BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

Basic Financial Statements

June 30, 2015 and 2014

(With Independent Auditor's Report Thereon)

mgo Certified Public Accountants

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Basic Financial Statements

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Independent Auditor's Report

The Honorable Board of Commissioners
Burbank-Glendale-Pasadena Airport Authority
Burbank, California:

Report on the Basic Financial Statements

We have audited the accompanying basic financial statements of the Burbank-Glendale-Pasadena Airport Authority (the Authority) as of and for the years ended June 30, 2015 and 2014, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Basic Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2015 and 2014 and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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Los Angeles, CA 90017

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 to 25 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2015 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, 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.

Macias Gini & O'Connell LLP

Los Angeles, California
December 4, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

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Management of the Burbank-Glendale-Pasadena Airport Authority (Authority), which operates Bob Hope Airport (Airport), offers readers of the Authority's basic financial statements the following *Management's Discussion and Analysis* (MD&A), a narrative overview and analysis of the Authority's financial activities as of and for the fiscal years ended June 30, 2015 and 2014. We encourage readers to consider this information in conjunction with the accompanying basic financial statements.

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

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

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

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

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

Highlights of Airport Activities

- The assets of the Authority exceeded its liabilities and deferred inflows of resources (*net position*) at June 30, 2015 and 2014 by $462,042,369 and $461,610,797, respectively. Of this amount, $122,747,697 and $122,536,629, respectively, may be used to meet the Authority's ongoing obligations to Airport users and creditors (*unrestricted net position*).
- The Authority's total net position increased by $431,572 and $4,555,660 in the fiscal years ended June 30, 2015 and 2014, respectively.
- The Authority's net capital assets decreased by $7,399,449 in FY 2015, consisting of additions of $12,253,747, deletions of $320,642 (net of accumulated depreciation of $2,210,045), and depreciation expense of $19,332,554. The Authority's net capital assets increased by $36,121,962 in FY 2014, consisting of additions of $51,795,141, deletions of $1,168,407 (net of accumulated depreciation of $471,742), and depreciation expense of $14,504,772. Included in deletions is $317,799 and $1,166,527 in FY 2015 and FY 2014, respectively, of construction-in-progress projects that the Authority determined would not move forward, which amount is included in loss on disposal of capital assets. Transfers from construction-in-progress to completed features totaled $113,419,324 and $24,168,194 in FY 2015 and

FY 2014, respectively, of which $110,708,551 and $11,554,015, respectively, relate to the Regional Intermodal Transportation (RITC) project.

- The Authority issued $32.3 million of 2015 Airport Revenue Bonds on April 30, 2015. The net proceeds of $36.2 million (including original issue premium of $4.4 million less underwriters' discount of $0.1 million and other costs of issuance of $0.4 million) together with $9.9 million of funds held by the Bond Trustee, was used to defease the $44.9 million outstanding 2005 Airport Revenue Bonds plus interest due (which were fully refunded on July 1, 2015). The defeasance resulted in an economic gain of $4.8 million and deferred amount on refunding of $0.9 million.
- Operational Results:
  - In FY 2015 total passengers of 3,902,455 increased from FY 2014 by 2.3% and in FY 2014 total passengers of 3,816,578 declined from FY 2013 by 3.9%. The increase in passenger traffic levels in FY 2015 reflects an increased demand for air travel. The decrease in passenger traffic levels in FY 2014 reflected the impact of the sluggish national economy and the airline industry's capacity reductions relative to the reduced demand for air travel. The Authority remained focused on maintaining efficient passenger operations, matching the timing of capital programs to alternate funding sources, upgrading infrastructure, and implementing security requirements. The Airport's ability to maintain its passenger traffic levels and/or attain any future passenger development is contingent on the recovery of the national economy and decisions by airline management to provide air service at the Airport to meet customer demand. However, Airport management cannot predict the decisions of airline management or the future course of the aviation industry. The airline industry is highly cyclical and is characterized by intense competition, high operating and capital costs, and varying demand. Passenger and cargo volumes are highly sensitive to general and localized economic trends, and passenger traffic may vary substantially with seasonal travel patterns.
  - Total operating revenues generated during FY 2015 increased by $2,869,972, or 6.2%, from FY 2014. Total operating revenues generated during FY 2014 increased by $1,282,597, or 2.9%, from FY 2013.
  - Total operating expenses incurred during FY 2015 increased by $6,634,796, or 13.0%, from FY 2014 (increase of $1,807,014 or 5.0% excluding depreciation expense). Total operating expenses incurred during FY 2014 increased by $1,779,839, or 3.6%, from FY 2013 (increase of $1,328,509 or 3.8% excluding depreciation expense).
  - The Airport was served during FY 2015 and FY 2014 by seven signatory carriers: Alaska Airlines, Delta Air Lines, JetBlue Airways, Seaport Airlines, Southwest Airlines, United Airlines and U.S. Airways.
  - As the Authority's residential sound insulation program reaches maturity, during FY 2015 the Airport acoustically treated approximately 59 residences. During FY 2014 the Airport acoustically treated approximately 32 residences. The funding for the sound insulation program, in which noise mitigation features are installed in residences impacted by airport noise, is provided by federal grants, passenger facility charge fees, and Authority funds. Effective October 10, 2013, the Federal Aviation Administration (FAA) accepted an updated noise exposure map (NEM), which depicts the boundaries of the 65 community noise equivalent level (CNEL) noise exposure area. The NEM,

which reflects a decrease in the size of the area surrounding the airport exposed to 65 CNEL, was updated as part of a Part 150 Noise Compatibility Study. This study is still in process, the results of which may deem as eligible multi-family and an additional number of single family residences to the sound insulation program in the revised noise contour area.

Schedule of Net Position

A summary of the Airport's net position as of June 30, 2015, 2014, and 2013 is shown below.

Schedule of Net Position

	2015	2014	2013	FY 2014/15 increase (decrease) Amount	FY 2014/15 increase (decrease) %	FY 2013/14 increase (decrease) Amount	FY 2013/14 increase (decrease) %
Assets:							
Current unrestricted assets	$ 29,958,934	$ 31,297,211	$ 34,128,851	$ (1,338,277)	(4.3)%	$ (2,831,640)	(8.3)%
Restricted assets	109,049,614	113,729,716	148,072,420	(4,680,102)	(4.1)	(34,342,704)	(23.2)
Facility Development Reserve	101,395,103	101,395,103	101,395,103	—	0.0	—	0.0
Bond insurance premiums	—	191,127	210,841	(191,127)	(100.0)	(19,714)	(9.4)
Debt service reserve surety	44,137	—	—	44,137	n/a	—	n/a
Capital assets, net	355,714,312	363,113,761	326,991,799	(7,399,449)	(2.0)	36,121,962	11.0
Total assets	596,162,100	609,726,918	610,799,014	(13,564,818)	(2.2)	(1,072,096)	(0.2)
Liabilities:							
Current liabilities	11,419,338	12,884,755	15,408,532	(1,465,417)	(11.4)	(2,523,777)	(16.4)
Liabilities payable from restricted assets	4,389,934	6,381,341	6,314,854	(1,991,407)	(31.2)	66,487	1.1
Noncurrent liabilities	117,392,377	128,850,025	132,020,491	(11,457,648)	(8.9)	(3,170,466)	(2.4)
Total liabilities	133,201,649	148,116,121	153,743,877	(14,914,472)	(10.1)	(5,627,756)	(3.7)
Deferred inflows of resources – Deferred amount on refunding	918,082	—	—	918,082	n/a	—	n/a
Net position:							
Net investment in capital assets	241,786,162	245,399,825	242,490,540	(3,613,663)	(1.5)	2,909,285	1.2
Restricted, debt service	14,412,399	13,272,492	11,572,383	1,139,907	8.6	1,700,109	14.7
Restricted, capital projects	83,096,111	80,401,851	80,231,649	2,694,260	3.4	170,202	0.2
Unrestricted	122,747,697	122,536,629	122,760,565	211,068	0.2	(223,936)	(0.2)
Total net position	$ 462,042,369	$ 461,610,797	$ 457,055,137	$ 431,572	0.1	$ 4,555,660	1.0

Net Position

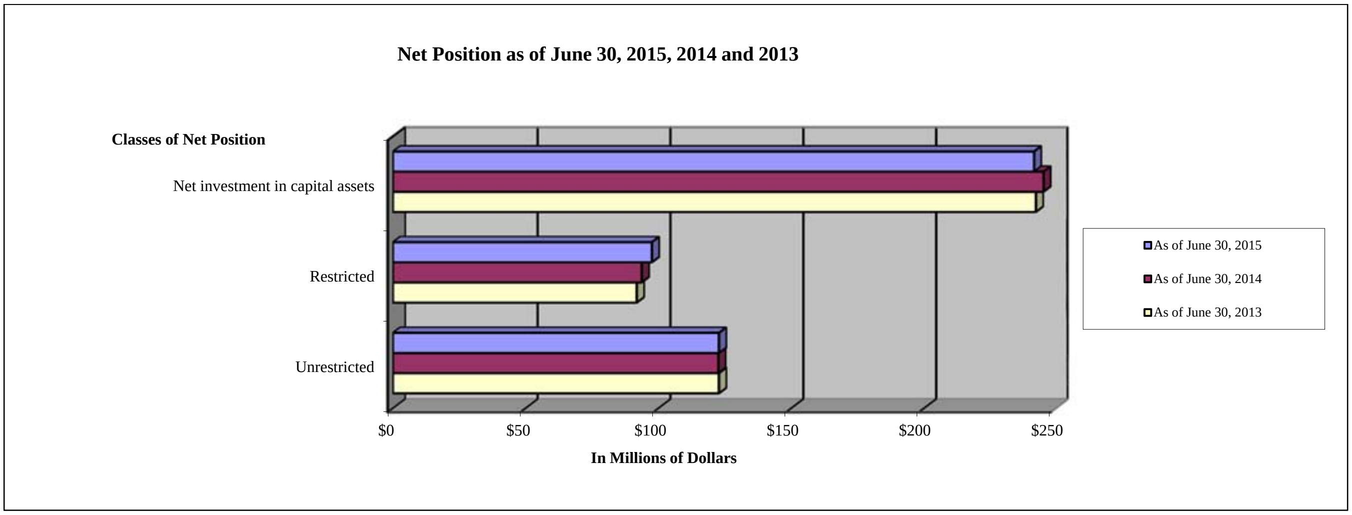
As noted earlier, net position may serve over time as a useful indicator of the Authority's financial position. The Authority's assets exceeded its liabilities and deferred inflows of resources (net position) by $462,042,369, $461,610,797 and $457,055,137 at the close of FY 2015, FY 2014 and FY 2013, respectively.

The largest portion of the Authority's net position (52.3%, 53.2% and 53.1% at June 30, 2015, 2014 and 2013, respectively) reflects its investment in capital assets (e.g., land, buildings, runways, etc.); less any related debt used to acquire those assets that is still outstanding. The Authority uses these capital assets to provide services to

Airport users; consequently, these assets are not available for future spending. Although the Authority's investment in its capital assets is reported net of related debt, the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

The second portion of the Authority's net position (21.1%, 20.3% and 20.1% at June 30, 2015, 2014 and 2013, respectively) represents resources that are subject to external restrictions on how they may be used. Of this restricted net position, 14.8%, 14.2% and 12.6% are for repayment of long-term debt and 85.2%, 85.8% and 87.4% are for construction of capital assets at June 30, 2015, 2014 and 2013, respectively.

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



As of June 30, 2015, 2014 and 2013, the Authority reported positive balances in all three categories of net position.

Current Unrestricted Assets

The Authority's current unrestricted assets decreased by $1,338,277, or 4.3%, in FY 2015 primarily resulting from reduced cash and investment requirements with the completion of the RITC project (-$704,291), decreased grants receivable with the completion of the RITC project (-$1,082,307), increased accounts receivable consisting primarily of utility expenses charged back to RITC rent-a-car company tenants ($290,116), common use passenger processing system maintenance costs charged back to airlines ($162,663) and a small decrease in July rents prepaid in FY 2015 ($82,559), and reduced other receivables due to a decrease in amounts due from the Transportation Security Administration (TSA) for an upgrade to its baggage inspection systems (-$90,317) and a decrease in the History and Art Realization Program (HARP) fundraising program receivables (-$5,145).

The Authority's current unrestricted assets decreased by $2,831,640, or 8.3%, in FY 2014 primarily resulting from reduced cash and investment requirements as the RITC project nears completion (–$2,122,284), increased grants receivable from additional qualifying grant expenditures ($431,146) and reduced other receivables due to collection of prior year insurance receivables (-$668,355) and reduction in amounts due from the TSA for an upgrade to its baggage inspection systems (-$385,178).

Restricted Assets

The Authority's restricted assets decreased by $4,680,102 or 4.1% in FY 2015. The decrease in restricted assets consists of a net decrease in trustee-held cash and investments of $7,374,522 (including debt service and debt service reserve funds of $9,854,743 used as part of the payment to the defeased 2005 Bonds escrow, $880,000 termination fee on 2005 Bonds forward delivery investment agreement, increase in 2012 Bonds debt service fund of $2,046,309, drawdowns of $536,268 of 2012 Bonds construction funds, $262,885 of 2015 Bonds debt service fund, and a decrease in other trustee-held cash and investments of $172,706), a net increase of $2,116,476 of Passenger Facility Charge (PFC) funds ($7,920,155 of PFC revenues received, net interest received of $135,731, less $5,939,410 drawn for reimbursement of eligible project costs), a net increase in Customer Facility Charge (CFC) funds of $512,961 ($5,550,353 of CFC revenues which were transferred to the bond trustee and $512,961 reimbursement of amounts previously drawn for reimbursement of RITC project costs), and other changes totaling a net increase of $64,983.

The Authority's restricted assets decreased by $34,342,704 or 23.2% in FY 2014. The decrease in restricted assets consists of a net decrease in trustee-held cash and investments of $36,072,703 (including drawdown of $31,896,334 of 2012 Bonds construction funds, decrease of $4,332,095 of 2012 Bonds debt service funds for debt service, and an increase in other trustee-held cash and investment of $155,726), a net decrease of $1,167,862 of PFC funds ($7,907,381 of PFC revenues received and net interest less $9,075,243 drawn for reimbursement of eligible project costs), a net increase of $1,420,980 of CFC funds ($4,871,904 of CFC revenues received less $1,459,500 transferred to the Bond Surplus Fund and less $1,991,424 drawn for reimbursement of RITC project costs), an increase of $1,459,500 deposited to the Bond Surplus Fund from the CFC Fund, and other changes totaling a net increase of $17,381.

Debt Service and Debt Service Reserve funds relate to debt service requirements and accumulated interest earnings of the 2012 Bonds and the 2015 Bonds. The reserve requirement for the 2015 Bonds is satisfied by a debt service reserve surety. The premium for this surety was capitalized and is amortized over the life of the 2015 Bonds. The Operating Reserve Fund, a fund required by the Bond Indenture in an amount equal to one fourth of the operations and maintenance budget, increased by $128,622 and $102,397 based on corresponding increases in the budgets for FY 2015 and FY 2014, respectively. The deposits to the Bond Surplus fund of $1,459,500 in FY 2014 and $1,354,897 in FY 2013 represent 25% of maximum annual debt service on the 2012 Bonds and 2005 Bonds, respectively, and are used beginning in FY 2014, respectively, for bond debt service coverage requirements. The deposit to the Surplus Fund for the 2005 Bonds was replaced on April 30, 2015 by a reduced Surplus deposit for the 2015 Bonds of $1,142,063, a reduction of $212,834, with the issuance of the 2015 Bonds and defeasance of the 2005 Bonds.

The PFC is an FAA-approved charge levied on each enplaned passenger (currently $4.50). PFC funds collected are restricted and may only be used on specifically approved facility improvement projects. The balance in the PFC Fund is dependent on the timing of receipts and expenditures on approved projects. PFC revenue for fiscal years ended June 30, 2015 and 2014 totaled $8,103,510 and $7,839,780, respectively, including interest and changes in fair value in the PFC Fund of $154,460 and $121,262, respectively. During the fiscal years ended June 30, 2015 and 2014, funds totaling $5,939,410 and $9,075,243, respectively, for eligible costs expended on

PFC projects were reimbursed to the Current Operating Fund from the PFC Fund. Of these amounts, $3,860,773 and $6,184,045, respectively, were for the RITC project; $460,706 and $312,379, respectively, were for sound insulation program expenses and $1,617,931 and $2,578,819, respectively, were for facility improvement project expenses.

The CFC is a State of California permitted charge established by the Authority effective December 1, 2009, levied on rental car transactions. The fee was $10 per rental car transaction through June 30, 2011. In accordance with State law, effective July 1, 2011 the Authority increased the CFC fee to $6 per rental car transaction day, up to a maximum of five rental days. CFC funds collected are restricted and may only be used for the planning, design, construction and financing of a consolidated rental car facility (CRCF). The balance in the CFC Fund is dependent on the timing of receipts and expenditures on the CRCF. CFC revenue for fiscal years ended June 30, 2015 and 2014 totaled $5,575,979 and $4,904,964, respectively. In accordance with the Master Indenture of Trust by and between the Authority and The Bank of New York Mellon Trust Company, N.A. as Trustee (Master Bond Indenture), as supplemented and amended, CFCs collected subsequent to June 30, 2014 are transferred to the debt service fund for the 2012 Bonds held by the trustee. CFCs collected in FY 2015 of $5,550,353 were transferred to the trustee. In FY 2015, funds totaling $512,961 for eligible CRCF construction costs previously drawn from CFCs were reimbursed to the CFC fund and drawn from 2012 Bond construction funds. In FY 2014, funds totaling $1,991,424 for eligible CRCF construction costs were reimbursed to the Current Operating Fund from the CFC Fund and $1,459,500 in FY 2014 were deposited to the Bond Surplus Fund from the CFC Fund.

Facility Development Reserve

Cash and investments – Facility Development Reserve was unchanged in FY 2015 and FY 2014. This fund was established by the Authority during FY 2000 to provide for the development of the terminal and other Airport facilities. The actual appropriation of these funds to selected facility development projects is determined based on the approval of the Authority.

Capital Assets

The Authority's net capital assets decreased $7,399,449, or 2.0%, in FY 2015 and increased $36,121,962, or 11.0%, in FY 2014.

