. In fiscal year 2019, fuel sales and associated fuel revenues increased over fiscal year 2018 as the fleet mix of aircraft using the airport continued to trend toward larger jet and commercial size aircraft.

### San Bernardino International Airport Authority

SBIAA is a joint powers authority created in 1992. It was created for the purpose of acquiring, operating, repairing, maintaining and administering the aviation-related activities of the former Norton Air Force Base.

SBIAA members are the City of Colton, City of Loma Linda, City of Highland, City of San Bernardino, and the County of San Bernardino in California.

### Financial Statements

SBIAA is considered a special-purpose governmental joint powers authority engaged in activities that supports the entity through user charges. Accordingly, the accompanying financial statements are presented in the format prescribed for proprietary funds by the Governmental Accounting Standards Board. SBIAA's fiscal year ends June 30.

These financial statements consist of three interrelated statements designed to provide the reader with relevant, understandable information about SBIAA's financial condition and operating results. They are the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows. The statements are presented in a fiscal year format for the year ended June 30, 2019.

The *Statement of Net Position* presents SBIAA's assets and liabilities and the difference, or net position, between what is owned and what is owed as of the last day of the SBIAA's fiscal year.

The *Statement of Revenues, Expenses and Changes in Net Position* describes the financial results of SBIAA's operations for the years reported. These results, or Changes in Net Position, are the increases or decreases to the bottom line of the Statement of Net Position.



# SAN BERNARDINO INTERNATIONAL AIRPORT AUTHORITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019

The *Statement of Cash Flows* conveys how SBIAA managed cash resources during the fiscal year. This statement converts the Change in Net Position presented on the Statement of Revenues, Expenses and Changes in Net Position into cash provided by or used for operations. The Statement of Cash Flows also details how SBIAA obtains cash through financing and investing activities, and, conversely, how cash is spent.

### Financial Statements Summary and Charts

The following Financial Statements Summary provides highlights of the financial activity for fiscal years 2018 and 2019. Also provided are explanations as to the differences in amounts between the two fiscal years.

#### FINANCIAL STATEMENTS SUMMARY (in thousands)

	June 30, 2019	June 30, 2018	Difference	Ref No.
Current assets	\$ 5,312	\$ 8,018	\$ (2,706)	1
Noncurrent assets:				
Restricted cash and cash equivalents	50	50	-	2
Capital assets, not being depreciated	33,066	35,860	(2,794)	3
Capital assets, net of accumulated depreciation	<u>294,374</u>	<u>305,004</u>	<u>(10,630)</u>	4
Total assets	<u>332,802</u>	<u>348,932</u>	<u>(16,130)</u>	
Current liabilities	11,765	8,725	3,040	5
Noncurrent liabilities	<u>3,896</u>	<u>1,300</u>	<u>2,596</u>	6
Total liabilities	<u>15,661</u>	<u>10,025</u>	<u>5,636</u>	
Net investment in capital assets	323,988	340,682	(16,694)	7
Restricted	1,680	2,685	(1,005)	8
Unrestricted (deficit)	<u>(8,527)</u>	<u>(4,681)</u>	<u>(3,846)</u>	9
Total net position	<u>\$ 317,141</u>	<u>\$ 338,686</u>	<u>\$ (21,545)</u>	
Operating revenues	\$ 22,489	\$ 14,507	\$ 7,982	10
Operating expenses	(45,381)	(37,190)	(8,191)	11
Nonoperating revenues	11	9	2	
Nonoperating expenses	(110)	(50)	(60)	
Other	<u>(494)</u>	<u>(395)</u>	<u>(99)</u>	
Income (loss) before contributions	<u>(23,485)</u>	<u>(23,119)</u>	<u>(366)</u>	
Contributions	<u>1,940</u>	<u>4,598</u>	<u>(2,658)</u>	12
Change in net position	<u>\$ (21,545)</u>	<u>\$ (18,521)</u>	<u>\$ (3,024)</u>	

1. Decrease in cash resulted due to expenditures on capital projects and construction with cash on hand restricted for those projects given timing on fiscal year end.
2. No change from prior year, same restrictions from prior year apply, see Note 6.
3. Decrease the balance of Construction in Progress due to completion of construction projects.
4. Net effect of current year's addition and depreciation expense for the year being accumulated.
5. Increase in the balance is a result of increase of the due-to-due-from between IVDA and SBIAA.

# SAN BERNARDINO INTERNATIONAL AIRPORT AUTHORITY

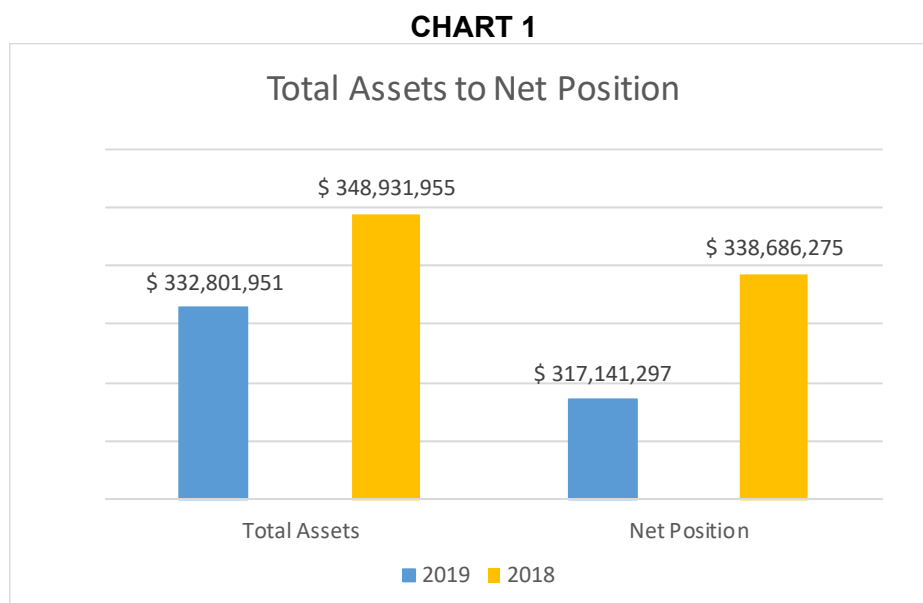
## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2019

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6. Increase in the balance is a result of new loan between IVDA and SBIAA (Hangar 795), see Note 5.
7. Net effect of current year's addition and depreciation expense for the year being accumulated.
8. Restricted assets decreased due to use of cash authorized for related capital projects.
9. Total net position decreased. Overall decrease is principally due to depreciation expense (a non-cash expense).
10. Increase in revenues mainly due to increased fuel sales.
11. Associated increase in expenses due to increased sales and airport activity.
12. Decrease due to comparatively fewer capital and operating grants or Rialto Airport land sales proceeds within the fiscal year.