The net decrease in capital assets of $7,399,449 in FY 2015 includes additions of $12,253,747, deletions of $320,642 (net of accumulated depreciation of $2,210,045), and depreciation expense of $19,332,554. Included in deletions is $317,799 of construction-in-progress projects that the Authority determined would not move forward, which amount is included in Loss on Disposal of Capital Assets on the accompanying Statement of Revenues, Expenses and Changes in Net Position.

FY 2015 additions to capital assets of $12,253,747 include $1,355,400 related to the RITC project. Other additions include the airfield lighting, runway shoulder and Taxiway B rehabilitation, terminal high voltage, Aircraft Rescue and Fire Fighting (ARFF) Truck, and Runway 33 safety projects. FY 2015 deletions include depreciation of $19,332,544, the construction-in-progress projects the Authority determined would not move forward, and other deletions of old airfield lighting and sign systems, 1991 ARFF truck, and old noise monitoring system. FY 2015 transfers from construction-in-progress to completed features of $113,419,324 include $110,708,551 related to the RITC project, consisting of $78,162,736 for the CRCF, $7,270,208 for the Customer Service Building, $3,000,150 for the Transit Center, and $22,275,457 for the Elevated Walkway.

The net increase in capital assets of $36,121,962 in FY 2014 includes additions of $51,795,141, deletions of $1,168,407 (net of accumulated depreciation of 471,742), and depreciation expense of $14,504,772. Included in deletions is $1,166,527 of construction-in-progress projects that the Authority determined would not move forward, which amount is included in Loss on Disposal of Capital Assets on the accompanying Statement of Revenues, Expenses and Changes in Net Position.

FY 2014 additions to capital assets of $51,795,141 include $47,809,021 related to construction in progress on the RITC project. Other additions include the replacement parking structure, common use passenger processing system (CUPPS), noise monitoring system and Runway 33 safety improvements. FY 2014 deletions include depreciation of $14,504,772, the construction-in-progress projects that the Authority determined would not move forward and other deletions of Terminal B modifications for passenger screening and replaced Runway 33 safety modifications. FY 2014 transfers from construction-in-progress to completed features of $24,168,194 include $11,554,015 related to the RITC project for the Replacement Parking Structure.

Current Liabilities

Current liabilities decreased $1,465,417, or 11.4%, in FY 2015. The decrease results from a decrease in vendor accruals related to capital projects of $2,464,449, an increase in vendor accruals related to operating accounts of $1,281,803, a decrease in vendor accruals related for the replacement terminal development project of $118,712, an increase in vendor accruals related to the sound insulation program of $158,138, a decrease in vendor accruals for the TSA baggage inspection project of $135,562, a decrease in other vendor accruals of $121,679, an increase in salaries and benefits payable of $40,035, a decrease in unearned revenue of $67,209 and a decrease in customer deposits of $37,782. The decrease in vendor accruals related to capital projects includes a decrease of $3,763,228 related to the RITC project, an increase related to the airfield lighting project of $1,286,056 and an increase related to other capital projects of $12,723. The increase in vendor accruals related to operating accounts primarily relates to the TBI airport management contract.

Current liabilities decreased $2,523,777, or 16.4%, in FY 2014. The decrease results from a decrease in vendor accruals related to capital projects of $2,862,148, a decrease in vendor accruals related to operating accounts of $683,549, an increase in other vendor accruals of $104,450, an increase in vendor accruals for the replacement terminal development program of $284,188, an increase in unearned tenant rents of $448,618 an increase in salaries and benefits payable of $105,588, and an increase in customer deposits of $79,076. The decrease in vendor accruals related to capital projects primarily relates to the RITC project and the decrease in vendor accruals related to operating accounts primarily related to the TBI airport management contract.

Liabilities Payable from Restricted Assets

Liabilities payable from restricted assets decreased by $1,991,407, or 31.2%, in FY 2015 and increased by $66,487, or 1.1%, in FY 2014. The decrease in FY 2015 reflects the impacts of defeasance of the 2005 Bonds and addition of the 2015 Bonds, including a net decrease in current portion of long-term debt of $1,515,000 (reduction of current portion of 2005 Bonds of $3,015,000 and addition of current portion of 2012 Bonds of $1,500,000), net reduction in accrued interest payable of $937,409 (reduction of interest payable related to the 2005 Bonds of $1,200,294 and increase of interest payable related to the 2015 Bonds of $262,885), and arbitrage rebate payable to the IRS related to the 2005 Bonds of $461,002. The increase in FY 2014 reflects a net increase of $135,000 in the current portion of 2005 Bonds payable, and a decrease of $68,513 of 2005 Bonds interest payable due to a principal payment of $2,880,000 in FY 2014.

Noncurrent Liabilities

Noncurrent liabilities decreased by $11,457,648, or 8.9%, in FY 2015 and decreased by $3,170,466, or 2.4%, in FY 2014. The decrease in FY 2015 includes defeasance on April 30, 2015 of the outstanding 2005 Bonds ($44,900,000 of principal and $1,486,129 of unamortized original issue premium), reclassification of the current portion of the 2012 Bonds of $1,500,000, addition of the 2015 Bonds ($32,260,000 of principal and $4,383,971 of original issue discount), and amortization of original issue premium on the 2005 Bonds of $124,360, 2012 Bonds of $6,234 and the 2015 Bonds of $84,896. The decrease in FY 2014 includes reclassification of the current portion of the 2005 Bonds of $3,015,000, and the amortization of the original issue premium on the 2005 Bonds of $149,232 and the amortization of the original issue premium on the 2012 Bonds of $6,234.

Deferred Inflows of Resources

Deferred inflows of resources consists of the net deferred amount on refunding of the 2005 Bonds of $918,082. The refunding and defeasance of the 2005 Bonds resulted in a difference between the reacquisition price of the 2015 Bonds and the net carrying amount of the 2005 Bonds of $935,367. This difference, reported in the accompanying basic financial statements as a deferred inflow of resources, is being credited to interest expense through July 1, 2024, the final maturity of the 2015 Bonds, using the straight-line method. Amortization in FY 2015 totaled $17,285.

Schedule of Revenues, Expenses and Changes in Net Position

The following table illustrates a condensed summary of the changes in net position for the fiscal years ended June 30, 2015, 2014 and 2013.

Schedule of Revenues, Expenses, and Changes in Net Position

				FY 2014/15 increase (decrease)		FY 2013/14 increase (decrease)	
	FY 2015	**FY 2014**	**FY 2013**	**Amount**	**%**	**Amount**	**%**
Operating revenues	$ 49,114,702	$ 46,244,730	$ 44,962,133	$ 2,869,972	6.2%	$ 1,282,597	2.9%
Operating expenses	57,581,856	50,947,060	49,167,221	6,634,796	13.0	1,779,839	3.6
Operating loss	(8,467,154)	(4,702,330)	(4,205,088)	(3,764,824)	80.1	(497,242)	11.8
Nonoperating revenues, net	6,756,139	6,333,187	6,951,437	422,952	6.7	(618,250)	(8.9)
Income before contributions and special item	(1,711,015)	1,630,857	2,746,349	(3,341,872)	(204.9)	(1,115,492)	(40.6)
Capital contributions	2,142,587	2,442,212	1,746,622	(299,625)	(12.3)	695,590	39.8
Special items	—	482,591	(2,273,554)	(482,591)	(100.0)	2,756,145	(121.2)
Changes in net position	431,572	4,555,660	2,219,417	(4,124,088)	(90.5)	2,336,243	105.3
Total net position – beginning of year	461,610,797	457,055,137	454,835,720	4,555,660	1.0	2,219,417	0.5
Total net position – end of year	$ 462,042,369	$ 461,610,797	$ 457,055,137	$ 431,572	0.1	$ 4,555,660	1.0

Commercial aircraft operations (takeoffs and landings) and landing weight reflect decreases during FY 2015 of 3.0% and 2.6%, respectively. Cargo tonnage, transported primarily by Federal Express and United Parcel Service, increased by 4.0% in FY 2015. Commercial aircraft operations (takeoffs and landings) and landing weight reflect decreases during FY 2014 of 7.1% and 6.9%, respectively. Cargo tonnage, transported primarily by Federal Express and United Parcel Service, increased by 3.9% in FY 2014.

Total passenger levels increased by 2.3% in FY 2015 and decreased by 3.9% in FY 2014. The state of the national economy, the impact of rapidly increasing fuel costs and potential restructuring of the airline industry could materially affect passenger traffic levels at the Airport.

Illustrated below are comparative traffic activities for FY 2015, FY 2014 and FY 2013:

Comparative Traffic Activities

				% increase (decrease)	
Description	**FY 2015**	**FY 2014**	**FY 2013**	**FY 2014/15**	**FY 2013/14**
Commercial carrier flight operations (takeoffs and landings)	45,667	47,070	50,691	(3.0)%	(7.1)%
Landing weight (in pounds)	2,750,671,432	2,825,497,266	3,036,084,287	(2.6)	(6.9)
Total enplaned and deplaned passengers	3,902,455	3,816,578	3,971,804	2.3	(3.9)
Cargo tonnage (in tons)	56,104	53,967	51,948	4.0	3.9

BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

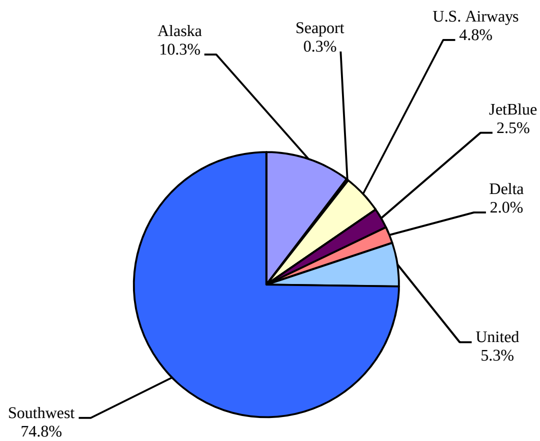
Management's Discussion and Analysis

June 30, 2015 and 2014

(Unaudited)

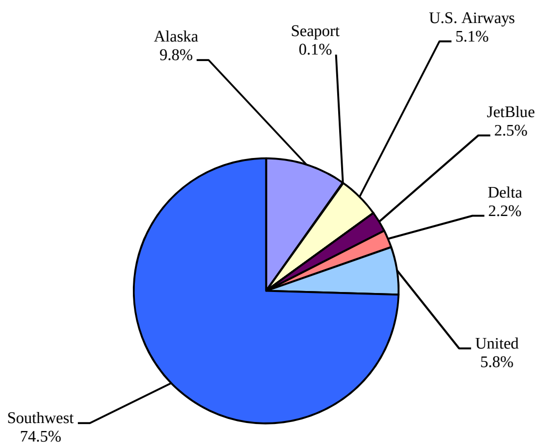
Illustrated below is the passenger traffic share by airline for fiscal years ended June 30, 2015 and 2014:

Total Passengers by Air Carrier – *FY 2015*



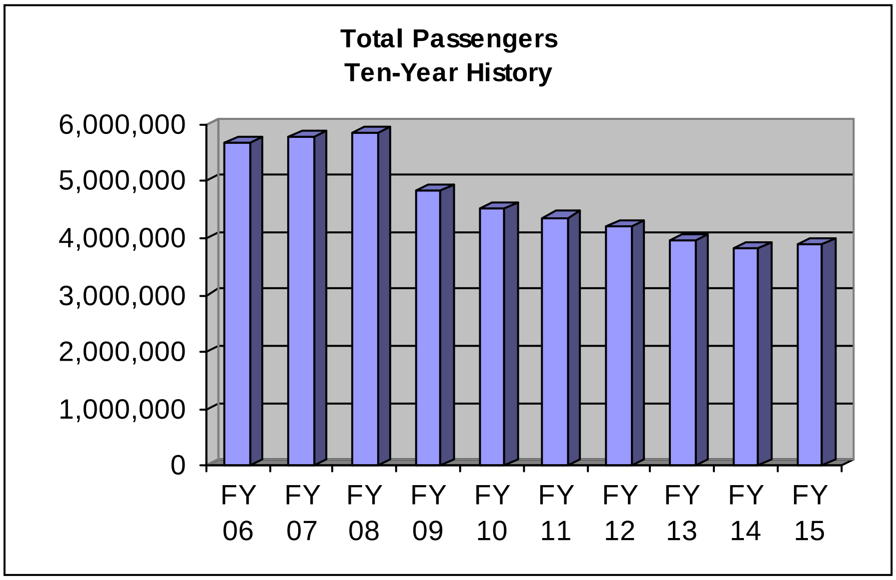
Air Carrier	*Number of Passengers*
Alaska Airlines	403,305
Delta Air Lines	78,630
JetBlue Airways	96,242
Seaport Airlines	9,720
Southwest Airlines	2,918,069
United Airlines	207,901
U.S. Airways	188,588
Total Passengers	3,902,455

Total Passengers by Air Carrier – *FY 2014*



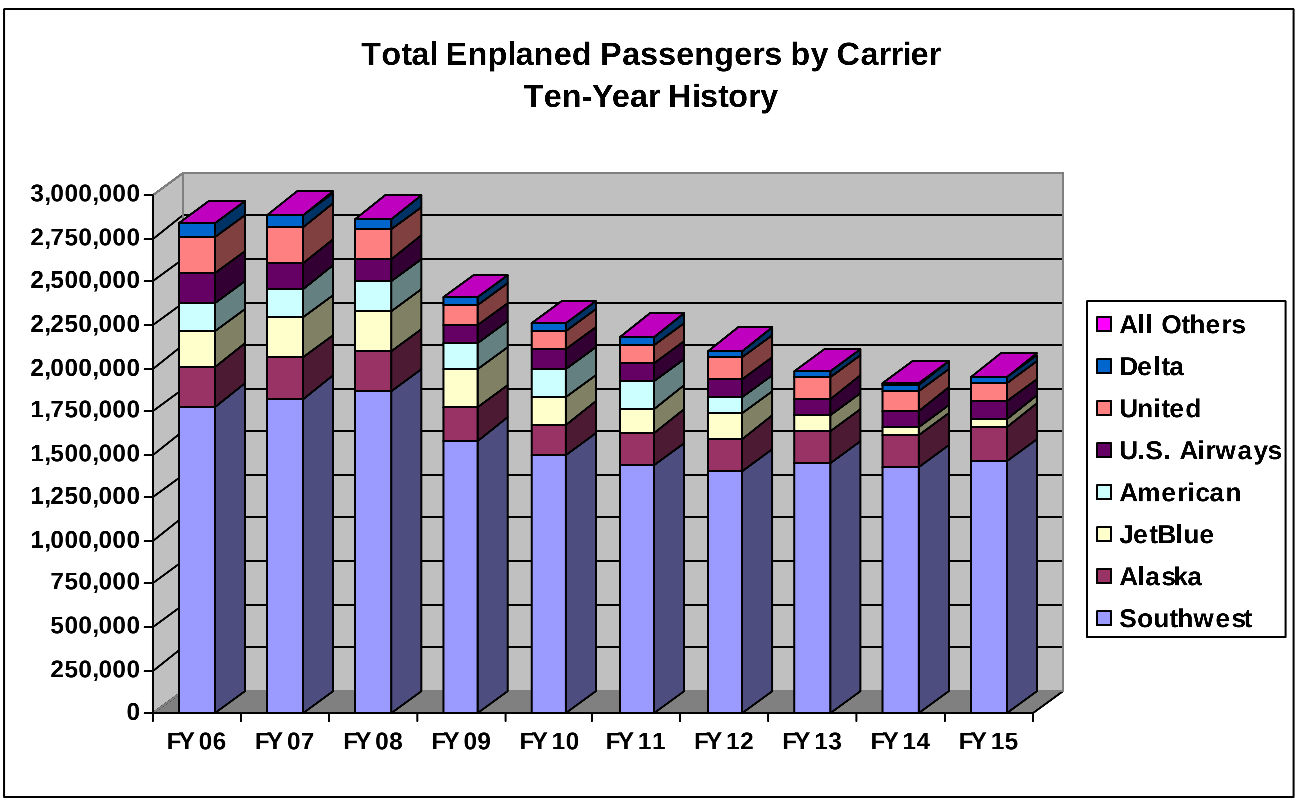
Air Carrier	*Number of Passengers*
Alaska Airlines	374,526
Delta Air Lines	81,947
JetBlue Airways	94,744
Seaport Airlines	2,429
Southwest Airlines	2,845,051
United Airlines	221,604
U.S. Airways	196,277
Total Passengers	3,816,578

Illustrated below is a ten-year history of total passengers:

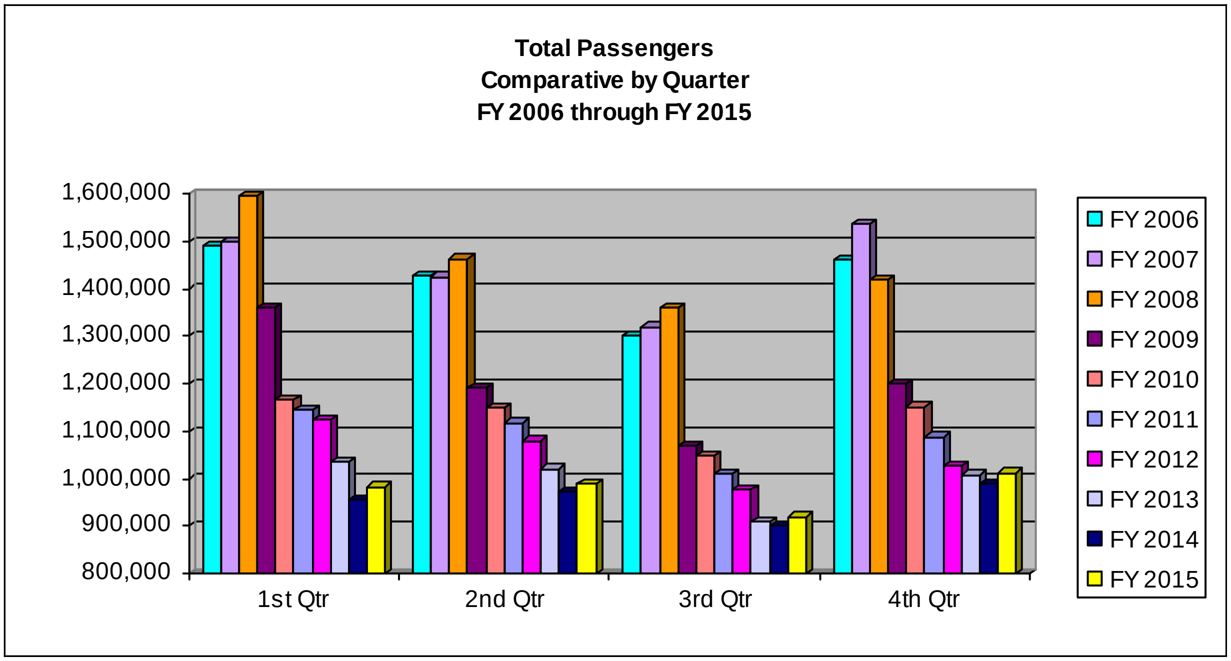


Total Passengers	
FY 2015	3,902,455
FY 2014	3,816,578
FY 2013	3,971,804
FY 2012	4,206,023
FY 2011	4,359,928
FY 2010	4,515,713
FY 2009	4,823,781
FY 2008	5,841,021
FY 2007	5,785,843
FY 2006	5,681,528

Illustrated below is a ten-year history of enplaned passengers, by carrier:



Illustrated below is a comparison, by quarter, of passenger activity for FY 2006 through FY 2015.