The following CHART 1 describes total assets and net position as of June 30, 2018 and 2019.

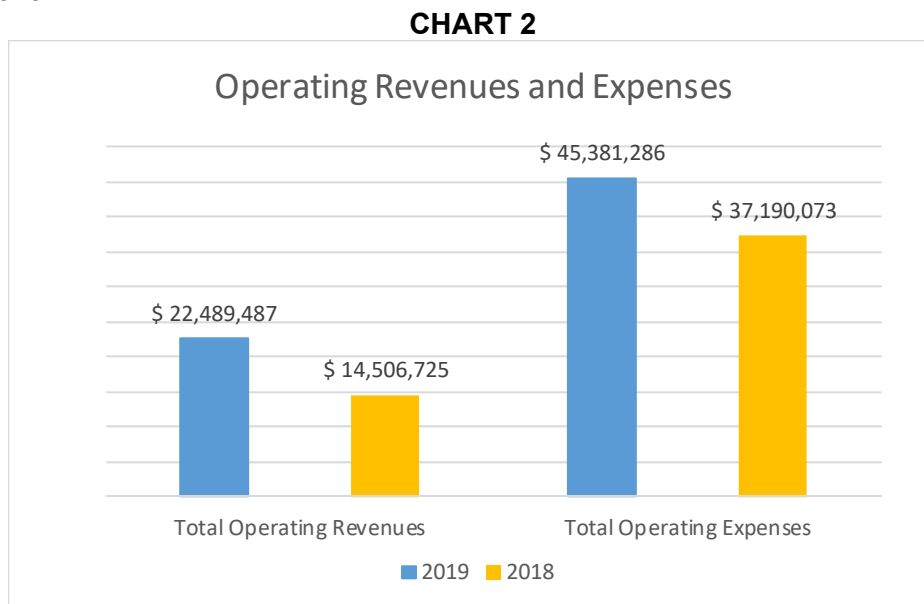


The decrease in total assets and net position was primarily due to depreciation expense incurred during the fiscal year.

**SAN BERNARDINO INTERNATIONAL AIRPORT AUTHORITY**

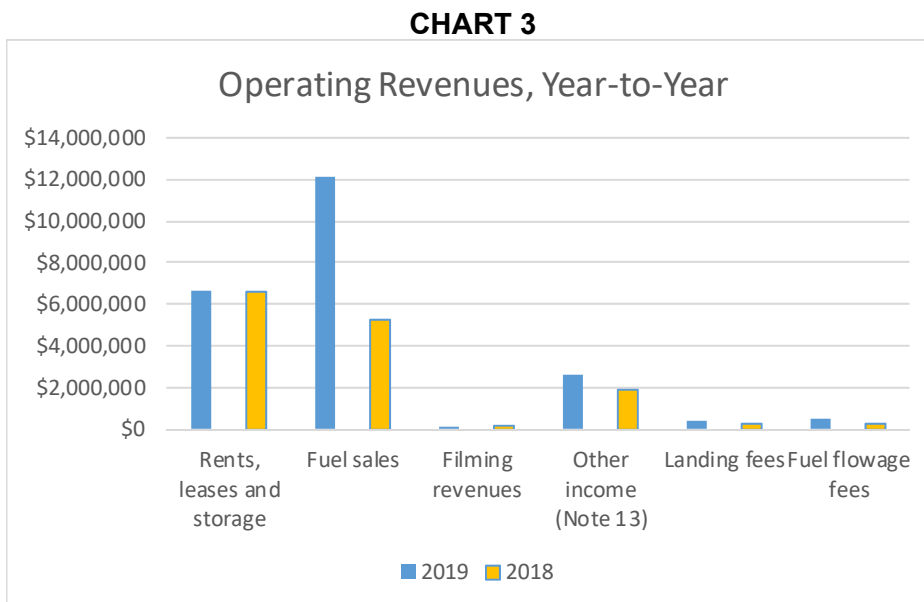
**MANAGEMENT’S DISCUSSION AND ANALYSIS  
JUNE 30, 2019**

The following CHART 2 describes total operating revenues and expenses for fiscal years June 30, 2018 and 2019.



Total operating revenues increased by 55% with an associated increase in total operating expenses of 22% year-over-year. Total operating revenues increased due to increased fuel sales/services and lease revenues in fiscal year 2019.

The following CHART 3 breaks down the categories of revenue year-over-year.



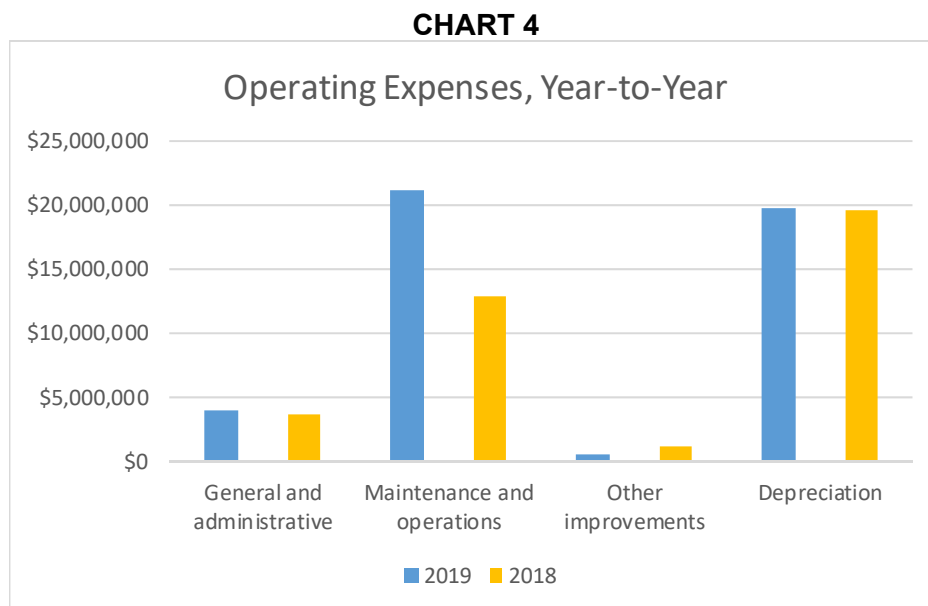
Rents, leases, and storage operating revenues increased by \$30,570 or 0.46% year-over-year and fuel sales increased by \$6,833,413 or 129% year-over-year. This change represents the majority of the overall increase of \$7,982,762 in total operating revenues between FY’s 2018 and 2019 as reflected in Chart 2. The \$6,833,413 increase in fuel sales revenue was due to increase in fuel sales.

# SAN BERNARDINO INTERNATIONAL AIRPORT AUTHORITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019

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The following Chart 4 breaks down the three main operating expenses year-over-year.



Maintenance and operations expenses increased by \$8,332,133 between the two fiscal years. This was due increased staffing to support of growth in fuel activity at the FBO and at airport in operations activities. Depreciation expenses accounted for about 43% of all operating expenses and is up 1% from the prior year.

### Categories of Net Position

SBIAA is required to present its net position in three categories: net investment in capital assets, restricted, and unrestricted.

#### *Net Investment in Capital Assets*

At June 30, 2019, net investment in capital assets was \$324.0 million.

#### *Restricted*

At June 30, 2019, SBIAA had \$1.7 million in restricted assets primarily for airport infrastructure.

#### *Unrestricted*

At June 30, 2019, SBIAA had an unrestricted deficit net position of (\$8.5) million.

# SAN BERNARDINO INTERNATIONAL AIRPORT AUTHORITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2019

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### **Capital Assets Additions, Construction in Progress, and Future Capital Improvements**

#### *Capital Asset Additions*

Nine million dollars were added to capital assets during the fiscal year June 30, 2019, which included completion of projects from construction in process in the amount of \$5.2 million.

#### *Construction in Progress*

The following projects were capitalized during the fiscal year from construction in process:

- Completion of Building improvements to Hangar No. 795
- Roof and HVAC replacement on certain buildings
- U.S. Department of Commerce, Federal EDA Grant funded Hangar 763 improvements.
- Certain Parking lot and road improvements on the airport.

### **Long-term Debt**

During 2004-05 fiscal year, SBIAA acquired two loans in total amount of \$5.2 million from the Inland Valley Development Agency. During the 2014 fiscal year, SBIAA consolidated both loans into one and entered into a restated loan agreement for the balance of \$3.9M from the above loans. As of June 30, 2019, total outstanding balance from the restated loan agreement is \$1.8 million.

During 2017-18 fiscal year, IVDA funded certain improvements on Hangar 795. SBIAA has entered into a loan agreement with the IVDA for the above funds in the amount of \$3.4 million with an interest rate of 2% for 10 years of terms. No payments have been made and the full amount is outstanding as of June 30, 2019.

SBIAA also has entered into certain long term lease agreements with IVDA for General Aviation hangars which was funded by IVDA.

### **Budget to Actual Analysis**

There were no significant variations between actual expenditures and the original budget that was adopted on June 27, 2018.

## **BASIC FINANCIAL STATEMENTS**

# SAN BERNARDINO INTERNATIONAL AIRPORT AUTHORITY

## STATEMENT OF NET POSITION JUNE 30, 2019

	<u>2019</u>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 2,778,639
Accounts receivable, net	629,981
Grants receivable	678,911
Due from related party	831,521
Interest receivable	1,971
Fuel inventory	<u>391,225</u>
Total current assets	<u>5,312,248</u>
Noncurrent assets:	
Restricted cash and cash equivalents	50,000
Capital assets, not being depreciated:	
Land	32,854,050
Construction in progress	211,583
Capital assets, net of accumulated depreciation	<u>294,374,070</u>
Total noncurrent assets	<u>327,489,703</u>
Total assets	<u>332,801,951</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	2,124,689
Retentions payable	66,146
Other accrued liabilities	287,746
Unearned revenues	68,247
Deposits payable	706,195
Due to related party	6,817,345
Accrued interest payable - related parties	112,585
Compensated absence, current portion	129,615
Long-term debt, current portion	<u>1,452,003</u>
Total current liabilities	<u>11,764,571</u>
Noncurrent liabilities:	
Compensated absences, noncurrent portion	129,615
Long-term debt, noncurrent portion	<u>3,766,468</u>
Total Noncurrent liabilities	<u>3,896,083</u>
Total liabilities	<u>15,660,654</u>
<b>NET POSITION</b>	
Net investment in capital assets	323,988,476
Restricted	1,679,799
Unrestricted	<u>(8,526,978)</u>
Total net position	<u>\$ 317,141,297</u>

The accompanying notes are an integral part of these financial statements.

**SAN BERNARDINO INTERNATIONAL AIRPORT AUTHORITY****STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
YEAR ENDED JUNE 30, 2019**

	<u>2019</u>
<b>OPERATING REVENUES</b>	
Rents, leases and storage	\$ 6,645,473
Fuel sales	12,123,622
Filming revenues	123,325
Other income (Note 13)	2,648,656
Landing fees	403,267
Fuel flowage fees	545,144
	<hr/>
Total operating revenues	22,489,487
	<hr/>
<b>OPERATING EXPENSES</b>	
General and administrative	3,933,022
Maintenance and operations	21,143,784
Other improvements	576,922
Depreciation	19,727,558
	<hr/>
Total operating expenses	45,381,286
	<hr/>
Operating loss	(22,891,799)
	<hr/>
<b>NON-OPERATING REVENUES (EXPENSES)</b>	
Interest income	10,658
Interest expense	(109,571)
Other	(494,114)
	<hr/>
Total non-operating revenues (expenses)	(593,027)
	<hr/>
Income (loss) before contributions	(23,484,826)
	<hr/>
<b>CONTRIBUTIONS</b>	
Capital grants	1,939,848
	<hr/>
Total contributions	1,939,848
	<hr/>
Change in net position	(21,544,978)
	<hr/>
Net position, beginning of year	338,686,275
	<hr/>
Net position, end of year	\$ 317,141,297
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The accompanying notes are an integral part of these financial statements.