	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total Passengers
FY 2006	1,489,935	1,428,739	1,302,471	1,460,383	5,681,528
FY 2007	1,500,235	1,426,202	1,320,763	1,538,643	5,785,843
FY 2008	1,597,498	1,464,432	1,360,627	1,418,464	5,841,021
FY 2009	1,361,546	1,190,767	1,070,324	1,201,144	4,823,781
FY 2010	1,167,429	1,149,536	1,047,910	1,150,838	4,515,713
FY 2011	1,144,365	1,118,158	1,009,449	1,087,956	4,359,928
FY 2012	1,124,984	1,079,179	975,529	1,026,331	4,206,023
FY 2013	1,034,440	1,020,116	909,364	1,007,884	3,971,804
FY 2014	956,080	971,062	901,596	987,840	3,816,578
FY 2015	981,962	989,781	919,137	1,011,575	3,902,455

Operating Revenues

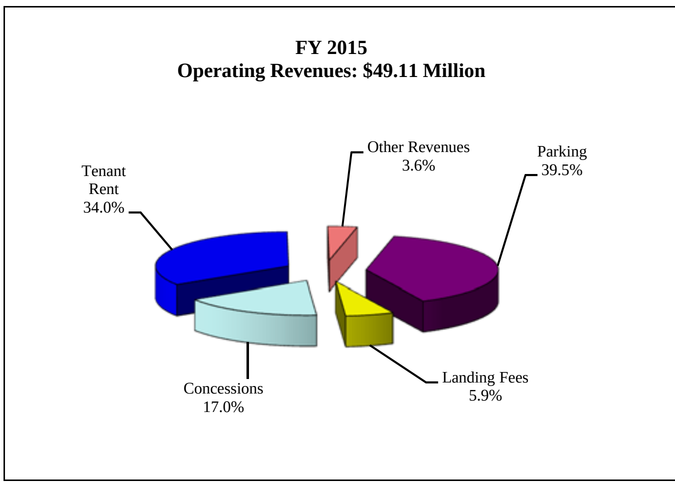
The Airport derives its operating revenues from the operation of parking facilities, tenant rent, concessionaire-assessed rents and fees, aircraft landing fees, and other assessments including ground transportation access fees and fuel flowage fees.

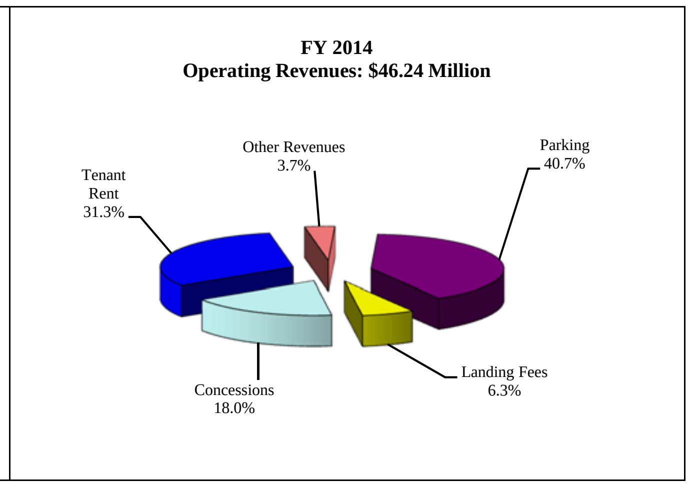
The following table illustrates a comparative summary of operating revenues in FY 2015, FY 2014 and FY 2013:

Comparative Summary of Operating Revenues

				FY 2014/15 increase (decrease)		FY 2013/14 increase (decrease)	
	FY 2015	**FY 2014**	**FY 2013**	**Amount**	**%**	**Amount**	**%**
Parking	$ 19,427,097	$ 18,832,517	$ 18,128,538	$ 594,580	3.2%	$ 703,979	3.9%
Landing fees	2,884,238	2,927,426	3,137,690	(43,188)	(1.5)	(210,264)	(6.7)
Concessions	8,361,519	8,317,353	8,298,815	44,166	0.5	18,538	0.2
Tenant rent	16,684,706	14,477,727	13,993,119	2,206,979	15.2	484,608	3.5
Other operating revenues	1,757,142	1,689,707	1,403,971	67,435	4.0	285,736	20.4
Total operating revenues	$ 49,114,702	$ 46,244,730	$ 44,962,133	$ 2,869,972	6.2	$ 1,282,597	2.9

The charts below illustrate the distribution of major sources of operating revenues in FY 2015 and FY 2014:





Total operating revenue increased by $2,869,972, or 6.2%, during FY 2015. Parking revenue, landing fees and concessions are generally directly impacted by increased passenger levels from the beginning recovery from the national economic recession and increased passenger demand. Parking revenues increased by $594,580, or 3.2%, because (i) the parking increment that was part of the Special Item was returned to the Operating Fund after December 7, 2013 totaling $540,502; (ii) the impact of rate changes to Lot C in January 2014 totaling $56,971; (iii) the impact of increased parking demand of $173,875; offset by a decrease in rent-a-car ready return parking charges of $176,768 which was replaced by CRCF rents. Landing fees decreased $43,188, or 1.5%, primarily due to a decrease in commercial carrier operations. Concession revenues increased by $44,166, or 0.5%, primarily due to improved food/beverage performance due to expanded menu options. Changes to components of concession fees include rent-a-cars (1.4% decrease), food/beverage (7.4% increase), gift/news (1.8% increase), advertising (2.4% decrease). Tenant rent increased $2,206,979, or 15.2%, primarily due to implementation of the residual RITC facility rents in 2015 which total $2,212,116. The debt service on the 2012 Bonds and the rent-a-car loans is paid from CFCs and, to the extent required, RITC facility rents. Excluding RITC facility rents, tenant rent decreased $5,137, due to (i) contractual increases in existing leases (consumer price index (CPI) adjustments) of $128,537; (ii) the impact of leases for new tenants in FY 2015 of $550,223; (iii) leases terminated in FY 2015 of -$832,785; (iv) changes in terms for certain leases of -$1,112 and (v) tenant improvement allowance for a lease renewal in FY 2014 of $150,000. Other operating revenues increased $67,435, or 4.0%, primarily due to (i) a 4.5% decrease in fuel flowage fees for general aviation (GA) aircraft of $25,054; (ii) a 24.8% increase in movie and television location shooting of $122,395; and (iii) a 4.6% decrease in other operating revenues of $29,906.

Total operating revenues increased by $1,282,597, or 2.9%, during FY 2014. Parking revenues, landing fees and concessions are generally directly impacted by decreased passenger levels and reduced air carrier activity from the impacts of the national economic recession. Parking revenues increased by $703,979, or 3.9%, because (i) the parking increment that was part of the Special Item was returned to the Operating Fund after December 7, 2013 totaling $683,775 (see note 17), (ii) the full year impact of parking lot rate changes made in FY 2013 of $708,534, and (iii) offset by the decrease in parking demand of -$688,330. Landing fees declined $210,264, or 6.7%, because of decreased number of landing aircraft reflecting reduced passenger demand and change in aircraft types. Concession revenues increased by $18,538, or 0.2%, primarily due to improved food/beverage performance due to expanded menu options. Changes to components of concession fees include off-airport rent-a-cars (a 23.9% decrease), on airport rent-a-cars (flat), food/beverage (a 7.3% increase), gift/news (flat) and advertising (flat). Tenant rent increased by $484,608, or 3.5%, primarily due to (i) contractual increases in existing leases (CPI adjustments) of $249,882; (ii) the impact of leases for new tenants in FY 2014 of $401,052; (iii) leases terminated in FY 2014 of -$148,350; (iv) changes in terms for certain leases of $132,024 and (v) a tenant improvement allowance for a lease renewal of -$150,000. Other operating revenues increased by $285,736, or 20.4%, primarily due to increased movie and television location shooting ($256,270), increased reimbursement from TSA for certain eligible law enforcement costs ($32,206) and a decrease in other operating revenues of $2,740.

Operating Expenses

The following illustrates a comparative summary of operating expenses in FY 2015, FY 2014 and FY 2013:

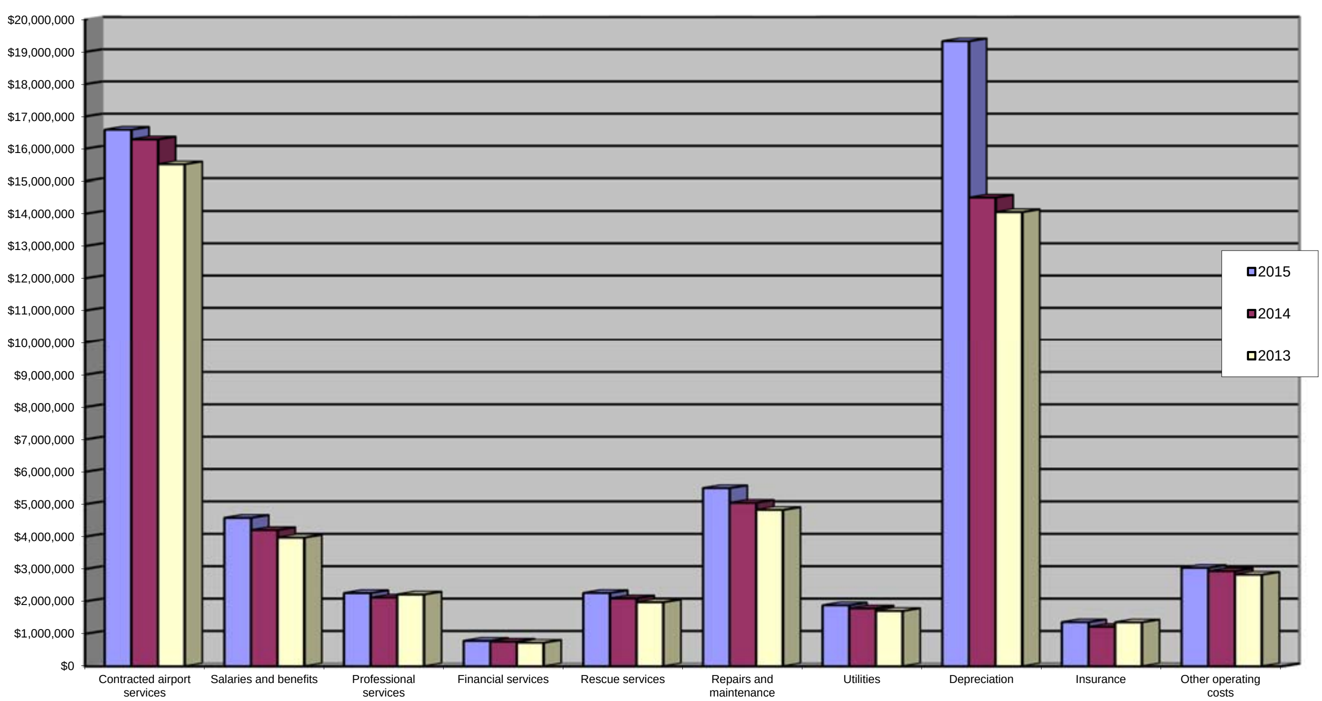
Operating Expenses Summary

				FY 2014/15 increase (decrease)		FY 2013/14 increase (decrease)	
	FY 2015	**FY 2014**	**FY 2013**	**Amount**	**%**	**Amount**	**%**
Contracted airport services	$ 16,589,795	$ 16,288,319	$ 15,519,119	$ 301,476	1.9%	$ 769,200	5.0%
Salaries and benefits	4,580,083	4,203,080	3,969,864	377,003	9.0	233,216	5.9
Financial services	783,560	759,460	726,530	24,100	3.2	32,930	4.5
Rescue services	2,260,915	2,093,333	1,975,000	167,582	8.0	118,333	6.0
Repairs and maintenance, materials and supplies	5,498,912	5,045,622	4,824,310	453,290	9.0	221,312	4.6
Utilities	1,881,327	1,785,299	1,705,004	96,028	5.4	80,295	4.7
Professional services	2,257,763	2,117,862	2,214,234	139,901	6.6	(96,372)	(4.4)
Insurance	1,360,485	1,215,492	1,355,778	144,993	11.9	(140,286)	(10.3)
Other operating expenses	3,036,462	2,933,821	2,823,940	102,641	3.5	109,881	3.9
Operating expenses before depreciation	38,249,302	36,442,288	35,113,779	1,807,014	5.0	1,328,509	3.8
Depreciation	19,332,554	14,504,772	14,053,442	4,827,782	33.3	451,330	3.2
Total operating expenses	$ 57,581,856	$ 50,947,060	$ 49,167,221	$ 6,634,796	13.0	$ 1,779,839	3.6

Total operating expenses increased by $6,634,796, or 13.0%, in FY 2015 due to a combination of factors, as follows: (1) increased contracted airport services (increase of $301,476) due to (i) increased parking operator costs of $31,171 primarily due to increased personnel costs, and (ii) increased Airport Manager costs of $270,305 primarily related to filling of open positions, reduction of costs charged to the sound insulation and capital programs, and the merit and retention pool; (2) increased salaries and benefits for airport police officers (increase of $377,003) in accordance with the revised agreement with the Burbank-Glendale-Pasadena Airport Police Officers Union; (3) increased contractually-based rescue services (increase of $167,582); (4) increased repairs and maintenance costs (increase of $453,290) primarily due to increased janitorial costs for added service areas and increased information technology costs for certain network and security system repairs; (5) increased utility costs (increase of $96,028) primarily due to rate increases; (6) increased professional services costs (increase of $139,901) primarily due to legal services related to various litigation matters; (7) increased insurance costs (increase of $144,993) primarily due to addition of the RITC facility; (8) increased other operating expenses (increase of $102,641) primarily due to increased City of Burbank parking taxes from increased parking revenues; and (9) increased depreciation expense (increase of $4,827,782) because asset additions in FY 2015 and FY 2014 exceeded assets fully depreciated in FY 2015 and FY 2014 by $129.3 million, primarily due to completion of the RITC project in July 2014.

Total operating expenses increased by $1,779,839, or 3.6%, in FY 2014 due to a combination of factors, as follows: (1) increased contracted airport services (increase of $769,200) due to (i) increased parking operator costs of $94,304 primarily due to increased personnel costs, and (ii) increased Airport Manager costs of $674,896 primarily related to filling of open positions, reduction of costs charged to the sound insulation and capital programs, and the merit and retention pool; (2) increased salaries and benefits for airport police officers (increase of $233,216) in accordance with the revised agreement with the Burbank-Glendale-Pasadena Airport Police Officers Union; (3) increased contractually-based rescue services (increase of $118,333); (4) increased repairs and maintenance costs primarily due to the aging bus fleet (increase of $167,736), and widening of crosswalks on airport roadways to accommodate passenger traffic to the RITC ($16,550) and other Avenue A paving repairs (increase of approximately $50,000); (5) a decrease in insurance costs as positive results were obtained on policy renewals (decrease of $140,286); (6) an increase of depreciation expense of $451,330 because asset additions in FY 2014 and FY 2013 exceeded assets fully depreciated in FY 2014 and FY 2013 by $3.35 million; and (7) an increase in other operating expenses (increase of $109,881) primarily resulting from increased City of Burbank parking taxes from increased parking revenues.

Operating Expenses
Years ended June 30, 2015, 2014 and 2013



Nonoperating Revenues and Expenses

The following summary illustrates a comparison of nonoperating revenues and expenses in FY 2015, FY 2014 and FY 2013.

Comparative Summary of Nonoperating Revenues and Expenses

				FY 2014/15 increase (decrease)		FY 2013/14 increase (decrease)	
	FY 2015	**FY 2014**	**FY 2013**	**Amount**	**%**	**Amount**	**%**
Nonoperating revenues:							
PFC revenues	$ 8,103,510	$ 7,839,780	$ 8,306,776	$ 263,730	3.4%	$ (466,996)	(5.6)%
CFC revenues	5,575,979	4,904,964	4,856,431	671,015	13.7	48,533	1.0
Investment income	1,984,415	1,351,011	818,491	633,404	46.9	532,520	65.1
FAA and other grants	2,316,221	2,191,653	3,387,563	124,568	5.7	(1,195,910)	(35.3)
	17,980,125	16,287,408	17,369,261	1,692,717	10.4	(1,081,853)	(6.2)
Nonoperating expenses:							
Interest expense	6,068,552	3,830,439	5,511,396	2,238,113	58.4	(1,680,957)	(30.5)
Bond issuance costs	441,981	—	—	441,981	n/a	—	n/a
Sound insulation program	2,527,131	1,678,536	3,368,303	848,595	50.6	(1,689,767)	(50.2)
Loss (gain) on disposal of capital assets	317,557	1,165,155	(69,824)	(847,598)	(72.7)	1,234,979	(1,768.7)
Replacement terminal development	1,544,312	2,348,269	696,844	(803,957)	(34.2)	1,651,425	237.0
Other	324,453	931,822	911,105	(607,369)	(65.2)	20,717	2.3
	11,223,986	9,954,221	10,417,824	1,269,765	12.8	(463,603)	(4.5)
Total nonoperating revenues (expenses), net	$ 6,756,139	$ 6,333,187	$ 6,951,437	$ 422,952	6.7	$ (618,250)	(8.9)

Nonoperating revenues of $17,980,125 in FY 2015 and $16,287,408 in FY 2014 consist of PFC revenues; CFC revenues; investment income, net of amounts capitalized of $12,965 and $1,911 in FY 2015 and FY 2014, respectively; and FAA sound insulation and other non-capital grants (capital grant revenues are included in capital contributions). PFC revenue increased in FY 2015 due to the increase in passenger traffic offset by a continued decline in investment income on the PFC Fund resulting from a decline in interest rates. PFC revenue decreased in FY 2014 due to the decline in passenger traffic and reduced investment income on the PFC Fund resulting from a decline in interest rates. CFC revenue (for funding of the CRCF capital costs through June 30, 2014 and funding of 2012 Bonds debt service thereafter) increased in FY 2015 and FY 2014 due to an increase in number of customer transaction/days. Investment income increased $633,404 in FY 2015 because of (i) increase in investment income related to the trustee-held portfolio of $409,397 primarily due to the termination of the forward delivery investment contract for the 2005 Bonds Debt Service Reserve with the defeasance of the 2005 Bonds in April 2015; (ii) interest of $270,011 on the rent-a-car loans for certain contingency costs related to the CRCF portion of the RITC project; (iii) increase in the change in the fair value adjustment of $62,982; (iv) decrease in interest revenues on the Operating investment portfolio of $98,632 primarily due to decrease in interest rates; and (v) increase in capitalized interest revenue of $10,354. Investment income increased $532,520 in FY 2014 because (i) the change in fair value of investments increased $140,175 in FY 2014 offset by a decrease in fair value in FY 2013 of $1,044,435 (a net increase of $1,184,610), (ii) a decrease in interest revenues of $657,386 due to a decrease in interest rates and a decrease in bond construction funds, and (iii) a decrease in capitalized interest revenue of $5,296. FAA sound insulation grant revenues increased $740,327 in FY 2015 and decreased $1,367,226 in FY 2014 because of related changes in sound insulation program costs as the program is reaching maturity. Other noncapital grant revenues (primarily for ground access study-related grants and Part 150 noise compatibility grant) decreased $615,759 in FY 2015 and increased $171,316 in FY 2014 because of the related changes in these programs, which are expected to be finalized in FY 2016.

Nonoperating expenses of $11,223,986 and $9,954,221 in FY 2015 and FY 2014, respectively, include $2,527,131 and $1,678,536, respectively, associated with the Airport's residential and school sound insulation program. These costs increased in FY 2015 by $848,595, or 50.6%, and decreased in FY 2014 by $1,689,767, or 50.2%, because the program is reaching maturity. 59 residences were acoustically treated in FY 2015 and 32 residences were acoustically treated in FY 2014. The Part 150 Noise Compatibility Update is still in process, the results of which may deem as eligible multi-family and an additional number of single family residences to the sound insulation program in the revised noise contour area. Interest expense of $6,068,552 and $3,830,439, net of capitalized interest of $191,328 and $2,766,490 in FY 2015 and FY 2014, respectively, consists of interest expense, amortization of bond insurance costs on the 2005 Bonds and 2015 Bonds, amortization of deferred amount on refunding of the 2005 Bonds, and amortization of original issue premium on the 2005 Bonds, 2012 Bonds and 2015 Bonds. The 2005 Bonds were defeased and the 2015 Bonds were issued on April 30, 2015. Interest expense on the 2005 Bonds decreased $520,275 in FY 2015 because of a principal payment on July 1, 2014 of $3,015,000, reduction in amortization of bond insurance costs and original issue premium of $21,587 and addition of the amortization of deferred amount on refunding of $17,285 due to the defeasance of the 2005 Bonds on April 30, 2015. There was no change in FY 2015 in the interest expense and amortization of original issue premium related to the 2012 Bonds. In FY 2015, the interest expense on the 2015 Bonds is $262,885, amortization of deferred premium on the debt service reserve surety is $936 and the amortization of original issue premium is $84,896. The decrease in capitalized interest is due to the completion of the RITC project in July 2014. The decrease in interest expense before capitalization of interest in FY 2014 is due to the principal payment on the 2005 Bonds of $2,880,000 on July 1, 2013. The increase in capitalized interest relates to the RITC program. The loss on disposal of capital assets in FY 2015 and FY 2014 primarily relates to certain construction in progress projects that the Authority determined would not move forward. The replacement terminal development program represents the Authority's efforts to obtain community and stakeholder input and reach consensus on the future vision of the Airport, which may include a relocated replacement terminal, as well as to meet the Authority's ongoing commitment to work with the City of Burbank and surrounding communities to seek meaningful nighttime noise relief to residences surrounding the airport. The decrease in costs for this project in FY 2015 of $803,957 is due to the temporary suspension of the environmental impact report process. The increase in costs for this project in FY 2014 of $1,651,425 primarily results from amounts paid to the City of Burbank for reimbursement of an environmental impact report on these projects. Other non-operating expenses include (1) ground access study and transit-oriented development study costs of $257,342 and $792,460 in FY 2015 and FY 2014, respectively; (2) Part 150 Noise Compatibility Study Update costs of $59,919 and $46,612 in FY 2015 and FY 2014, respectively; and (3) the History and Art Program (HARP) fund raising project revenues of $5,413 and $22,660 and expenses of $12,605 and $115,410 in FY 2015 and FY 2014, respectively.

Capital Contributions

Capital contributions amounting to $2,142,587 and $2,442,212 were recorded during FY 2015 and FY 2014, respectively. In FY 2015 these amounts represent FAA airport improvement grants for Runway 33 safety improvements, runway shoulder rehabilitation, acquisition of an ARFF vehicle, Taxiway B rehabilitation and runway rehabilitation design. In FY 2014 these amounts represent FAA airport improvement program grants for Runway 33 safety improvements, runway shoulder rehabilitation and acquisition of an ARFF vehicle totaling $436,180; U.S. Department of Homeland Security (DHS) Urban Area Security Initiative (UASI) grants for Perimeter Security Infrastructure of $240,450; Federal Transit Administration (FTA) grants in the amount of $1,164,247 and Los Angeles County Metropolitan Transportation Authority (Metro) Measure R grants in the amount of $599,164 for the Transit Center and offsite portion of the RITC; and U.S. Department of Justice (DOJ) bulletproof vest partnership program of $2,171.

Special Item –Environmental Litigation and Settlement

In January 2010, the U.S. Environmental Protection Agency (EPA) formally designated the Authority as a Potentially Responsible Party (PRP) for the second interim remedy at the North Hollywood Operable Unit (NHOU) and requested that the Authority, together with other named PRPs, form a group and submit a good faith settlement offer to EPA to undertake the required remediation work. Additionally, the EPA demanded payment of certain of its past costs incurred in the NHOU and a portion of the collective San Fernando Valley Superfund Sites that it calculated to be approximately $13 million.

Separately, the Authority filed a lawsuit, *Burbank-Glendale-Pasadena Airport Authority v. Lockheed Martin Corporation*, No. CV 10-2392 MRP (ANx) in the United States District Court for the Central District of California (Indemnification Action) to obtain indemnification against the EPA's claims. The Authority subsequently settled its lawsuit with Lockheed Martin Corporation by written agreement on February 22, 2011. The written settlement agreement provided that the Authority pay to Lockheed Martin Corporation the sum of $2,000,000 over two years, with the second installment due in January 2012. In exchange, Lockheed Martin Corporation agreed to defend and indemnify the Authority for certain settled matters, including all response costs in connection with the second interim remedy for the NHOU asserted by EPA or by any other PRP against either or both Lockheed Martin Corporation and the Authority.

Included in the Special Item for the years ended June 30, 2014, 2013, 2012 and 2011 are the costs of the settlement totaling $0, $0, $0 and $2,000,000, and legal costs related to the EPA and Lockheed matters totaling $0, $0, $797 and $878,795, respectively. Cumulative settlement and legal costs total $3,394,446. No expenses were incurred in FY 2015.

Effective February 1, 2011, the Authority implemented a rate increase of $1 per day to all parking charges, the proceeds of which are to be used to fund the EPA and Lockheed legal and settlement costs. Incremental parking revenues, net of related City parking tax, totaling $482,591, $1,134,927, $1,248,545 and $528,383 for the years ended June 30, 2014, 2013, 2012 and 2011, respectively, are not included in parking revenues but, rather, are included in the Special Item until the legal and settlement costs noted above were fully recovered, which occurred in December 2013. No incremental parking revenues were realized in FY 2015.

Additional information regarding this Special Item can be found in note 17 in the accompanying notes to the basic financial statements.

Capital Assets

Additions to capital assets in FY 2015 and FY 2014 totaled $12.2 million and $51.7 million, respectively.

Significant capital asset additions in FY 2015 include:

- CRCF, Customer Service Building, Transit Center and Elevated Walkway portions of the RITC project
- ARFF vehicle
- Runway 33 safety improvements
- Additions to construction in progress for the airfield lighting system, runway shoulder and Taxiway B rehabilitation, and terminal high voltage systems.

Significant capital asset additions in FY 2014 include:

- Replacement parking structure
- CUPPS system
- Noise monitoring system
- Runway 33 safety improvements
- Additions to construction in progress on the RITC ($47.8 million).

	2015	2014	2013
Capital assets:			
Land	$ 158,758,472	$ 158,758,472	$ 158,758,472
Other non-depreciable capital assets	1,128,515	589,966	589,966
Buildings and improvements	248,962,701	138,031,978	118,962,778
Runways and improvements	93,536,670	93,466,437	92,148,698
Machinery and equipment	38,570,698	38,903,767	35,596,134
Construction in progress	9,655,529	111,138,905	84,678,485
Less accumulated depreciation	(194,898,273)	(177,775,764)	(163,742,734)
Total capital assets, net	$ 355,714,312	$ 363,113,761	$ 326,991,799

The Authority has contract commitments outstanding at June 30, 2015 for various construction contracts totaling $813,312, including $200,190 related to the airfield lighting project, $530,180 related to the runway shoulder rehabilitation project and $82,942 related to the emergency generator replacement project. Subsequent to June 30, 2015, the Authority entered into additional construction contracts totaling $1,876,993 related to the runway rehabilitation design, Hangar 2 ramp paving – phase 2, and the back-up generator system upgrade projects.

Additional information regarding the Authority's capital assets can be found in note 6 in the accompanying notes to the basic financial statements.

Long-Term Debt Administration

On May 26, 2005, the Authority issued $67,535,000 of 2005 Airport Revenue Bonds (the 2005 Bonds) in three series at an effective interest rate of 4.680% and at an original issue premium of $2,968,089. The $7,750,000 Airport Revenue Bonds 2005 Series A (non-AMT) (2005 Series A Bonds) were issued to refinance the $9,395,000 outstanding Airport Revenue Bonds Refunding Series 1992 (1992 Bonds). The $50,765,000 Airport Revenue Bonds 2005 Series B (AMT) and the $9,020,000 Airport Revenue Bonds 2005 Taxable Series C Bonds were issued to finance the acquisition and improvement of certain land adjacent to the Bob Hope Airport to be used for Airport parking (A-1 North Property Development project). The 2005 Bonds mature in varying amounts through July 1, 2025. On April 30, 2015 the Authority issued $32,260,000 of 2015 Airport Revenue Bonds (2015 Bonds) to defease the $44,900,000 of outstanding 2005 Bonds. The 2005 Bonds were defeased on April 30, 2015 and subsequently refunded on July 1, 2015. The defeasance resulted in a difference between the reacquisition price of the 2015 Bonds and the net carrying amount of the 2005 Bonds of $935,367. The Authority completed the defeasance to reduce its total debt service payments over the next nine years by $5,215,007 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of $4,799,078. The outstanding balance of 2005 Bonds at June 30, 2014 is $47,915,000, plus unamortized original issue premium of $1,610,489, for a net total amount outstanding for this issue of $49,525,489. Principal payments on the 2005 Bonds of $3,015,000 and $2,880,000 were made July 1, 2014 and 2013, respectively.

On May 10, 2012, the Authority issued $82,165,000 of 2012 Airport Revenue Bonds (the 2012 Bonds) in two series with an effective interest rate of 5.624% and at an original issue premium of $187,886. The proceeds of the 2012 Bonds, issued in parity with the 2005 Bonds and 2015 Bonds, are (i) for the costs of the RITC project consisting of the CRCF and the allocated costs of the Replacement Parking Structure attributable to the parking spaces displaced by the CRCF (2012 Bond Project); (ii) to fund the 2012 Debt Service Reserve Fund; (iii) to provide debt service with respect to the 2012 Bonds through July 1, 2014; and (iv) to pay the costs of issuance of the 2012 Bonds. Debt service on the 2012 Bonds is expected to be repaid through CFCs and rents from authorized rental car companies using the CRCF. The $6,715,000 Airport Revenue Bonds 2012 Series A (AMT) (2012 Series A Bonds) and the $75,450,000 Airport Revenue Bonds 2012 Taxable Series B (2012 Taxable Series B Bonds) mature in varying amounts from 2015 through 2042. The outstanding balance of 2012 Bonds at June 30, 2015 is $82,165,000, plus unamortized original issue premium of $168,302, for a net total amount outstanding of $82,333,302. The current portion of 2012 Bonds at June 30, 2015 is $1,500,000, which was paid July 1, 2015.

The $32,260,000 of 2015 Bonds were issued with an effective interest rate of 2.553% and at an original issue premium of $4,383,971. The 2015 Bonds, issued as parity bonds with the 2012 Bonds, were issued in two series. The 2015 Bonds mature in varying amounts through July 1, 2024. The outstanding balance of 2015 Bonds at June 30, 2015 is $32,260,000, plus unamortized original issue premium of $4,299,075, for a net total amount outstanding of $36,559,075.

The underlying ratings of the 2012 Bonds and 2015 Bonds were reviewed in March 2015 by Standard and Poor's which reaffirmed its rating of A+ but retained its negative outlook primarily due to declining passenger activity. Fitch Ratings reviewed its rating of the 2012 Bonds and 2015 Bonds in March 2015 and reaffirmed its rating of A and stable outlook. Moody's Investors Services reviewed it rating of the 2012 Bonds and 2015 Bonds in March 2015 and reaffirmed its rating of A2 outlook stable.

Additional information regarding the Authority's long-term debt can be found in note 7 in the accompanying notes to the basic financial statements.

Other Items

Airport Development Agreement

The Authority and the City of Burbank approved a March 15, 2005 "Development Agreement" that sets guidelines on Airport development and provides greater certainty to the City and Authority on issues of Airport zoning and development. In 2011, the Authority and the City agreed to an extension of the Development Agreement to March 15, 2015, and revised the agreement to permit seeking public input on the future vision of the Airport, which may include a relocated replacement passenger terminal. The Development Agreement expired on March 15, 2015.

Additional information regarding the Airport Development Agreement can be found in note 15 in the accompanying notes to the basic financial statements.

Regional Intermodal Transportation Center

The replacement parking structure was completed and opened for business on August 1, 2013 and the consolidated rental car facility and elevated walkway were substantially completed and opened to the public for business on July 15, 2014. Total costs of the RITC project are $122,252,566, including $78,162,736 for the CRCF, $7,270,208 for the Customer Service Building, $3,000,150 for the Transit Center, $22,275,457 for the Elevated Walkway and $11,544,015 for the replacement parking structure. The RITC project has been funded by a combination of 2012 Revenue Bonds, CFCs, PFCs, federal and local grants, reimbursement from the RACs for contract contingencies, and Authority investment from the Facility Development Fund.

The agreements between the Authority and the RACs operating in the CRCF include reimbursement to the Authority for a portion of RITC costs for contract contingencies totaling $7,416,079, of which $790,899 was repaid in FY 2015 for a net outstanding amount of $6,625,180. The reimbursement is to be repaid over a 20-year period with interest (RAC loans). Debt service on the 2012 Bonds and the RAC loans are funded from CFCs and residual Facility Rents paid by the RACs. The amount of the residual Facility Rents paid by the RACs is contingent upon the collection of CFCs and not currently determinable. Therefore, the RAC loans are not reported on the accompanying financial statements.

In accordance with the Bond Indenture, beginning July 1, 2014, all CFCs collected are transferred to the 2012 Bonds Debt Service Fund held by the bond trustee. In FY 2015, $5,550,353 was collected and transferred to the bond trustee.

Additional information regarding the RITC can be found in note 16 in the accompanying notes to the basic financial statements.

B-6 Trust Property

59.2 acres of the B-6 Property (B-6 Trust Property) is held in trust under the terms of the Amended, Restated, and Superseding Trust Agreement by and between the Authority, the City of Burbank and the Bank of New York Mellon Trust Company, N. A. as trustee, with the Authority as beneficiary of the trust. The Trust Agreement terms held the property for a tolling period of ten years that expired on March 15, 2015. Subsequently, the B-6 Trust Property was placed on the market for sale. Effective November 2015, the B-6 Trust Property was placed into escrow under the terms of a purchase and sale agreement with Overton Moore Properties as buyer for $72.5 million. The sale is expected to close in spring 2016.

Additional information regarding the B-6 Trust Property can be found in note 5 in the accompanying notes to the basic financial statements.

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 Burbank-Glendale-Pasadena Airport Authority, 2627 N. Hollywood Way, Burbank, California, 91505.