# SAN BERNARDINO INTERNATIONAL AIRPORT AUTHORITY

## STATEMENT OF CASH FLOWS YEAR ENDED JUNE 30, 2019

	<u>2019</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers	\$ 24,822,979
Payments to employees	(5,420,804)
Payments to suppliers	<u>(20,556,427)</u>
Net cash used by operating activities	<u>(1,154,252)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Acquisition and construction of capital assets	(6,303,181)
Proceeds from debt	3,385,081
Receipts from capital grants	<u>2,209,568</u>
Net cash used by capital and related financing activities	<u>(708,532)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest income received	<u>10,118</u>
Net cash provided by investing activities	<u>10,118</u>
Net decrease in cash and cash equivalents	(1,852,666)
Cash and cash equivalents, beginning of year	<u>4,681,305</u>
Cash and cash equivalents, end of year	<u>\$ 2,828,639</u>
<b>RECONCILIATION OF CASH TO THE STATEMENT OF NET POSITION</b>	
Cash and cash equivalents	\$ 2,778,639
Restricted cash and cash equivalents	<u>50,000</u>
Cash and cash equivalents	<u>\$ 2,828,639</u>

The accompanying notes are an integral part of these financial statements.

# SAN BERNARDINO INTERNATIONAL AIRPORT AUTHORITY

## STATEMENT OF CASH FLOWS, CONTINUED YEAR ENDED JUNE 30, 2019

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	<u>2019</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES</b>	
Operating loss	\$ (22,891,799)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	19,727,558
Other non-operating revenue (expenses)	(494,114)
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable, net	16,443
(Increase) decrease in due from related party	549,451
(Increase) decrease in fuel inventory	17,887
Increase (decrease) in accounts payable	(387,645)
Increase (decrease) in retentions payable	(116,035)
Increase (decrease) in other accrued liabilities	46,796
Increase (decrease) in unearned revenues	(75,101)
Increase (decrease) in due to related party	2,336,813
Increase (decrease) in deposits payable	76,982
Increase (decrease) in compensated absences	38,512
	<hr/>
Net cash used by operating activities	<u>\$ (1,154,252)</u>

The accompanying notes are an integral part of these financial statements.

# SAN BERNARDINO INTERNATIONAL AIRPORT AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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### 1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Reporting Entity

The San Bernardino International Airport Authority (Authority) is a joint powers authority created on May 12, 1992 primarily for the purpose of acquiring, operating, repairing, maintaining, and administering the aviation related portions of the former Norton Air Force Base property located in San Bernardino, California. The following are members of the Authority:

County of San Bernardino  
City of San Bernardino  
City of Colton  
City of Highland  
City of Loma Linda

Under the terms of an Authority agreement, each member agreed to be responsible for its respective percentage of all annual expenses of the Authority. Any party who fails to pay its respective share of such expenses for a 12-month period will be automatically expelled from the Authority with remaining members then responsible for the expelled members' share of expenses. In the event of the Authority's termination, the assets of the Authority together with debts owed at that time will be transferred to the Inland Valley Development Agency (IVDA), or such other entity as may be determined pursuant to Federal and State laws then in effect.

On December 17, 1999, the Authority filed a quit claim deed, reservations and grants of easements, and CERCLA Section 120(h) notice (Deed) issued by the U.S. Department of the Air Force, for certain real property formerly a part of Norton Air Force Base for a consideration of one dollar. Included in the Deed are certain government-owned personal properties which may not be sold, transferred, donated or otherwise disposed of by the Authority, nor may they be removed from the premises for use by the Authority elsewhere. The Authority has begun and intends to sub-lease facilities to various airport users including, but not limited to scheduled airlines, airplane mechanical services, and aircraft support services.

Under the Deed, the Authority received approximately 1,345 acres of land together with major hangar buildings, terminal facilities, runways, tower and equipment, and other buildings and facilities needed to operate the Airport. During the 2003-04 fiscal year, the land, infrastructure, land improvements, and buildings and structures acquired from the Air Force were appraised based upon fair market value at date of acquisition. These appraised properties are included in the financial statements.

Effective July 1, 1998, the U.S. Air Force and the IVDA entered into an agreement (Economic Development Conveyance #2) to transfer an additional 104 acres of property at no cost to the Authority. This is part of the public benefit transfer. All income and related expenses derived from these properties effective July 1, 1998 were transferred to the Authority.

# SAN BERNARDINO INTERNATIONAL AIRPORT AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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### 1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

These financial statements present the Authority and its component units, entities for which the Authority is considered to be financially accountable. Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as part of the primary government. Discretely presented component units are reported in a separate column to emphasize that they are legally separate from the primary government. The Authority does not currently report any discretely presented component units.

Blended Component Unit – the San Bernardino International Airport, Inc. (SBIA, Inc.) is a nonprofit public benefit corporation for the purpose of lessening governmental burdens, by providing assistance to the San Bernardino International Airport Authority in its efforts to promote economic development at the former Norton Air Force Base. Although the Authority doesn't appoint a voting majority of SBIA, Inc.'s governing body, SBIA, Inc. is fiscally dependent on the Authority, and a financial benefit/burden exists as defined by applicable GASB pronouncements. In addition, SBIA, Inc. provides services entirely, or almost entirely, to the Authority or otherwise exclusively, or almost exclusively, benefits the Authority even though it may not provide services directly to it.