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BASIC FINANCIAL STATEMENTS

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BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

Statements of Net Position

June 30, 2015 and 2014

Assets		2015		2014
Current unrestricted assets:				
Cash and investments – current operating fund (note 3)	$	27,003,801	$	27,708,092
Grants receivable		702,856		1,785,163
Accounts receivable, net of allowance of $14,370 and $11,300 in 2015 and 2014, respectively		1,430,677		895,339
Accrued interest receivable		464,569		475,928
Other receivables (note 4)		92,775		188,237
Prepaid expenses		264,256		244,452
Total current unrestricted assets		29,958,934		31,297,211
Current restricted assets:				
Cash and investments (note 3):				
Cash and investments with trustee		10,940,122		18,314,644
Other restricted cash and investments:				
Operating Reserve Fund		9,598,001		9,469,379
Bond Surplus Fund		2,601,563		2,814,397
Authority Areas Reserve		2,812,999		2,729,071
Asset Forfeiture Fund		13,415		21,842
		21,018,434		18,901,958
Customer Facility Charge Fund		1,934,215		1,421,254
Total other restricted cash and investments		37,978,627		35,357,901
Total restricted cash and investments		48,918,749		53,672,545
Passenger Facility Charge receivables		695,872		666,978
Customer Facility Charge receivables		484,314		458,688
Accrued interest receivable		77,170		57,996
Total current restricted assets		50,176,105		54,856,207
Noncurrent restricted assets – Trust Assets (note 5)		58,873,509		58,873,509
Total restricted assets		109,049,614		113,729,716
2005 Bonds insurance premiums, net (note 7)		—		191,127
2015 Bonds debt service reserve surety, net (note 7)		44,137		—
Cash and investments – Facility Development Reserve (note 3)		101,395,103		101,395,103
Capital assets (notes 6 and 10):				
Land		158,758,472		158,758,472
Other nondepreciable capital assets		1,128,515		589,966
Construction in progress		9,655,529		111,138,905
Buildings and improvements		248,962,701		138,031,978
Runways and improvements		93,536,670		93,466,437
Machinery and equipment		38,570,698		38,903,767
Less accumulated depreciation		(194,898,273)		(177,775,764)
Total capital assets, net		355,714,312		363,113,761
Total assets		596,162,100		609,726,918

BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

Statements of Net Position

June 30, 2015 and 2014

Liabilities		**2015**		**2014**
Current liabilities:				
Accounts payable and accrued expenses	$	9,350,596	$	10,751,057
Salaries and benefits payable		770,626		730,591
Unearned revenue		971,584		1,038,793
Customer deposits		326,532		364,314
Total current liabilities		11,419,338		12,884,755
Liabilities payable from restricted assets (note 7):				
Current portion of long-term debt		1,500,000		3,015,000
Accrued interest payable		2,428,932		3,366,341
Arbitrage rebate payable		461,002		—
Total liabilities payable from restricted assets		4,389,934		6,381,341
Long-term debt, net of current portion (note 7):				
Revenue bonds payable, less current portion		112,925,000		127,065,000
Original issue premium, net		4,467,377		1,785,025
Total long-term liabilities		117,392,377		128,850,025
Total liabilities		133,201,649		148,116,121
Deferred Inflows of Resources				
Deferred amount on refunding of 2005 Bonds, net (note 7)		918,082		—
Net Position				
Net investment in capital assets		241,786,162		245,399,825
Restricted:				
Debt service		14,412,399		13,272,492
Capital projects		83,096,111		80,401,851
Unrestricted		122,747,697		122,536,629
Total net position	$	462,042,369	$	461,610,797

See accompanying notes to basic financial statements.

BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

Statements of Revenues, Expenses and Changes in Net Position

Years ended June 30, 2015 and 2014

	2015	2014
Operating revenues:		
Charges for services:		
Parking	$ 19,427,097	$ 18,832,517
Landing fees	2,884,238	2,927,426
Concessions	8,361,519	8,317,353
Tenant rent	16,684,706	14,477,727
Fuel flowage fees	527,239	552,293
Other operating revenues	1,229,903	1,137,414
Total operating revenues	49,114,702	46,244,730
Operating expenses:		
Contracted airport services	16,589,795	16,288,319
Salaries and benefits	4,580,083	4,203,080
Financial services	783,560	759,460
Rescue services	2,260,915	2,093,333
Materials and supplies	293,930	256,920
Repairs and maintenance	5,204,982	4,788,702
Utilities	1,881,327	1,785,299
Professional services	2,257,763	2,117,862
Insurance	1,360,485	1,215,492
Other operating expenses	3,036,462	2,933,821
Total operating expenses before depreciation	38,249,302	36,442,288
Operating income before depreciation	10,865,400	9,802,442
Depreciation (note 6)	19,332,554	14,504,772
Operating loss	(8,467,154)	(4,702,330)
Nonoperating revenues (expenses):		
Passenger Facility Charge revenue, including interest on the Passenger Facility Charge Fund of $154,460 and $121,262 in 2015 and 2014, respectively (note 11)	8,103,510	7,839,780
Customer Facility Charge revenue (note 12)	5,575,979	4,904,964
Investment income, net of $12,265 and $1,911 capitalized in 2015 and 2014, respectively	1,984,415	1,351,011
Interest expense, net of $191,328 and $2,766,490 capitalized in 2015 and 2014, respectively	(6,068,552)	(3,830,439)
2015 Bonds issuance costs	(441,981)	—
Loss on retirement of capital assets	(317,557)	(1,165,155)
Sound insulation program (note 9)	(2,527,131)	(1,678,536)
Federal Aviation Administration grants, sound insulation program (note 9)	2,010,315	1,269,988
Other noncapital grants	305,906	921,665
Replacement terminal development	(1,544,312)	(2,348,269)
Other expenses, net	(324,453)	(931,822)
Total nonoperating revenues, net	6,756,139	6,333,187
(Loss) income before capital contributions and special item	(1,711,015)	1,630,857
Capital contributions	2,142,587	2,442,212
Special item – environmental litigation settlement net of allocated parking increment revenue of $0 and $482,591 in 2015 and 2014, respectively (note 17)	—	482,591
Changes in net position	431,572	4,555,660
Total net position – beginning of year	461,610,797	457,055,137
Total net position – end of year	$ 462,042,369	$ 461,610,797

See accompanying notes to basic financial statements.

BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

Statements of Cash Flows

Years ended June 30, 2015 and 2014

	2015	2014
Cash flows from operating activities:		
Cash received from airline carriers, tenants, and others	$ 48,474,616	$ 46,775,855
Cash paid to suppliers of goods and services	(30,335,593)	(30,312,795)
Cash paid for employees' services	(4,540,047)	(4,100,457)
Cash paid for parking taxes to the City of Burbank	(2,052,709)	(1,970,287)
Cash paid for replacement terminal development	(1,663,024)	(2,064,081)
Cash paid from settlement – hangar floors	(20,628)	(6,872)
Cash (paid from) received for settlement – hangar apron	(11,093)	191,000
Cash received for HARP program fundraising	10,558	13,481
Cash paid for HARP program fundraising	(15,813)	(56,079)
Cash (paid for) received from Special Item (note 17):		
Cash received from $1 parking rate increment	—	540,502
Cash paid for parking taxes to the City of Burbank for parking increment	—	(92,386)
Net cash provided by operating activities	9,846,267	8,917,881
Cash flows from noncapital financing activities:		
Sound insulation program	(2,368,992)	(1,553,222)
FAA grants, sound insulation program	1,912,838	1,296,996
Ground access study	(362,923)	(778,936)
Part 150 noise compatability study	(55,919)	(46,612)
Payments for TSA Other Transaction Agreement	(218,259)	(862,001)
Reimbursements for TSA Other Transaction Agreement	173,014	1,072,565
Other noncapital grants received	704,207	777,209
Net cash used in noncapital financing activities	(216,034)	(94,001)
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(14,554,374)	(51,948,864)
Proceeds from sale of capital assets	3,083	3,252
Principal paid on revenue bonds	(3,015,000)	(2,880,000)
Interest paid on revenue bonds	(6,660,576)	(6,801,195)
Proceeds from sale of 2015 Bonds	36,500,526	—
Payment to defeased 2005 Bonds escrow trustee	(46,028,188)	—
Cash paid for 2015 Bonds issuance costs	(343,609)	—
Passenger Facility Charge program receipts	7,920,155	7,747,736
Customer Facility Charge program receipts	5,550,353	4,871,904
Capital contributions received	2,924,070	2,128,516
Net cash used in capital and related financing activities	(17,703,560)	(46,878,651)
Cash flows from investing activities:		
Interest received on investments, including interest received in the Passenger Facility Charge Fund of $115,372 and $215,046 in 2015 and 2014, respectively	1,932,076	1,625,304
Interest received rebatable to IRS	461,002	—
Purchases of investments not considered cash equivalents	(122,685,904)	(73,539,539)
Proceeds from the sale or maturity of investments not considered cash equivalents	125,737,877	115,398,114
Net cash provided by investing activities	5,445,051	43,483,879
Net increase (decrease) in cash and cash equivalents	(2,628,276)	5,429,108
Cash and cash equivalents, beginning of year	25,689,952	20,260,844
Cash and cash equivalents, end of year	$ 23,061,676	$ 25,689,952

BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

Statements of Cash Flows

Years ended June 30, 2015 and 2014

	2015	2014
Reconciliation of operating loss to net cash provided by operating activities:		
Operating loss	$ (8,467,154)	$ (4,702,330)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	19,332,554	14,504,772
Other noncash operating expenses, net	4,328	982
Other nonoperating expenses	(1,551,502)	(2,386,120)
Special item (note 17)	—	482,591
Changes in assets and liabilities:		
Accounts receivable	(535,338)	3,582
Other receivables	5,145	671,140
Prepaid expenses	(19,804)	(58,275)
Accounts payable and accrued expenses	1,142,994	(197,268)
Accounts payable and accrued expenses related to Special Item	—	(34,475)
Salaries and benefits payable	40,035	105,588
Unearned revenue	(67,209)	448,618
Customer deposits	(37,782)	79,076
Net cash provided by operating activities	$ 9,846,267	$ 8,917,881
Reconciliation of cash and cash equivalents to the statements of net position:		
Operating fund	$ 27,003,801	$ 27,708,092
Restricted cash and investments	48,918,749	53,672,545
Facility Development Reserve	101,395,103	101,395,103
Cash, cash equivalents, and investments	177,317,653	182,775,740
Investments not considered cash equivalents	(154,255,977)	(157,085,788)
Cash and cash equivalents, end of year (note 3)	$ 23,061,676	$ 25,689,952
Summary of significant noncash investing and financing activities:		
Amortization of 2005 Bonds insurance premiums	$ 16,428	$ 19,714
Amortization of 2015 Bonds debt service reserve surety	936	—
Amortization of original issue premiums	(215,490)	(155,466)
Amortization of 2005 Bonds deferred amount on refunding	17,285	—
Proceeds of 2015 Bonds used for bond issuance costs	98,373	—
Proceeds of 2015 Bonds used for debt service reserve surety	45,072	—
Change in fair value of investments	223,516	84,774
Change in capital assets acquired by accounts payable	(2,464,449)	(2,862,148)
Change in sound insulation program from accounts payable	158,138	125,315
Capitalized interest expense, net	179,063	2,764,579

See accompanying notes to basic financial statements.

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(1) Nature of Authority

The Burbank-Glendale-Pasadena Airport Authority (Authority) is a separate governmental entity created by a Joint Exercise of Power Agreement (Agreement) executed in June 1977 among the Cities of Burbank, Glendale, and Pasadena, California (Cities). The purpose of the Agreement was to enable the Cities to acquire, operate, repair, maintain, improve, and administer the Bob Hope Airport (Airport) as a public air terminal. The Authority is governed by a nine-member Board of Airport Commissioners, three of which are appointed by the City Council of each of the Cities. The members of the Airport Commission annually elect a President, Vice-President, and Secretary of the Commission. The Authority has contracted with TBI Airport Management, Inc. to perform certain airport administrative, maintenance, operational services and aircraft rescue and firefighting (ARFF) services. These contracted services are included in the Authority's statements of revenues, expenses, and changes in net position as "contracted airport services" except for ARFF services which is included as "rescue services." The Authority directly employs airport police officers.

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

(2) Summary of Significant Accounting Policies

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

(a) Basis of Accounting

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

(b) Description of Basic Financial Statements

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

- *Net investment in capital assets* – This component of net position, totaling $241,786,162 and $245,399,825 at June 30, 2015 and 2014, respectively, consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

- *Restricted* – This component of net position consists of constraints placed on use of resources through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or law or regulations of other governments through constitutional provisions or enabling legislation. Net position restricted for debt service totaled $14,412,399 and $13,272,492 at June 30, 2015 and 2014, respectively. Net position restricted for capital projects totaled $83,096,111 and $80,401,851 at June 30, 2015 and 2014, respectively, including $21,790,657 and $19,626,557 at June 30, 2015 and 2014, respectively, restricted by enabling legislation for the passenger facility charge program and $2,418,529 and $1,879,942 at June 30, 2015 and 2014, respectively, restricted by enabling legislation for the customer facility charge program.
- *Unrestricted* – This component of net position, totaling $122,747,697 and $122,536,629 at June 30, 2015 and 2014, respectively, consists of net position that do not meet the definition of "restricted" or "net investment in capital assets."

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

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

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

(c) Operating and Nonoperating Revenues and Expenses

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

(d) Restricted Assets

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

When both restricted and unrestricted resources are available for use, it is the Authority’s policy to use restricted resources first, then unrestricted resources, as they are needed.

(e) Grants and Capital Contributions

The Authority receives grants under the Airport Improvement Program (AIP) from the U.S. Department of Transportation – Federal Aviation Administration (FAA) to finance certain capital improvements and a majority of the sound insulation program. The Authority receives grants from the Department of Transportation – Federal Transit Administration for a portion of the Regional Intermodal Transportation Center (RITC) project and the Federal Highway Administration for a ground access study. The Authority also receives grants from the U.S. Department of Homeland Security and U.S. Department of Justice for certain security-related infrastructure and equipment purchases. The Authority receives a Transit Oriented Development (TOD) grant and a Measure R grant for a ground access study and a Measure R grant for a portion of the RITC project from the Los Angeles County Metropolitan Transportation Authority. Such grants related to capital acquisitions are recorded on the statements of revenues, expenses, and changes in net position as capital contributions, and for the sound insulation program as nonoperating revenue FAA grants – sound insulation program. Grant revenues are recognized when qualifying expenses under the grant are incurred.

(f) Passenger Facility Charge Revenues

The Authority imposes a Passenger Facility Charge (PFC) of $4.50 per enplaned passenger, as approved by the FAA, to finance certain capital improvements. Cash and receivables from such revenues are maintained in separate accounts and are restricted for approved airport improvement projects. Revenues are recognized during the period earned.

(g) Customer Facility Charge Revenues

The Authority imposes a Customer Facility Charge (CFC) of $6 per rental car transaction day up to five days to finance the planning, design and construction of a consolidated rental car facility (CRCF), in accordance with California Civil Code Section 1936(m) et seq. Cash and receivables from such revenues are maintained in separate accounts and are restricted for the CRCF project. Revenues are recognized during the period earned.

(h) Revenues and Cash Accounts

All revenues, except PFCs and CFCs (upon completion of the CRCF, CFCs collected will be transferred to the 2012 Bonds Debt Service Fund), are deposited in the Revenue Fund and are transferred to the following cash accounts in priority order as mandated by resolution of the Authority and its bond indenture:

- **Operating Fund** – The balance in this fund is to be used for payment of operations and maintenance costs as they become due and payable.
- **Rebate Fund** – Amounts on deposit in the Rebate Fund shall be applied to satisfy federal tax law requirements. As of June 30, 2015 and 2014, there was no balance in the Rebate Fund. Based on the final arbitrage rebate report for the 2005 Bonds, $461,002 was transferred from the 2005 Bonds Debt Service Reserve Fund to the Rebate Fund and payment subsequently made to the Internal Revenue Service, in August 2015. The 2005 Bonds were defeased on April 30, 2015 and refunded on July 1, 2015.
- **Debt Service Funds** – Bond interest currently payable on the 2012 and 2015 Bonds is deposited to each bond issue's debt service fund monthly prior to each semiannual payment. Currently payable bond principal on the 2012 and 2015 Bonds is transferred to each bond issue's debt service fund monthly prior to each annual payment. The interest and principal amounts due on the 2012 Bonds through July 1, 2014 in the amount of $9,277,903 was deposited to 2012 Bonds Debt Service Fund upon issuance of the 2012 Bonds from bond proceeds. These cash funds are held by a trustee who pays the bond interest and principal when due. The balance in the Debt Service Funds at June 30, 2015 is $0 for the 2005 Bonds, $4,212,356 for the 2012 Bonds and $262,933 for the 2015 Bonds. The balance in the Debt Service Funds at June 30, 2014 is $4,215,363 for the 2005 Bonds, $2,166,047 for the 2012 Bonds and $0 for the 2015 Bonds.

  CFCs, as received, and RITC Facility Rents, as needed, are deposited to the 2012 Bonds Debt Service Fund each month prior to each semiannual interest and each annual bond principal payment currently payable.
- **Debt Service Reserve Funds** – An amount equal to the lesser of (i) ten percent of the initial offering price of the Revenue Bonds, (ii) greatest annual debt service from the current period to the maturity of the Revenue Bonds, or (iii) 125% of average annual debt service from the current period to the maturity of the Revenue Bonds (a separate account each for the 2005 Bonds and the 2012 Bonds), is to be held by the trustee in these funds to be used in the event that monies in the respective Debt Service Funds are insufficient to meet payments when due. A debt service reserve surety in an amount of $3,664,397 equal to 10% of the original offering price was obtained for the 2015 Bonds in lieu of a debt service reserve fund. During the years ended June 30, 2015 and 2014, the required balance in the Debt Service Reserve Fund, calculated using the greatest annual debt service from the current period to the maturity of the Revenue Bonds, is $0 and $5,419,588 for the 2005 Bonds, and $5,838,000 and $5,838,000 for the 2012 Bonds, respectively. The balance in the Debt Service Reserve Fund for the 2005 Bonds at June 30, 2015 and 2014 is $609,708 and $5,546,431, respectively. The balance in the Debt Service Reserve Fund for the 2012 Bonds at June 30, 2015 and 2014 is $5,854,954 and $5,850,476, respectively.

- **Operating Reserve Fund** – The balance in this fund is to be used to pay operation and maintenance costs in the event that monies in the Operating Fund are insufficient. The Authority maintains a reserve equivalent to one-fourth of the annual operations and maintenance budget. The balance in the Operating Reserve Fund at June 30, 2015 and 2014 is $9,598,001 and $9,469,379, respectively.
- **Subordinated Indebtedness Fund** – In the event that additional debt is incurred, which is expressly made subordinate or junior in right of payment to the 2005 Bonds or 2012 Bonds, this fund will be established and used to pay principal, interest, and other allowable costs associated with the subordinated indebtedness. As of June 30, 2015 and 2014, there was no balance in the Subordinated Indebtedness Fund.
- **Reserve and Contingency Fund** – The balance in this fund is to be used to pay the costs of extraordinary repairs and replacements of Airport facilities to the extent that such costs are not provided from the proceeds of insurance or from other funds. Any remaining balances in the Reserve and Contingency Fund, not required to meet any deficiencies in the Debt Service Fund or Debt Service Reserve Funds or not needed for any of the purposes for which such Fund was established, shall be transferred to the Operating Fund, and any remaining excess may be deposited in the Surplus Fund. As of June 30, 2015 and 2014, there was no balance in the Reserve and Contingency Fund.
- **Surplus Fund** – All monies remaining in the Revenue Fund at year-end are to be deposited in this fund and may be transferred to offset other fund deficiencies in the following priority order: first in the Debt Service Fund, second in the applicable Debt Service Reserve Fund, third to the Subordinated Indebtedness Fund, and fourth to the Reserve and Contingency Fund. Amounts in the Surplus Fund not required to meet a deficiency as set forth above shall be applied or set aside as allowed for in the bond indenture. As of June 30, 2015 and 2014, there was $2,601,563 and $2,814,397 in the Surplus Fund to be transferred to any of the funds mentioned above. Amounts transferred to the Surplus Fund may be used for purposes of computation of the debt service coverage ratio.
- **Cost of Issuance Funds** – The balance in this fund provides for the payment of costs to issue the 2005 Bonds, 2012 Bonds or 2015 Bonds not paid directly from escrow at the closing of the sale of the respective bonds. This fund is held by a trustee and is subject to the terms and conditions as set forth in the bond indenture. As of June 30, 2015 the balance in the 2015 Bonds cost of issuance fund was $108. There was no balance in the cost of issuance fund for the 2005 Bonds or 2012 Bonds at June 30, 2015. There was no balance for the cost of issuance fund for any bond issued at June 30, 2014.
- **Construction Funds** – The balance in this fund provides for the payment of applicable Capital Improvements identified to be financed from the 2005 Series B Bonds and the 2005 Taxable Series C Bonds, and the 2012 Series A Bonds and 2012 Taxable Series B Bonds. These funds are held by a trustee and are subject to the terms and conditions as set forth in the bond indenture. As of June 30, 2015 and 2014, there is no balance in the Construction Fund for the 2005 Bonds, $60 and $536,327 for the 2012 Series A Bonds and $3 and $0 for the 2012 Taxable Series B Bonds as of June 30, 2015 and 2014, respectively.

(i) Other Cash Accounts

The Authority maintains the following additional restricted cash:

- **Authority Areas Reserve** – Operating revenues received from certain areas specified in the airline signatory leases are set aside to be utilized at the discretion of the Authority for any lawful purpose.
- **Asset Forfeiture Fund –** The Authority receives funds from the U.S. Department of Justice, U.S. Department of Treasury and the State of California Department of Justice under the equitable sharing programs of each agency related to certain law enforcement activities. These assets are used to purchase certain equipment to supplement law enforcement activities at the Airport.
- **Passenger Facility Charge Fund –** Cash from the PFC program are maintained in a separate account and are restricted for approved airport improvement projects.
- **Customer Facility Charge Fund –** Cash from the CFC program are maintained in a separate account and are restricted for planning, design, construction and financing of a consolidated rental car facility.

The Authority maintains the following board-designated cash:

- **Facility Development Reserve** – Reserve established during fiscal year 2000 to provide for the future development of terminal and other Airport facilities. The actual appropriation of these funds to selected facility development projects will be determined based on the approval of the Authority. In FY 2015 and FY 2014, no transfers were made to the Current Operating Fund.

(j) Capital Assets

Capital assets are defined by the Authority as assets with an initial, individual cost of $1,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost, less accumulated depreciation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets are capitalized as projects are constructed. Net interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed. During the year ended June 30, 2015, interest cost of $191,328 less interest income of $12,265 was capitalized. During the year ended June 30, 2014, interest cost of $2,766,490 less interest income of $1,911 was capitalized. Depreciation is recognized in amounts calculated to amortize the cost of the depreciable assets over their estimated useful lives. Depreciation is computed on a straight-line basis over the following periods:

Buildings and improvements	3 to 25 years
Runways and improvements	3 to 25 years
Machinery and equipment	3 to 20 years

(k) Vacation and Sick Leave

Employees may receive 80 to 160 hours of vacation each year (40 to 80 hours for job share employees), depending on length of service with the Authority. Vacation is not earned until the year is completed. An employee may accrue up to 250 hours of vacation; any hours earned in excess of 250 hours are forfeited, unless approved by management.

Employees are also entitled to 100 hours of personal leave during each year (50 hours for job share employees). Employees may accrue personal leave or may receive payment for any unused portion of personal leave days at the end of each year.

Employees are also entitled to bank up to 120 hours of overtime for personal leave.

Vacation and personal leave are accrued as earned by employees.

(l) Investments and Invested Cash

In accordance with California Government Code (Code) Section 53600 et seq., the Authority adopts an investment policy annually for the Operating, PFC and CFC portfolios that, among other things, authorizes types of allowable investments, maximum maturities, maximum concentration of investments by type of investment and issuer, minimum ratings for certain types of investments, and how the investments may be held. These criteria on investments and invested cash related to the Authority's bonded debt are governed by the related Master Indenture of Trust. The Authority further limits all investments to be more restrictive than the Code. 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). Additional restrictions in the Authority's investment policy over the requirements of the Code include: (1) smaller maximum portions of the portfolios for certain investment types (e.g., U.S. Agency securities, negotiable and time certificates of deposit, bankers' acceptances, commercial paper, money market mutual funds, LAIF), (2) smaller maximum portions of the portfolios invested in a single institution/issuer (e.g., negotiable and time certificates of deposit, corporate notes, bankers' acceptances, commercial paper) (3) limiting the underlying investments of money market mutual funds to U.S. Treasury securities, and (4) excluding investments in reverse repurchase agreements and securities lending agreements, collateralized mortgage obligations and similar investments, debt securities issued by other local agencies and shares of beneficial interest issued by joint powers authorities formed in accordance with Section 6509.7 of the Code. The restrictions in the Code and the additional limitations in the Authority's investment policy mitigate the Authority's interest rate risk, credit risk, concentration of credit risk, and custodial credit risk related to its various investments.

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

(m) Statements of Cash Flows

For purposes of the statements of cash flows, the Authority considers its investment in money market mutual funds and in the LAIF to be cash equivalents that function as a demand deposit account, whereby funds may be withdrawn or deposited at any time without prior notice or penalty. Unrestricted investments in other securities with remaining maturities of 90 days or less at the time of purchase are also considered cash equivalents. Investments in money market mutual funds held by the bond trustee are not considered cash equivalents for purposes of the statement of cash flows.

(n) Prepaid Expenses

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

(o) Use of Estimates

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

(p) Income Taxes

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

(q) Pollution Remediation Liabilities

The Authority implemented GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, for the FY 2009 basic financial statements and currently does not believe it has any pollution remediation liabilities at June 30, 2015 or 2014 (see note 17).

(r) Recent Accounting Pronouncements

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27.* The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2014. The Authority adopted this statement effective July 1, 2014, which did not have any impact on its financial statements.

In January 2013, GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The requirements of this statement are effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013, and should be applied on a prospective basis. Earlier application is encouraged. The Authority adopted this statement effective July 1, 2014. The Authority has had no government combinations or disposals of operations; accordingly, this pronouncement has had no impact on the Authority's financial statements.

In November 2013, GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. This Statement addresses an issue regarding application of the transition provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2014. Earlier application is encouraged. The Authority adopted this statement effective July 1, 2014, which did not have any impact on its financial statements.

In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The provisions for this statement are effective for periods beginning after June 15, 2015. Earlier application is encouraged. The Authority has not yet adopted this statement.

In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement 68 for pension plans and pensions that are within their respective scopes. The provisions of this statement that address accounting and financial reporting by employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68 are effective for financial statements for fiscal years beginning after June 15, 2016, and the provisions of this statement that address financial reporting for assets accumulated for purposes of providing those pensions are effective for fiscal years beginning after June 15, 2015. The provisions of this statement for pension plans that are within the scope of Statement 67 or for pensions that are within the scope of Statement 68 are effective for fiscal years beginning after June 15, 2015. Earlier application is encouraged. The Authority has not yet adopted this statement.

In June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pensions*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces the requirements of Statements No. 45, Accou*nting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended*, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB*. Statement No. 74 establishes new accounting and financial reporting requirements for OPEB plans. The provisions of this statement are effective for fiscal years beginning after June 15, 2016. Earlier application is encouraged. The Authority has not yet adopted this statement.

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended*, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB*. The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. The provisions of this statement are effective for fiscal years beginning after June 15, 2017. Earlier application is encouraged. The Authority has not yet adopted this statement.

In June 2015, GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The provisions of this statement are effective for financial statements for periods beginning after June 15, 2015, and should be applied retroactively. Earlier application is permitted. The Authority has not yet adopted this statement.

In August 2015, GASB issued Statement No. 77, *Tax Abatement Disclosures*. This Statement requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. The provisions of this statement are effective for financial statements for periods beginning after December 15, 2015. Earlier application is encouraged. The Authority has not yet adopted this statement.

(3) Cash and Investments

(a) Cash and Investments

(i) Cash and investments at June 30, 2015 and 2014 are classified in the accompanying statements of net position as follows:

	2015	2014
Cash and investments – current assets:		
Operating fund	$ 27,003,801	$ 27,708,092
Cash and investments – restricted assets:		
Cash and investments held by bond trustee:		
Debt service fund – 2005 Bonds	—	4,215,363
Debt service reserve fund – 2005 Bonds	609,708	5,546,431
Debt service fund – 2012 Bonds	4,212,356	2,166,047
Debt service reserve fund – 2012 Bonds	5,854,954	5,850,476
Construction funds – 2012 Bonds	63	536,327
Debt service fund – 2015 Bonds	262,933	—
Cost of issuance fund – 2015 Bonds	108	—
Total cash and investments held by bond trustee	10,940,122	18,314,644
Other restricted cash and investments:		
Operating Reserve fund	9,598,001	9,469,379
Bond Surplus fund	2,601,563	2,814,397
Authority Areas Reserve fund	2,812,999	2,729,071
Asset Forfeiture fund	13,415	21,842
Passenger Facility Charge fund	21,018,434	18,901,958
Customer Facility Charge fund	1,934,215	1,421,254
Total other restricted cash and investments	37,978,627	35,357,901
Total cash and investments – restricted assets	48,918,749	53,672,545
Cash and investments – Facility Development Reserve	101,395,103	101,395,103
Total cash and investments	$ 177,317,653	$ 182,775,740

(Continued)

(ii) Cash and investments as of June 30, 2015 and 2014 consist of the following:

		2015		2014
Operating portfolio cash and investments:				
Cash and cash equivalents:				
Cash on hand	$	800	$	800
Deposits with financial institutions		1,123,527		1,446,979
Money market mutual funds		405,331		1,799,140
LAIF		15,891,741		15,459,583
Total cash and cash equivalents		17,421,399		18,706,502
Investments:				
U.S. Treasury securities		47,149,678		50,300,748
U.S. Agency securities		44,675,503		44,772,803
Medium-term corporate notes		34,178,302		30,357,831
Total investments		126,003,483		125,431,382
Total cash and cash equivalents and investments		143,424,882		144,137,884
Less restricted portion		(15,025,978)		(15,034,689)
Less Facility Development Reserve		(101,395,103)		(101,395,103)
Current and unrestricted cash and investments	$	27,003,801	$	27,708,092
Passenger Facility Charge Fund:				
Cash and cash equivalents:				
Deposits with financial institutions	$	89,349	$	69,194
Money market mutual funds		3,616,713		5,493,002
Total cash and cash equivalents		3,706,062		5,562,196
Investments:				
U.S. Treasury securities		5,595,320		6,385,434
U.S. Agency securities		6,924,741		4,230,565
Medium-term corporate notes		4,792,311		2,723,763
Total investments		17,312,372		13,339,762
Total cash and cash equivalents and investments	$	21,018,434	$	18,901,958
Customer Facility Charge Fund:				
Deposits with financial institutions	$	1,934,215	$	1,421,254
Investments held by bond trustee:				
Money market mutual funds	$	10,940,122	$	18,314,644
Total investments	$	10,940,122	$	18,314,644

		2015		2014
Summary of cash and investments:				
Cash and cash equivalents:				
Cash on hand	$	800	$	800
Deposits with financial institutions		3,147,091		2,937,427
Money market mutual funds		4,022,044		7,292,142
LAIF		15,891,741		15,459,583
Total cash and cash equivalents		23,061,676		25,689,952
Investments:				
U.S. Treasury securities		52,744,998		56,686,182
U.S. Agency securities		51,600,244		49,003,368
Medium-term corporate notes		38,970,613		33,081,594
Money market mutual funds held by bond trustee		10,940,122		18,314,644
Total investments		154,255,977		157,085,788
Total cash and cash equivalents and investments	$	177,317,653	$	182,775,740

Cash balances, except for those held by the Trustee, held in the Authority’s payroll account or held as petty cash are pooled for deposit and investment purposes. Cash and investments funds are classified under the general headings of “restricted” or “unrestricted.” The Authority has designated separate restricted funds to carry on specific activities in accordance with special regulations, bond covenants, or enabling legislation. Restricted funds are nondiscretionary in terms of use and provide for payment of debt service on Authority bonds, reserves for outstanding bonds, construction of long-term assets, and operations and maintenance. The Authority, after necessary fund transfers have been made to comply with bond covenants, has discretion as to the magnitude and use of the remaining unrestricted funds.

(b) Investments Authorized by the Code and the Authority's Investment Policy

The table below identifies the investment types that are authorized for the Authority by the Code (or the Authority's investment policy, where more restrictive). The table also identifies certain provisions of the Code (or the Authority's investment policy, where more restrictive) that address interest rate risk and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of the Master Indenture of Trust, as amended, rather than the Code or the Authority's investment policy.

Authorized investment type	Maximum maturity	Maximum percentage of portfolio[a]	Maximum investment in one issuer
U.S. Treasury securities	5 years	None	None
U.S. Agency securities	5 years	70%	None
Time deposits	5 years	15%	5%
LAIF	N/A	$20 million	None
Bankers' acceptances	180 days	15%	5%
Commercial paper	270 days	15%	5%
Repurchase agreements	1 year	10%	None
Money market mutual funds, invested in U.S. Treasury securities	N/A	15%	None
Medium-term corporate notes	5 years	30%	5%
Negotiable certificates of deposit	5 years	15%	5%

a. Percentages apply separately to the Operating portfolio, the Passenger Facility Charge Fund portfolio and the Customer Facility Charge Fund portfolio. Excludes amounts held by bond trustee.

(c) Investments Authorized Under the Master Indenture of Trust

Investment of debt proceeds held by the bond trustee are governed by provisions of the Master Indenture of Trust, rather than the general provisions of the Code or the Authority’s investment policy. The table below identifies the investment types that are authorized for investments held by the bond trustee. The table also identifies certain provisions of the Master Indenture of Trust that address interest rate risk, and concentration of credit risk.

Authorized investment type	Maximum maturity	Maximum percentage allowed	Maximum investment in one issuer
U.S. Treasury securities	5 years	None	None
U.S. Agency securities	5 years	None	None
Money market mutual funds	N/A	None	None
Negotiable certificates of deposit	5 years	None	None
Time and savings deposits	5 years	None	None
Guaranteed investment contracts	30 years	None	None
Commercial paper	270 days	None	None
State or local government securities	5 years	None	None
Bankers’ acceptances	360 days	None	None
Repurchase agreements	30 days	None	None
Any State of California-administered investment pool	N/A	None	None
Advance refunded municipal securities	5 years	None	None
Investments approved in writing by the bond insurer	30 years	None	None

(d) Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Authority manages its exposure to interest rate risk is by purchasing a combination of shorter 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. The Authority monitors the interest rate risk in its portfolios by measuring the weighted average maturity of the portfolios and limiting them to an average level recommended by its professional investment manager, currently approximately 1.7 years. The Authority also employs a “buy and hold” investment strategy whereby investments are held to maturity and redeemed at par. This strategy limits the Authority’s exposure to declines in fair value to unforeseen emergencies when the need for cash beyond that which is planned and anticipated may arise.

The weighted average maturity of each authorized investment type by pool at June 30, 2015 and 2014 are as follows:

	June 30, 2015			June 30, 2014	
Authorized investment type	**Amount**	**Weighted average maturity (in years)**		**Amount**	**Weighted average maturity (in years)**
Operating portfolio cash equivalents and investments:					
Operating portfolio investments:					
U.S. Treasury securities	$ 47,149,678	1.49		$ 50,300,748	1.46
U.S. Agency securities	44,675,503	1.73		44,772,803	1.61
Medium-term corporate notes	34,178,302	1.75		30,357,831	1.71
Total operating portfolio Investments	126,003,483	1.65		125,431,382	1.57
Operating portfolio cash equivalents:					
Money market mutual funds	405,331	0.02		1,799,140	0.12
LAIF	15,891,741	0.66		15,459,583	0.64
Total operating portfolio cash equivalents	16,297,072	0.64		17,258,723	0.59
Total operating portfolio cash equivalents and investments	142,300,555	1.53		142,690,105	1.45
Passenger Facility Charge (PFC) Fund cash equivalents and investments:					
PFC Fund investments:					
U.S. Treasury securities	5,595,320	1.35		6,385,434	1.35
U.S. Agency securities	6,924,741	2.49		4,230,565	0.44
Medium-term corporate notes	4,792,311	1.63		2,723,763	1.20
Total PFC Fund investments	17,312,372	1.88		13,339,762	1.03
PFC Fund cash equivalents – money market mutual funds	3,616,713	0.02		5,493,002	0.12
Total PFC Fund cash equivalents and investments	20,929,085	1.56		18,832,764	0.77
Investments held by bond trustee:					
Money market mutual funds	10,940,122	0.11		18,314,644	0.14
Total investments held by bond trustee	10,940,122	0.11		18,314,644	0.14
Total cash equivalents and investments	$ 174,169,762	1.45		$ 179,837,513	1.25

(e) Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

None of the Authority's investments (including investments held by the bond trustee) are highly sensitive to interest rate fluctuations.

(f) 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. Presented below is the minimum rating required by (where applicable) the Code, the Authority's investment policy or the Master Indenture of Trust, as amended, and the actual rating as of June 30, 2015 and 2014 for each investment type.