The following are condensed financial statements for the blended component unit:

#### Condensed Statement of Net Position June 30, 2019

##### ASSETS

###### Current assets:

Cash and cash equivalents	\$	59,363
Due from the Authority		<u>592,914</u>
Total assets		<u>652,277</u>

##### LIABILITIES

###### Current liabilities:

Due to related party		<u>2,048</u>
Total liabilities		<u>2,048</u>

##### NET POSITION

Unrestricted		<u>650,229</u>
Total net position	\$	<u><u>650,229</u></u>

**SAN BERNARDINO INTERNATIONAL AIRPORT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2019**

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**1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -  
Continued**

**Condensed Statement of Revenues, Expenses and Changes in Net Position  
Year Ended June 30, 2019**

**OPERATING EXPENSES**

Maintenance and operations	<u>\$ 1,000</u>
Total operating expenses	<u>1,000</u>
Operating loss	<u>(1,000)</u>
Change in net position	(1,000)
Net position, beginning of year	<u>651,229</u>
Net position, end of year	<u><u>\$ 650,229</u></u>

**Condensed Statement of Cash Flows  
Year Ended June 30, 2019**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	\$ (1,000)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	<u>(20,327)</u>
Net decrease in cash and cash equivalents	(21,327)
Cash and cash equivalents, beginning of year	<u>80,690</u>
Cash and cash equivalents, end of year	<u><u>\$ 59,363</u></u>

# SAN BERNARDINO INTERNATIONAL AIRPORT AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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### 1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

#### Basis of Accounting and Measurement Focus

The Authority's financial statements have been prepared using the economic resources measurement focus and the accrual-basis of accounting, in conformity with generally accepted accounting principles (GAAP) and the uniform system of accounts for airport districts as prescribed by the Controller of the State of California. Under this basis, revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of the related cash flows.

#### Cash and Cash Equivalents

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash on hand, demand deposits at financial institutions, investments in money market funds and government securities that are highly liquid and readily available with an original maturity of three months or less, and deposits in the State of California Local Agency Investment Fund (LAIF).

#### Inventory

Inventory is valued at cost and is accounted for using the first-in, first-out method.

#### Capital Assets

Capital assets include property, plant, equipment, and infrastructure assets (e.g., roads, utility lines, sidewalks, and similar items). Capital assets are defined by the Authority as assets with an initial, individual cost of more than \$10,000 (for improvements to land, structures, and equipment) and have an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are charged to operating expense. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets of the Authority are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and structures	5 - 39
Furniture and fixtures	5 - 7
Machinery and equipment	5 - 10

# SAN BERNARDINO INTERNATIONAL AIRPORT AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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### 1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

#### Revenue and Expenses

Revenues and expenses are distinguished between operating and non-operating items. Operating revenues generally result from providing services in connection with the Authority's principal ongoing operations. The principal operating revenues of the Authority are charges for rent, leases and storage, and fuel sales.

Operating expenses include administrative, maintenance, and operations costs of the Authority's facilities, along with depreciation of capital assets. All revenue and expenses not meeting these definitions are reported as non-operating revenues and expenses.

#### Compensated Absences

In accordance with generally accepted accounting principles, an employee benefits payable liability is recorded for unused vacation and similar compensatory leave balances, with maximum unused balance caps for varying lengths of service with the Authority. The employee's entitlements to these balances are attributable to services already rendered and it is probable that virtually all of these balances will be liquidated by either paid time off or payments upon termination or retirement.

#### Use of Estimates

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

#### Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Authority currently has no items that qualify for reporting in this category.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Authority currently has no items that qualify for reporting in this category.

# SAN BERNARDINO INTERNATIONAL AIRPORT AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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### 1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

#### Net Position

The difference between assets and liabilities is reported as net position. Net position is classified as either net investment in capital assets, restricted, or unrestricted.

Net investment in capital assets, consist of capital assets, net of accumulated depreciation and reduced by the outstanding principal of related debt. Restricted net position reflects the carrying value of assets less related liabilities that have external constraints placed on them by creditors, grantors, contributors, laws, or regulations of other governments, or through constitutional provisions, or enabling legislation. Unrestricted net position represents the remaining fund equity balance.

#### Net Position Flow Assumption

The Authority will fund outlays for a particular purpose from both restricted (e.g. restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted–net position and unrestricted–net position in the statement of net position, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Authority’s policy to consider restricted net position to have been depleted before unrestricted net position.

#### Implementation of Governmental Accounting Standards Board (GASB) Pronouncements

##### Governmental Accounting Standard Board Statement No. 88

In June of 2018, GASB issued Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements. This Statement was issued to improve financial reporting by providing users of financial statements with essential information that currently is not provided. In addition, information about resources to liquidate debt and the risks associated with changes in term associated with debt will be disclosed. As a result, users will have better information to understand the effects of debt on a government’s future borrowing flows.

### 2. CASH AND INVESTMENTS

Cash and investments as of June 30, 2019 are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and cash equivalents	\$ 2,778,639
Restricted cash and cash equivalents	<u>50,000</u>
Total cash and investments	<u>\$ 2,828,639</u>



**SAN BERNARDINO INTERNATIONAL AIRPORT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**2. CASH AND INVESTMENTS - Continued**

Cash and investments as of June 30, 2019 consist of the following:

Deposits with financial institutions	\$	2,520,230
Investments in LAIF		<u>308,409</u>
Total cash and investments	<u>\$</u>	<u>2,828,639</u>

**Investments Authorized by the Authority's Investment Policy**

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

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage</u>	<u>Maximum Investment in One Issuer</u>
Local Government Bonds or Other Indebtedness	None	None	None
Certificates of Deposit	None	None	None
California Local Agency Investment Fund (LAIF)	N/A	None	\$65 Million
Securities of the U.S. Government or its Agencies	None	None	None
State Bonds or Other Indebtedness	None	None	None

**Disclosures Relating to Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market rates. One of the ways that 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 so that a portion of the portfolio is maturing or coming close to maturing evenly over time as necessary to provide the cash flow and liquidity needed for operations. Information about the sensitivity of the fair values of the Authority's investments to market interest rate fluctuations is provided by the following table that shows the distribution of investments by maturity as of June 30, 2019:

<u>Investment Type</u>	<u>12 Months or Less</u>	<u>More than 12 Months</u>
LAIF	\$ 308,409	\$ -

# **SAN BERNARDINO INTERNATIONAL AIRPORT AUTHORITY**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2019**

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### **2. CASH AND INVESTMENTS - Continued**

#### **Disclosures Relating to Credit Risk**

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. LAIF does not have a rating provided by a nationally recognized statistical rating organization.

#### **Concentration of Credit Risk**

The investment policy of the Authority contains no limitation on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. There are no investments in any one issuer that represent 5% or more of total District investments (other than external investment pools).

#### **Custodial Credit Risk**

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

As of June 30, 2019, the Agency had deposits with bank balances of \$2,828,639. Up to \$250,000 is federally insured and the remaining balance is collateralized with accordance with the Code; however, the collateralized securities are not held in the Authority's name.

#### **Investment in State Investment Pool**

The Authority is a voluntary participant in the State of California Local Agency Investment Fund (LAIF), which is a part of the Pooled Money Investment Account that is regulated by the California Government Code under the oversight of the State Treasurer, Director of Finance, and State Controller. The Authority's investment in this pool is reported in the accompanying financial statements at cost, which approximates fair value at amounts based upon the Authority's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Investments in LAIF are highly liquid, as deposits can be converted to cash within 24 hours without loss of interest. All investments with LAIF are secured by the full faith and credit of the State of California. Separate LAIF financial statements are available from the California State Treasurer's Office on the Internet at [www.treasurer.ca.gov](http://www.treasurer.ca.gov).

# **SAN BERNARDINO INTERNATIONAL AIRPORT AUTHORITY**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2019**

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### **2. CASH AND INVESTMENTS - Continued**

#### **Restricted Cash and Cash Equivalents**

The Authority holds a \$50,000 endowment from the County of San Bernardino Flood Control District as restricted cash. This endowment is to provide long-term conservation management over certain County property which was conveyed to the Authority in 2013.

#### **Fair Value Measurements**

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments in the Local Agency Investment Fund are not subject to the fair value hierarchy, but are reported at the Net Asset Value (NAV).

### **3. RECEIVABLES**

#### **Accounts Receivable**

Accounts receivable for lease revenues are reported net of uncollectible amounts. Accounts receivable reported for the Authority in the Statement of Net Position as of June 30, 2019, are net of an allowance for doubtful accounts of \$562,750.

**SAN BERNARDINO INTERNATIONAL AIRPORT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**4. CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2019 is presented as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated				
Land	\$ 32,854,050	\$ -	\$ -	\$ 32,854,050
Construction in progress	3,006,128	2,364,671	(5,159,216)	211,583
Total capital assets, not being depreciated	35,860,178	2,364,671	(5,159,216)	33,065,633
Capital assets, being depreciated				
Infrastructure	130,927,424	79,997	-	131,007,421
Land improvements	62,519,462	527,525	-	63,046,987
Buildings and structures	352,564,233	7,996,872	-	360,561,105
Furniture and fixtures	89,524	-	-	89,524
Machinery and equipment	7,556,784	376,788	-	7,933,572
Vehicles	2,107,780	116,544	-	2,224,324
Total capital assets, being depreciated	555,765,207	9,097,726	-	564,862,933
Less accumulated depreciation				
Infrastructure	(94,864,578)	(5,501,062)	-	(100,365,640)
Land improvements	(50,419,128)	(3,152,116)	-	(53,571,244)
Buildings and structures	(99,024,454)	(10,394,963)	-	(109,419,417)
Furniture and fixtures	(22,702)	(13,364)	-	(36,066)
Machinery and equipment	(4,448,688)	(498,079)	-	(4,946,767)
Vehicles	(1,981,755)	(167,974)	-	(2,149,729)
Total accumulated depreciation	(250,761,305)	(19,727,558)	-	(270,488,863)
Total capital assets being depreciated, net	305,003,902	(10,629,832)	-	294,374,070
Total capital assets, net	\$ 340,864,080	\$ (8,265,161)	\$ (5,159,216)	\$ 327,439,703

**5. LONG-TERM DEBT**

Long-term Debt activity for the year ended June 30, 2019 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
IVDA Loans	\$ 1,833,390	\$ -	\$ -	\$ 1,833,390	\$ 1,077,331
Hangar 795 Improvements	-	3,385,081	-	3,385,081	374,672
Total	\$ 1,833,390	\$ 3,385,081	\$ -	\$ 5,218,471	\$ 1,452,003

# SAN BERNARDINO INTERNATIONAL AIRPORT AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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### 5. LONG-TERM DEBT - Continued

#### IVDA Loans

IVDA Loans On both July 29, 2004 and February 23, 2005, the Inland Valley Development Agency (IVDA) loaned the Authority \$2,600,000. The proceeds were used to repay Member Agency Loans. The loans were to be repaid in ten years, fully amortized, at an interest rate of two percent or at the rate designated by LAIF, whichever is higher. The interest was to be paid annually. Minimum principal payments were required throughout the term of the agreements. At June 30, 2015, the amount outstanding was \$4,200,000.

In December 2014, the Authority entered into an agreement with IVDA to consolidate, restate and amend the above loans. The consolidated loan extension is in the principal amount of \$3,900,000, which amount is to be paid by the Authority to IVDA over a term of seven years, at two percent (2%) interest or at the rate designated by the Local Agency Investment Fund (LAIF), whichever is greater, compounded annually. The Authority is to make annual payments in the amount of \$570,000, commencing June 1, 2015. Annual loan payments include principal and interest without any balloon payments for repayment over the term of the loan. Pursuant to the terms of the loan agreement, the Authority is required to pledge as collateral certain revenues from the former landfill site and future proceeds from the Rialto Airport.