In August 2011, Standard and Poor's, one of the nationally recognized statistical rating organizations, downgraded its long-term credit rating of U.S. government, U.S. government-sponsored enterprises and public debt issues that have credit enhancements by U.S. government-sponsored enterprises from AAA to AA+ with a negative outlook. Fitch Ratings and Moody's Investor Services, two other recognized statistical rating organizations, did not reduce the Treasury and Agency security ratings, but did indicate a negative outlook. These credit downgrades relate to the credit risk associated with the Authority's investments in U.S. Treasury securities, U.S. Agency securities, money market mutual funds invested in U.S. Treasury securities and LAIF investments in U.S. Treasury securities and U.S. Agency securities.

As of June 30, 2015, Standard and Poor's maintained its rating of AA+ and increased its outlook to stable. Both Fitch Ratings and Moody's Investor Services maintained their AAA ratings and increased their outlook to stable.

Authorized investment type		Amount	Minimum legal rating		Not required to be rated or not rated	Rating as of year-end AAA		AA		A
As of June 30, 2015:										
Operating portfolio cash equivalents and investments:										
Operating portfolio investments:										
U.S. Treasury securities	$	47,149,678	N/A	$	47,149,678	$ —	$	—	$	—
U.S. Agency securities:										
Fed. Farm Credit Bank		4,000,836	N/A		—	4,000,836		—		—
Fed. Home Loan Bank		9,725,263	N/A		—	9,725,263		—		—
Fed. Home Loan Mort. Corp.		15,362,904	N/A		—	15,362,904		—		—
Fed. National Mort. Assn.		15,586,500	N/A		—	15,586,500		—		—
Total U.S. Agency securities		44,675,503			—	44,675,503		—		—
Medium-term corporate notes		34,178,302	A		—	5,658,036		8,057,293		20,462,973
Total Operating portfolio Investments		126,003,483			47,149,678	50,333,539		8,057,293		20,462,973
Operating portfolio cash equivalents:										
Money market mutual funds		405,331	AAA		—	405,331		—		—
LAIF		15,891,741	N/A		15,891,741	—		—		—
Total Operating portfolio cash equivalents		16,297,072			15,891,741	405,331		—		—
Total Operating portfolio cash equivalents and investments		142,300,555			63,041,419	50,738,870		8,057,293		20,462,973
Passenger Facility Charge (PFC) Fund cash equivalents and investments:										
PFC Fund investments:										
U.S. Treasury securities		5,595,320	N/A		5,595,320	—		—		—
U.S. Agency securities:										
Fed. Home Loan Bank		1,925,041	N/A		—	1,925,041		—		—
Fed. Home Loan Mort. Corp.		2,251,207	N/A		—	2,251,207		—		—
Fed. National Mort. Assn.		2,748,493	N/A		—	2,748,493		—		—
Total U.S. Agency securities		6,924,741			—	6,924,741		—		—
Medium-term corporate notes		4,792,311	A		—	1,051,718		925,857		2,814,736
Total PFC Fund investments		17,312,372			5,595,320	7,976,459		925,857		2,814,736
PFC Fund cash equivalents – money market mutual funds		3,616,713	AAA		—	3,616,713		—		—
Total PFC Fund cash equivalents and investments		20,929,085			5,595,320	11,593,172		925,857		2,814,736
Investments held by bond trustee:										
Money market mutual funds		10,940,122	AAA		—	10,940,122		—		—
Total investments bond trustee		10,940,122			—	10,940,122		—		—
Total cash equivalents and investments	$	174,169,762		$	68,636,739	$ 73,272,164	$	8,983,150	$	23,277,709

Authorized investment type	Amount	Minimum legal rating	Not required to be rated or not rated	Rating as of year-end AAA	AA	A
As of June 30, 2014:						
Operating portfolio cash equivalents and investments:						
Operating portfolio investments:						
U.S. Treasury securities	$ 50,300,748	N/A	$ 50,300,748	$ —	$ —	$ —
U.S. Agency securities:						
Fed. Farm Credit Bank	4,006,256	N/A	—	4,006,256	—	—
Fed. Home Loan Bank	6,686,864	N/A	—	6,686,864	—	—
Fed. Home Loan Mort. Corp.	14,632,955	N/A	—	14,632,955	—	—
Fed. National Mort. Assn.	19,446,728	N/A	—	19,446,728	—	—
Total U.S. Agency securities	44,772,803		—	44,772,803	—	—
Medium-term corporate notes	30,357,831	A	—	—	7,369,998	22,987,833
Total Operating portfolio Investments	125,431,382		50,300,748	44,772,803	7,369,998	22,987,833
Operating portfolio cash equivalents:						
Money market mutual funds	1,799,140	AAA	—	1,799,140	—	—
LAIF	15,459,583	N/A	15,459,583	—	—	—
Total Operating portfolio cash equivalents	17,258,723		15,459,583	1,799,140	—	—
Total Operating portfolio cash equivalents and investments	142,690,105		65,760,331	46,571,943	7,369,998	22,987,833
Passenger Facility Charge (PFC) Fund cash equivalents and investments:						
PFC Fund investments:						
U.S. Treasury securities	6,385,434	N/A	6,385,434	—	—	—
U.S. Agency securities:						
Fed. Farm Credit Bank	442,527	N/A	—	442,527	—	—
Fed. Home Loan Bank	427,687	N/A	—	427,687	—	—
Fed. Home Loan Mort. Corp.	1,482,545	N/A	—	1,482,545	—	—
Fed. National Mort. Assn.	1,877,806	N/A	—	1,877,806	—	—
Total U.S. Agency securities	4,230,565		—	4,230,565	—	—
Medium-term corporate notes	2,723,763	A	—	—	1,031,428	1,692,335
Total PFC Fund investments	13,339,762		6,385,434	4,230,565	1,031,428	1,692,335
PFC Fund cash equivalents – money market mutual funds	5,493,002	AAA	—	5,493,002	—	—
Total PFC Fund cash equivalents and investments	18,832,764		6,385,434	9,723,567	1,031,428	1,692,335
Investments held by bond trustee:						
Money market mutual funds	18,314,644	AAA	—	18,314,644	—	—
Total investments bond trustee	18,314,644		—	18,314,644	—	—
Total cash equivalents and investments	$ 179,837,513		$ 72,145,765	$ 74,610,154	$ 8,401,426	$ 24,680,168

(g) Concentration of Credit Risk

The Authority's investment policy limits the amount that can be invested in any one issuer in corporate notes, bankers' acceptances, commercial paper, negotiable certificates of deposit and time certificates of deposit to 5% of the applicable portfolio. The investment policy contains no other limitations on the amount that can be invested in any one issuer beyond that stipulated by the Code. Investments in any one issuer (other than U.S. Treasury securities, money market mutual funds, and external investment pools) that represent 5% or more of total Authority investments, by pool, are as follows:

Issuer	Authorized investment type	Reported amount at June 30 2015 Amount	2015 Fund%	2014 Amount	2014 Fund%
Operating portfolio investments:					
Federal National Mortgage Association	U.S. Agency securities	$ 15,586,500	10.95%	$ 19,446,728	13.63%
Federal Home Loan Mortgage Corp.	U.S. Agency securities	15,362,904	10.80	14,632,955	10.26
Federal Home Loan Bank	U.S. Agency securities	9,725,263	6.83	—	<5.00
Passenger Facility Charge Fund investments:					
Federal National Mortgage Association	U.S. Agency securities	2,748,493	13.13	1,877,806	9.97
Federal Home Loan Mortgage Corp.	U.S. Agency securities	2,251,207	10.76	1,482,545	7.87
Federal Home Loan Bank	U.S. Agency securities	1,925,041	9.20	—	—

(h) Custodial Credit Risk

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

At June 30, 2015 and 2014, a portion of the Authority's deposits with financial institutions were uninsured and the collateral was held in accordance with the Code by the pledging financial institution in the Authority's name, as follows:

	2015	2014
Cash deposits:		
Insured	$ 250,000	$ 250,000
Uninsured, collateral held in the Authority's name	3,877,964	3,131,726
Total cash deposits	4,127,964	3,381,726
Plus deposits in transit	125,147	161,336
Less outstanding checks	(1,106,020)	(605,635)
Carrying amount of cash deposits	$ 3,147,091	$ 2,937,427

Investments and money market mutual funds in the Operating portfolio and Passenger Facility Charge Fund portfolio were held in the Authority's name by the trust department of the bank broker-dealer (counter-party) that was used by the Authority to buy the securities and mutual funds.

(i) Investment in the State Treasurer's Local Agency Investment Fund

The Authority is a voluntary participant in the LAIF that is regulated by the Code under the oversight of the Treasurer of the State of California. The fair value of the Authority's investment in this pool is reported in the accompanying basic financial statements at amounts based upon the Authority's pro rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. As of June 30, 2015 and 2014, the total amount invested by all California local governments and special districts in LAIF was $21.5 billion and $21.1 billion, respectively. LAIF is part of the State of California's Pooled Money Investment Account (PMIA), which as of June 30, 2015 and 2014 had a balance of $69.6 billion and $64.9 billion, respectively. The PMIA is not SEC-registered, but is required to invest according to the Code. Included in PMIA's investment portfolio are certain derivative securities or similar products in the form of structured notes totaling $0 and $0, respectively, and asset-backed securities totaling $1.4 billion and $1.2 billion, respectively.

(4) Other Receivables

At June 30, 2015 and 2014, the Authority recorded other current receivables not related to operating activities and, therefore, not included in account receivable on the accompanying statements of net position. The other receivables at June 30, 2015 and 2014 consist of the following:

	2015	2014
Transportation Security Administration for an upgrade to the baggage inspection systems	$ 88,741	$ 179,058
HARP fundraising program	4,034	9,179
Total other receivables	$ 92,775	$ 188,237

(5) Trust Assets

The Authority and the FAA have had on-going discussions about ways to relocate the terminal complex to improve runway safety at Bob Hope Airport since the Authority was formed in June 1977. A number of different terminal facility configurations were studied and pursued over the years. After substantial litigation between the Authority and the City of Los Angeles, in 1996 the FAA issued a Record of Decision certifying an Environmental Impact Statement that identified the former approximately 130-acre Lockheed Plant B-6 (the B-6 Property) as a preferred site alternative for a replacement terminal.

The Authority sold 21.65 acres of the B-6 Property in 2003.

59.2 acres of the B-6 Property (B-6 Trust Property) is held in trust under the terms of the Amended, Restated, and Superseding Trust Agreement by and between the Authority, the City of Burbank and the Bank of New York Mellon Trust Company, N. A. as trustee, with the Authority as beneficiary of the trust. The Trust Agreement terms held the property for a tolling period of ten years that expired on March 15, 2015. Subsequently, the B-6 Trust Property was placed on the market for sale. Effective November 2015, the B-6 Trust Property was placed into escrow under the terms of a purchase and sale agreement with Overton Moore Properties as buyer for $72.5 million. The sale is expected to close in spring 2016.

The B-6 Trust Property is classified as restricted trust assets on the Authority's financial statements with a balance of $58,873,509 as of June 30, 2015 and 2014.

(6) Capital Assets

Changes in capital assets for the year ended June 30, 2015 were as follows:

	July 1, 2014	Additions	Deletions	Other deletions	June 30, 2015
Capital assets not being depreciated:					
Land	$ 158,758,472	$ —	$ —	$ —	$ 158,758,472
Other non-depreciable assets	589,966	538,549	—	—	1,128,515
Construction in progress	111,138,905	12,253,747	(113,419,324)	(317,799)	9,655,529
Total capital assets not being depreciated	270,487,343	12,792,296	(113,419,324)	(317,799)	169,542,516
Capital assets being depreciated/amortized:					
Building and improvements	138,031,978	110,972,918	(42,195)	—	248,962,701
Runways and improvements	93,466,437	751,296	(681,063)	—	93,536,670
Machinery and equipment	38,903,767	1,156,561	(1,489,630)	—	38,570,698
Total capital assets being depreciated/ amortized	270,402,182	112,880,775	(2,212,888)	—	381,070,069
Less accumulated depreciation/amortization for:					
Building structures	(84,526,975)	(11,214,410)	42,195	—	(95,699,190)
Runway/airfield improvements	(62,305,645)	(5,164,734)	681,063	—	(66,789,316)
Equipment	(30,943,144)	(2,953,410)	1,486,787	—	(32,409,767)
Total accumulated depreciation/ amortization	(177,775,764)	(19,332,554)	2,210,045	—	(194,898,273)
Total capital assets being depreciated/ amortized, net	92,626,418	93,548,221	(2,843)	—	186,171,796
Total capital assets, net	$ 363,113,761	$ 106,340,517	$ (113,422,167)	$ (317,799)	$ 355,714,312

Other deletions of construction in progress in FY 2015 is $317,799 of construction in progress projects that the Authority determined would not move forward. This amount was included in loss on disposal of capital projects on the accompanying Statement of Revenues, Expenses and Changes in Net Position.

Of transfers from construction in progress to completed features of $113,419,324 in FY 2015, $110,708,551 relate to the completion of the RITC project, consisting of $78,162,736 for the CRCF, $7,270,208 for the Customer Service Building, $3,000,150 for the Transit Center, and $22,275,457 for the Elevated Walkway.

Changes in capital assets for the year ended June 30, 2014 were as follows:

	July 1, 2013	Additions	Deletions	Other deletions	June 30, 2014
Capital assets not being depreciated:					
Land	$ 158,758,472	$ —	$ —	$ —	$ 158,758,472
Other non-depreciable assets	589,966	—	—	—	589,966
Construction in progress	84,678,485	51,795,141	(24,168,194)	(1,166,527)	111,138,905
Total capital assets not being depreciated	244,026,923	51,795,141	(24,168,194)	(1,166,527)	270,487,343
Capital assets being depreciated/amortized:					
Building and improvements	118,962,778	19,429,464	(360,264)	—	138,031,978
Runways and improvements	92,148,698	1,332,663	(14,924)	—	93,466,437
Machinery and equipment	35,596,134	3,406,067	(98,434)	—	38,903,767
Total capital assets being depreciated/ amortized	246,707,610	24,168,194	(473,622)	—	270,402,182
Less accumulated depreciation/amortization for:					
Building structures	(78,172,429)	(6,714,810)	360,264	—	(84,526,975)
Runway/airfield improvements	(57,160,459)	(5,160,110)	14,924	—	(62,305,645)
Equipment	(28,409,846)	(2,629,852)	96,554	—	(30,943,144)
Total accumulated depreciation/ amortization	(163,742,734)	(14,504,772)	471,742	—	(177,775,764)
Total capital assets being depreciated/ amortized, net	82,964,876	9,663,422	(1,880)	—	92,626,418
Total capital assets, net	$ 326,991,799	$ 61,458,563	$ (24,170,074)	$ (1,166,527)	$ 363,113,761

Other deletions of construction in progress in FY 2014 is $1,166,527 of construction in progress projects that the Authority determined would not move forward. This amount was included in loss on disposal of capital projects on the accompanying Statement of Revenues, Expenses and Changes in Net Position. Current year additions related to the RITC project total $47,809,021.

Of transfers from construction in progress to completed features of $24,168,194 in FY 2014, $11,554,015 related to the RITC project for the replacement parking structure.

(7) Long–Term Debt

The following is a summary of changes in long-term debt for the years ended June 30, 2015 and 2014:

	Beginning balance	Additions	Deductions	Ending balance	Due within one year
Year ended June 30, 2015:					
Revenue bonds payable:					
2005 Revenue Bonds:					
2005 Series A	$ 4,155,000	$ —	$ (4,155,000)	$ —	$ —
2005 Series B	43,760,000	—	(43,760,000)	—	—
Plus deferred amounts for original issue premium	1,610,489	—	(1,610,489)	—	—
2012 Revenue Bonds:					
2012 Series A	6,715,000	—	—	6,715,000	—
2012 Taxable Series B	75,450,000	—	—	75,450,000	1,500,000
Plus deferred amounts for original issue premium	174,536	—	(6,234)	168,302	—
2015 Revenue Bonds:					
2015 Series A	—	1,335,000	—	1,335,000	—
2015 Taxable Series B	—	30,925,000	—	30,925,000	—
Plus deferred amounts for Original issue premium	—	4,383,971	(84,896)	4,299,075	—
Total long–term debt payable	$ 131,865,025	$ 36,643,971	$ (49,616,619)	$ 118,892,377	$ 1,500,000
Year ended June 30, 2014:					
Revenue bonds payable:					
2005 Revenue Bonds:					
2005 Series A	$ 5,100,000	$ —	$ (945,000)	$ 4,155,000	$ 980,000
2005 Series B	45,695,000	—	(1,935,000)	43,760,000	2,035,000
Plus deferred amounts for original issue premium	1,759,722	—	(149,233)	1,610,489	—
2012 Revenue Bonds:					
2012 Series A	6,715,000	—	—	6,715,000	—
2012 Taxable Series B	75,450,000	—	—	75,450,000	—
Plus deferred amounts for original issue premium	180,769	—	(6,233)	174,536	—
Total long–term debt payable	$ 134,900,491	$ —	$ (3,035,466)	$ 131,865,025	$ 3,015,000

(a) 2005 Revenue Bonds

On May 26, 2005, the Authority issued $67,535,000 of 2005 Airport Revenue Bonds (2005 Bonds) with an effective interest rate of 4.680% and at an original issue premium totaling $2,968,089. The 2005 Bonds were issued in three series. The 2005 Bonds are insured and are special 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. On April 30, 2015, the Authority issued $32,260,000 of 2015 Airport Revenue Bonds to defease the outstanding 2005 Bonds. The outstanding 2005 Bonds were refunded on July 1, 2015. See *2015 Revenue Bonds* section for additional information.

The $7,750,000 Airport Revenue Bonds 2005 Series A (Non-AMT) (2005 Series A Bonds), at an effective interest rate of 3.964%, were issued to refinance the $9,395,000 outstanding balance of Airport Revenue Bonds, Refunding Series of 1992 (1992 Bonds) with a remaining coupon interest rate of 6.400%. The 2005 Series A Bonds were due in annual installments ranging from $880,000 to $1,100,000 from July 1, 2011 to July 1, 2017 with interest rates ranging from 3.500% to 4.000% payable semiannually on July 1 and January 1. The 2005 Series A Bonds maturing on or after July 1, 2016 were subject to optional redemption by the Authority, without premium, in whole or in part on any date on or after July 1, 2015. The balance of 2005 Series A Bonds outstanding at June 30, 2015 and 2014 is $0 and $4,155,000, respectively, plus unamortized original issue premium of $0 and $11,650, respectively. At June 30, 2014, the current portion of the 2005 Series A Bonds, paid July 1, 2014, was $980,000. Interest payable on the 2005 Series A Bonds totals $0 and $80,913 at June 30, 2015 and 2014, respectively. Bond insurance premiums of $38,888 were being amortized using the straight-line method over the life of the 2005 Series A Bonds. Unamortized bond insurance premiums of $0 and $9,644 at June 30, 2015 and 2014, respectively, are reported in the accompanying statement of net position.