In the event of default, the lender may, at its option and in its sole and absolute discretion, do any or all of the following: (a) by written notice to borrower, declare the entire principal of this note and all other amounts owing under the loan documents, together with all accrued interest and other amounts owing in connection therewith, to be immediately due and payable, regardless of any other specified due date or payment schedule; (b) apply any payments received after event of default against interest and principal of this note and cost and other amounts owing under this note, the restated loan and any other loan document, in such order as lender may determine in its sole discretion; (c) in its own right, take possession of the collateral or any part thereof, and; (d) exercise any or all other of its right under the restated loan or the other loan documents and any rights provided by law or equity. During the year ended June 30, 2019, no payments were made on principal and interest, and total principal outstanding is \$1,833,390.

The annual debt service requirements to maturity for the IVDA loans are as follows:

Year Ending June 30,	Principal	Interest	Total
2020	\$ 1,077,331	\$ 52,669	\$ 1,130,000
2021	756,059	15,121	771,180
Total	<u>\$ 1,833,390</u>	<u>\$ 67,790</u>	<u>\$ 1,901,180</u>

**SAN BERNARDINO INTERNATIONAL AIRPORT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2019**

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**5. LONG-TERM DEBT - Continued**

**Hangar 795 Improvements**

On April 17, 2018, the Inland Valley Development Agency (IVDA) loaned the Authority \$3,000,000 and amended on September 12, 2018 for an amount not to exceed \$3,500,000, with actual liability recorded of \$3,385,081. The proceeds were used for construction of certain Hillwood Improvements. The loan is to be paid off over 10 years, fully amortized, at an interest rate of 2% or at the rate designated by the Local Agency Investment Fund (LAIF), whichever is higher, compounded annually. SBIAA shall make semi-annual payments of principal and interest in the amount of \$120,000 commencing on November 1, 2019 with a final balloon payment of \$1,748,385 due and payable on November 1, 2028.

Pursuant to the terms of the loan agreement, SBIAA is required to pledge as collateral general lease revenues as well as future proceeds from the Rialto Airport to secure this loan. In the event of a default the lender may, at its option and in its sole and absolute discretion, do any or all of the following: (a) by written notice to borrower, declare the entire outstanding principal of the loan and all other amounts owing under the loan documents, together with all accrued interest and other amounts owing in connection therewith, to be immediately due and payable, regardless of any other specified due date or payment schedule; (b) apply any payments received after the event of default against interest and principal of the loan and cost and other amounts owing under the loan; (c) in its own right, take possession of the collateral or any part thereof and hold, use, manager and control such collateral and apply such collateral to payment; (d) any money expended or obligation incurred in doing so, including reasonable attorney fees and interest at the highest rate permitted by law; (e) exercise any of its right under loan documents and any rights provided by law or equity, foreclose on any security and exercise any other rights with respect to an security. As of June 30, 2019, no payments have been made on principal and interest and total principal outstanding is \$3,385,081.

The annual debt service requirements to maturity are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 374,672	\$ 105,329	\$ 480,001
2021	179,853	60,147	240,000
2022	183,518	56,482	240,000
2023	187,259	52,741	240,000
2024	190,944	49,056	240,000
2025-2029	<u>2,268,835</u>	<u>171,029</u>	<u>2,439,864</u>
Total	<u>\$ 3,385,081</u>	<u>\$ 494,784</u>	<u>\$ 3,879,865</u>

**SAN BERNARDINO INTERNATIONAL AIRPORT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

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**5. LONG-TERM DEBT - Continued**

**Compensated Absences**

Accumulated vacation, holiday, sick pay and compensatory times are recorded as an expense and liability as these benefits are earned. The compensated absences liability is considered noncurrent and is included in noncurrent liabilities. Compensated absences activity for the 2018-2019 fiscal year is as follows:

<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
\$ 220,718	\$ 166,976	\$ (128,464)	\$ 259,230	\$ 129,615

**6. NET POSITION**

**Restricted Net Position**

The Authority received capital grant contributions from the Inland Valley Development Agency during the years ended June 30, 2008 through 2011. The capital grant contributions were received with restrictions for specific capital projects. Restrictions for this projects is as follows: \$3,500,000 for solar projects. Additional restricted amounts were received in subsequent fiscal years. As the Authority recognizes expenses related to these capital projects, restricted net position is reduced. Net position restricted as of June 30, 2019 is as follows:

<u>Net Position Restricted For:</u>	<u>Amount at June 30, 2019</u>
Endowment	\$ 50,000
Building No. 56	425,000
Mt. View - Right of Way	800,000
Solar Project	404,799
	<hr/>
Total restricted net position	<u>\$ 1,679,799</u>

# SAN BERNARDINO INTERNATIONAL AIRPORT AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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### 6. NET POSITION - Continued

#### Net Investment in Capital Assets

Net Investment in Capital Assets:	Amount at June 30, 2019
Land	\$ 32,854,050
Construction in progress	211,583
Capital assets, net of accumulated depreciation	294,374,070
Less retentions payable	(66,146)
Less Hangar 795 improvements	<u>(3,385,081)</u>
 Total net investment in capital assets	 <u>\$ 323,988,476</u>

### 7. CAPITAL GRANTS

The Authority was awarded a grant in fiscal year 2009-10 totaling \$512,177 from the United States Department of Commerce Economic Development Administration for the Taxiways, Aprons and Ramps Repaving Design and \$4,560,000 for the Airport Pavement Rehabilitation Reconstruction. During fiscal year 2013-14, the scope for these grants was enhanced to add Hangar 763 improvements. Grant proceeds of \$855,445 were recognized during the year ended June 30, 2019.

The Authority was awarded a grant in fiscal year 2014-15 totaling \$3,110,400 from the United States Department of Commerce Economic Development Administration for the 3<sup>rd</sup> Street Roadway and Infrastructure Improvements. The Authority shares a non-federal matching share cost of \$345,600 with other state and local governments. Total Grant proceeds of \$157,011 were recognized during the year ended June 30, 2019.

During fiscal year 2007-08, the Authority, City of Rialto, the Federal Aviation Administration (the "FAA") and First American Title Insurance Company (the "Escrow Holder") entered into the Escrow Agreement for the Disbursement of Land Sale Proceeds, and acknowledged that the SBD Airport is the "Eligible Airport" under the Transfer Legislation, pursuant to which a portion of the land sale proceeds realized by Rialto from sales of the Airport Property shall be delivered to and disbursed by the Escrow Holder, a procedure acknowledged by the FAA that complies with the Transfer Legislation (the "FAA Escrow Agreement"), to the Authority. The proceeds realized during the year ended June 30, 2019 were \$609,597.

The Authority received a flood reimbursement from the California Governor's Office of Emergency Services of \$317,795 during the year ended June 30, 2019.



# **SAN BERNARDINO INTERNATIONAL AIRPORT AUTHORITY**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2019**

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### **8. PENSION PLAN AND CONTRACT STAFF**

The Authority has not established any pension plans for its employees. Some of the Authority's staff receive pension benefits as employees of the Inland Valley Development Agency (IVDA). The Authority shares expenses for salaries and related benefits with the IVDA (see note 10 below). Disclosures regarding IVDA's pension plans are included in separately issued financial statements for the IVDA.

### **9. RISK MANAGEMENT**

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Authority carries commercial insurance. Premiums are paid annually by the Authority. Claims liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. As of June 30, 2019, there were no such liabilities to be reported.

### **10. RELATED PARTY TRANSACTIONS**

The Authority shares certain common expenses with the Inland Valley Development Agency (IVDA), a related party by virtue of common control. These expenses, which include salaries, benefits, services, and supplies, are appropriately allocated between the two governments. The Authority's allocable share of the expenses paid by the IVDA are reported as due to related party and the IVDA's allocable share of the expenses paid by the Authority are reported as due from related party, and are essentially short-term advances of working capital. The advances are non-interest bearing and due on demand. The net amount due to IVDA at June 30, 2019 was \$5,985,824.

### **11. COMMITMENTS AND CONTINGENCIES**

#### **Construction Commitments**

The Authority has active construction projects as of June 30, 2019. At year-end, the Authority's outstanding construction commitments for these projects amounted to approximately \$480,120.

#### **IVDA Funding**

In January of 2016, the Inland Valley Development Agency Successor Agency (IVDA) timely submitted to the State of California Department of Finance (DOF) a Recognized Obligation Payment Schedule (ROPS) for the period of July 1, 2016 through June 30, 2017 (2016-17 fiscal year) in accordance with State requirements. This ROPS included a request for the Authority's projected airport operation expenses of \$5,587,738. ROPS-funded airport operation expenses had historically been requested, approved, and funded by DOF. For this ROPS however, DOF approved the airport operation expenses but declined to fund the requested amount of \$5,587,738.

# SAN BERNARDINO INTERNATIONAL AIRPORT AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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### 11. COMMITMENTS AND CONTINGENCIES - Continued

#### COMMITMENTS AND CONTINGENCIES

The IVDA and the San Bernardino International Airport Authority subsequently filed a Petition for Writ of Mandate with the Superior Court of the State of California for the County of Sacramento to contest the DOF's decision not to fund. The Court ruled in favor of IVDA and SBIAA as to enforceability of the obligation and ordered further Meet and Confer with DOF. The Meet and Confer process has been completed and DOF has continued to deny funding. IVDA is in the process of filing a subsequent action to enforce the underlying court's ruling related to the payment of the operating expenses. For the 2015-16 fiscal year, the operating grant from IVDA to the Authority amounted to \$5,084,262, which represented approximately 37% of the Authority's operating revenues. However, it is currently unclear when or if this source of operating revenue will be available to the Authority in the future.

### 12. LEASE REVENUES

The Authority enters into various leasing arrangements with tenants throughout each year for the use of airport facility buildings, hangars, vacant land and parking lots. The minimum future lease payments expected to be collected are as follows:

	Year Ending June 30,
2020	\$ 3,236,340
2021	1,190,014
2022	1,756,209
2023	756,115
2024	756,115
Thereafter	<u>2,652,017</u>
Total	<u>\$ 10,346,810</u>

### 13. OTHER INCOME

Other income presented on the Statement of Revenues, Expenses and Changes in Net Position vary drastically from year to year, and thus are grouped as one line item. The components of other income as of June 30, 2019 include:

Third party into plane fees	\$ 1,460,363
Tie down/parking fees	56,382
Network services	51,681
Special event revenue	323,253
Security services	181,289
Other FBO services	300,646
Other income	<u>275,042</u>
Total other income	<u>\$ 2,648,656</u>

## **SUPPLEMENTARY INFORMATION**

**SAN BERNARDINO INTERNATIONAL AIRPORT AUTHORITY**

**SCHEDULE OF GENERAL AND ADMINISTRATIVE EXPENSES  
YEAR ENDED JUNE 30, 2019**

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General and administrative:	
Salaries and wages	\$ 721,907
Airport management salaries and wages	887,551
Lease expense	449
U.S. Customs	157,754
Directors' fees	17,150
Travel expense	68,188
Meetings and conferences	165,876
Dues and subscriptions	30,219
Office expense	48,747
Advertising and marketing	215,265
Professional services:	
Legal	379,565
Accounting	43,500
Other	550,203
Telephone	103,245
Software	63,846
Miscellaneous	<u>479,557</u>
Total	<u>\$ 3,933,022</u>

**SAN BERNARDINO INTERNATIONAL AIRPORT AUTHORITY**

**SCHEDULE OF MAINTENANCE AND OPERATIONS EXPENSES  
YEAR ENDED JUNE 30, 2019**

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Maintenance and operations:	
Salaries and benefits	\$ 3,241,236
Security	755,120
Professional services - other	40,500
Storm water monitoring	47,614
Hazardous waste removal	10,762
Janitorial	178,606
Meetings	13,888
Utilities/maintenance fees	1,236,378
Control tower	642,831
Communications	253,536
Fees	58,344
Gas/Diesel/Fuel	283,133
Miscellaneous	171,590
Advertising	71,133
Parts/supplies	76,815
Maintenance and repairs	1,519,476
Airshow expense	461,314
Special event expenses	35,085
Airline support	1,725
Cost of fuel sales	11,564,611
Lease Expense	479,087
SBIAA, Inc. expense	1,000
Total	<u>\$ 21,143,784</u>