The $50,765,000 Airport Revenue Bonds 2005 Series B (AMT) (2005 Series B Bonds), at an effective interest rate of 4.738%, and the $9,020,000 Airport Revenue Bonds 2005 Taxable Series C (2005 Taxable Series C Bonds), at an effective interest rate of 5.067%, were issued to finance the acquisition and improvement of certain land adjacent to the Bob Hope Airport to be used for Airport parking, fund the Debt Service Reserve Fund, and pay the cost of issuance of the 2005 Bonds. The 2005 Taxable Series C Bonds were paid in full July 1, 2010. The 2005 Series B Bonds are due in annual installments ranging from $1,760,000 to $5,160,000 from July 1, 2011 to July 1, 2025 with interest rates ranging from 5.000% to 5.250% payable semiannually on July 1 and January 1. The 2005 Series B Bonds maturing on or after July 1, 2016 were subject to optional redemption, without premium, in whole or in part on any date on or after July 1, 2015. The balance of 2005 Series B Bonds outstanding at June 30, 2015 and 2014 is $0 and $43,760,000, respectively, plus unamortized original issue premium of $0 and $1,598,839, respectively. At June 30, 2014, the current portion of the 2005 Series B Bonds, paid July 1, 2014, was $2,035,000. Interest payable on the 2005 Series B Bonds totals $0 and $1,119,381 at June 30, 2015 and 2014, respectively. Bond insurance premiums of $331,574 for the 2005 Series B Bonds were being amortized using the straight-line method over the life of the respective bonds. Unamortized bond insurance premiums at June 30, 2015 and 2014 for 2005 Series B Bonds of $0 and $181,483, respectively, are reported in the accompanying statement of net position.

In accordance with the bond resolution, certain cash accounts (funds) are required to be segregated and minimum balances maintained as summarized in note 2. There are also a number of other limitations and restrictions contained in the Master Indenture of Trust, as amended. Authority management believes that the Authority has complied with such requirements.

(b) 2012 Revenue Bonds

On May 10, 2012, the Authority issued $82,165,000 of 2012 Airport Revenue Bonds (2012 Bonds) with an effective interest rate of 5.624% and at an original issue premium totaling $187,886. The 2012 Bonds, issued as parity bonds with the 2005 Bonds, were issued in two series. The 2012 Bonds are special 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. The net proceeds of the 2012 Bonds of $81,568,556 (including initial issue premium of $187,886 less underwriters' discount of $784,330) were deposited with the Bond Trustee into the Debt Service Reserve Fund ($5,838,000), Cost of Issuance Fund ($877,962), Debt Service Fund for debt service through July 1, 2014 ($9,277,903) and the Construction Fund ($65,574,691).

The $6,715,000 Airport Revenue Bonds 2012 Series A (AMT) (2012 Series A Bonds), at an effective interest rate of 4.949%, and the $75,450,000 Airport Revenue Bonds 2012 Taxable Series B (2012 Taxable Series B Bonds), at an effective interest rate of 5.722%, were issued (i) to finance those costs of the RITC project consisting of the CRCF and the portion of the costs of the Replacement Parking Structure attributable to the parking spaces displaced by the CRCF (2012 Bond Project); (ii) to fund the 2012 Debt Service Reserve Fund; (iii) to provide capitalized interest with respect to the 2012 Bonds through July 1, 2014; and to pay the costs of issuance of the 2012 Bonds.

The 2012 Series A Bonds are due in annual installments ranging from $1,155,000 to $5,560,000 from July 1, 2041 to July 1, 2042 at an interest rate of 5.000% payable semiannually on July 1 and January 1. The 2012 Series A Bonds are subject to optional redemption by the Authority, without premium, in whole or in part on any date on and after July 1, 2022 at a redemption price equal to the principal and accrued interest to the redemption date on the portion to be redeemed. The balance of 2012 Series A Bonds outstanding at June 30, 2015 and 2014 is $6,715,000 and $6,715,000, respectively, plus unamortized original issue premium of $168,302 and $174,536, respectively. Interest payable on the 2012 Series A Bonds totals $167,875 and $167,875 at June 30, 2015 and 2014, respectively.

The 2012 Taxable Series B Bonds are due in annual installments ranging from $1,500,000 to $4,970,000 from July 1, 2015 to July 1, 2041 with interest rates ranging from 2.036% to 5.812% payable semiannually on July 1 and January 1. The 2012 Taxable Series B Bonds are subject to optional redemption by the Authority, in whole or in part, on any date, at a Redemption Price equal to the Make-Whole Redemption Price, as defined in the Official Statement, plus unpaid accrued interest. The balance of 2012 Taxable Series B Bonds outstanding at June 30, 2015 and 2014 is $75,450,000 and $75,450,000, respectively. At June 30, 2015, the current portion of the 2012 Taxable Series B Bonds, paid July 1, 2015, is $1,500,000. Interest payable on the 2012 Taxable Series B Bonds totals $1,998,172 and $1,998,172 at June 30, 2015 and 2014, respectively.

In accordance with the bond resolution, certain cash accounts (funds) are required to be segregated and minimum balances maintained as summarized in note 2. There are also a number of other limitations and restrictions contained in the Master Indenture of Trust, as amended. Authority management believes that the Authority has complied with such requirements.

(c) 2015 Revenue Bonds

On April 30, 2015, the Authority issued $32,260,000 of 2015 Airport Revenue Bonds (2015 Bonds) with an effective interest rate of 2.553% and at an original issue premium of $4,383,971. The 2015 Bonds, issued as parity bonds with the 2012 Bonds, were issued in two series. The 2015 Bonds are special 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 2015 Bonds are not subject to redemption prior to maturity.

The net proceeds of the 2015 Bonds of $36,156,809 (includes par amount of $32,260,000 plus original issue premium of $4,383,971, less underwriter's discount of $98,373, premium on debt service reserve surety of $45,072 and other costs of issuance of $343,609 and $108 of unspent costs of issuance) plus $3,912,125 of 2005 Bonds Debt Service Funds, $5,942,618 of 2005 Bonds Debt Service Reserve Funds and an Authority contribution of $16,636, totaling $46,028,188, was deposited in an irrevocable trust with an escrow agent to provide for the interest and all outstanding principal of the 2005 Bonds due at July 1, 2015. As a result, the 2005 Bonds are considered defeased and the liability for those bonds was removed from the accompanying basic financial statements. The 2005 Bonds were called, without premium, on July 1, 2015 and paid in full.

The refunding and defeasance resulted in a difference between the reacquisition price of the 2015 Bonds and the net carrying amount of the 2005 Bonds of $935,367. This difference, reported in the accompanying basic financial statements as a deferred inflow of resources, is being credited to interest expense through July 1, 2024, the final maturity of the 2015 Bonds, using the straight-line method. The Authority completed the refunding and defeasance to reduce its total debt service payments over the next nine years by $5,215,007 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of $4,799,078.

The $1,335,000 Airport Revenue Bonds 2015 Series A (non-AMT) (2015 Series A Bonds) are due in annual installments of $680,000 due on July 1, 2016 at an interest rate of 3.000% and $655,000 due on July 1, 2017 at an interest rate of 4.000%. The interest is payable semi-annually on July 1 and January 1 beginning January 1, 2016. The $30,925,000 Airport Revenue Bonds 2015 Taxable Series B (2015 Taxable Series B Bonds) are due in annual installments ranging from $2,070,000 to $4,350,000 from July 1, 2016 to July 1, 2024 with interest rates ranging from 3.000% to 5.000% payable semiannually on July 1 and January 1 beginning January 1, 2016. The balance of the 2015 Series A Bonds outstanding at June 30, 2015 is $1,335,000 plus unamortized original issue premium of $60,044. The balance of the 2015 Taxable Series B Bonds outstanding at June 30, 2015 is $30,925,000 plus unamortized original issue premium of $4,239,031. A debt service reserve surety was obtained for the $3,664,397 debt service reserve requirement on the 2015 Bonds. The premium on the debt service reserve surety has been capitalized and is being amortized to interest expense over the life of the 2015 Bonds. The unamortized surety premium at June 30, 2015 is $44,137. The difference between the reacquisition price of the 2015 Bonds and the net carrying amount of the 2005 Bonds, reported in the accompanying basic financial statements as a deferred inflow of resources, is being credited to interest expense through July 1, 2024, the final maturity of the 2015 Bonds, using the straight-line method. The unamortized deferred amount on refunding at June 30, 2015 is $918,082.

(d) Annual Debt Service Requirements to Maturity

Revenue bond debt service requirements to maturity are as follows:

	2012 Bonds		2015 Bonds		Total		Total debt
	Principal	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**	**service**
Payable in year ending June 30:							
2016	$ 1,500,000	$ 4,316,825	$ —	$ 1,038,610	$ 1,500,000	$ 5,355,435	$ 6,855,435
2017	1,535,000	4,282,559	2,750,000	1,510,200	4,285,000	5,792,759	10,077,759
2018	1,570,000	4,241,780	3,095,000	1,394,850	4,665,000	5,636,630	10,301,630
2019	1,615,000	4,193,453	3,245,000	1,239,625	4,860,000	5,433,078	10,293,078
2020	1,670,000	4,136,959	3,405,000	1,073,375	5,075,000	5,210,334	10,285,334
2021 – 2025	9,400,000	19,552,406	19,765,000	2,566,875	29,165,000	22,119,281	51,284,281
2026 – 2030	12,130,000	16,702,135	—	—	12,130,000	16,702,135	28,832,135
2031 – 2035	15,905,000	12,809,981	—	—	15,905,000	12,809,981	28,714,981
2036 – 2040	21,050,000	7,512,545	—	—	21,050,000	7,512,545	28,562,545
2041 – 2043	15,790,000	1,283,927	—	—	15,790,000	1,283,927	17,073,927
Total principal and interest to maturity	82,165,000	$ 79,032,570	32,260,000	$ 8,823,535	114,425,000	$ 87,856,105	202,281,105
Unamortized portion of:							
Original issue premium	168,302		4,299,075		4,467,377		4,467,377
Less current portion of principal	(1,500,000)		—		(1,500,000)		(1,500,000)
Total long-term portion of revenue bonds payable	$ 80,833,302		$ 36,559,075		$ 117,392,377		$ 205,248,482

(e) Pledged Revenues

The 2012 Bonds and 2015 Bonds are special obligations of the Authority payable solely from, and secured solely by a pledge of, the Net Revenues (operating revenue plus investment income on operating funds less operating expenses before depreciation) and amounts in certain funds established under the Master Indenture of Trust and the Debt Service Reserve Fund. The Authority covenants that the ratio of Net Pledged Revenues plus transfers to the Surplus Fund to net accrued debt service on parity obligations will be 1.25 or greater (coverage rate covenant) and that Net Revenues plus transfers to the Surplus Fund will equal or exceed the sum of net accrued debt service on parity obligations and required deposit to Debt Service Reserve, Operating Reserve and other accounts (general rate covenant). The computation of the coverage rate covenant and general rate covenant as of June 30, 2015 and 2014 are as follows:

	2015	2014
Net Revenues	$ 12,849,815	$ 11,153,453
Transfers to Surplus Fund	2,601,563	1,354,897
Net Pledged Revenues	$ 15,451,378	$ 12,508,350
Accrued debt service on 2005 Bonds	$ 5,040,312	$ 5,415,588
Accrued debt service on 2012 Bonds	5,832,095	4,332,095
Less: capitalized interest for 2012 Bonds accrued debt service deposited from 2012 Bonds proceeds	—	(4,332,095)
Less: Customer Facility Charges collected and deposited to the debt service fund	(5,550,353)	—
Accrued debt service on 2015 Bonds	262,885	—
Net accrued debt service on parity obligations	$ 5,584,939	$ 5,415,588
Ratio of Net Pledged Revenues to net accrued debt service on parity obligations	2.77	2.31
Net Revenues plus transfers to Surplus Fund	$ 15,451,378	$ 12,508,350
Less: transfers to Operating Reserve	(128,622)	(102,397)
Less: net accrued debt service on parity obligations	(5,584,939)	(5,415,588)
Excess of net revenues over net accrued debt service on parity obligations and transfers to Operating Reserve	$ 9,737,817	$ 6,990,365

The estimated aggregate total amount of pledged net revenues and amounts in the funds established under the Master Indenture of Trust related to the 2012 Bonds and 2015 Bonds is equal to the remaining debt service on the 2012 Bonds and 2015 Bonds at June 30, 2015 of $202,281,205. The pledged revenues are in force during the term of the 2012 Bonds and 2015 Bonds with final maturity on July 1, 2042.

(8) Retirement Plan

Effective February 1, 2006, the Authority entered into an employment contract with the Burbank Airport Police Officers Association (BAPOA) which, among other things, called for the implementation of a 401(k) program sponsored by the BAPOA (BAPOA 401(k) Plan) into which the Authority contributes 6% of eligible base salaries and overtime as a retirement contribution, payable as part of weekly payroll. Employees may also contribute to their 401(k) account, but there is no additional Authority match. All employees are eligible to participate upon hire and contributions and earnings vest immediately. The 401(k) Plan is administered by Transamerica Retirement Solutions.

Effective February 1, 2011, the Authority entered into a new employment contract with the same terms related to the 401(k) program and Authority retirement contributions.

Effective April 4, 2013, the BAPOA replaced its 401(k) program with a 401(a) profit sharing plan (BAPOA 401(a) Profit Sharing Plan) and a 457(b) government deferred compensation plan (BAPOA 457(b) Government Deferred Compensation Plan). On this date, the Authority discontinued retirement contributions to the 401(k) program and now makes retirement contributions of 6% of eligible base salaries and overtime to the 401(a) profit sharing plan. Officers may make voluntary contributions to the 457(b) government deferred compensation plan, but there is no additional Authority match. Officers may take loans against contributions. All employees are eligible to participate upon hire and contributions and earnings vest immediately. The 401(a) Plan and the 457(b) Plan are administered by Transamerica Retirement Solutions.

Effective February 1, 2014, the Authority entered into a new employment contract which increased the Authority retirement contribution rate to 6.5% from 6%.

Total salaries and benefits for the Airport Police Officers were $4,580,083 in FY 2015 and $4,203,080 in FY 2014. The Authority's contributions have been calculated using the base salary plus overtime amount of $3,420,520 in FY 2015 and $3,133,213 in FY 2014. The Authority made the required accruals and contributions, amounting to $222,203 and $195,821 in fiscal years 2015 and 2014, respectively.

(9) Sound Insulation Programs

(a) School Sound Insulation Program

In FY 1989, the Authority adopted a FAA-approved multiyear school sound insulation program. Four schools were initially identified for the insulation program: Luther Burbank Middle School, Glenwood Elementary School, St. Patrick's School, and Mingay School. As of June 30, 2005, the sound insulation of these schools has been completed. In November 2000, the FAA approved the Authority's revised acoustical treatment program that added four additional schools. As of June 30, 2015 and 2014, two of these additional schools have been completed; the other two schools are now outside the approved noise exposure map boundary.

(b) Residential Home Sound Insulation Program

As part of the Authority's efforts to achieve noise compatibility within Airport-adjacent communities, the Authority also initiated a residential home sound insulation program. The sound insulation program is funded through a combination of federal grant monies, PFC funds, and Authority funds.

The Authority has entered into agreements with the FAA to provide funding assistance. The following sound insulation grant award agreement was outstanding during the years ended June 30, 2015 and 2014:

Date accepted	AIP grant number		Award Amount	Project description
February 2009	3-06-0031-47	$	7,000,000	Sound insulation of residences

During the year ended June 30, 2015 the Authority expended $2,527,131 on these projects, of which $2,010,316 was funded through FAA grants, $484,183 through PFC funds and $32,632 though Authority funds. The Authority acoustically treated 59 residences during FY 2015.

During the year ended June 30, 2014 the Authority expended $1,678,536 on these projects, of which $1,269,988 was funded through FAA grants, $305,874 through PFC funds and $102,674 through Authority funds. The Authority acoustically treated 32 residences during FY 2014.

Effective October 10, 2013, the FAA accepted an updated noise exposure map (NEM), which depicts the boundaries of the 65 community noise equivalent level ("CNEL") noise exposure area. The NEM, which reflects a decrease in the size of the area surrounding the airport exposed to 65 CNEL, was updated as part of a Part 150 Noise Compatibility Study. This study is still in process, the results of which may deem as eligible multi-family and an additional number of single family residences to the sound insulation program in the revised noise contour area.

(10) Leases

The Authority leases land, terminal, hangar, and administrative facilities to various entities under operating leases. The cost of the Authority's leased property and the related accumulated depreciation by asset type is presented as of June 30, 2015 and 2014 as follows:

	2015				2014			
		Cost		Accumulated depreciation		Cost		Accumulated depreciation
Land	$	34,042,063	$	—	$	28,773,504	$	—
Buildings and improvements		140,738,734		29,038,246		30,282,599		24,612,587
Runways and improvements		647,000		647,000		647,000		647,000
	$	175,427,797	$	29,685,246	$	59,703,103	$	25,259,587

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

Concession lease revenues are based on a percentage of gross receipts subject to minimum annual guarantees (MAG). Such concession rentals totaled $8,361,519 and $8,317,353 for the years ended June 30, 2015 and 2014, respectively, consisting of MAG revenues of $7,102,776 and $7,727,624, respectively, and over-MAG revenues of $1,258,743 and $589,729, respectively.

Minimum future rental revenue on noncancelable leases in effect at June 30, 2015 is as follows:

		Lease revenue
Fiscal year ending June 30:		
2016	$	26,518,138
2017		18,550,798
2018		18,202,328
2019		15,296,441
2020		13,547,300
2021 – 2025		54,434,526
2026 – 2030		3,206,325
2031		389,916
	$	150,145,772

(11) Passenger Facility Charges

In June 1994, the FAA approved the Authority's application to collect a $3.00 PFC per enplaned passenger to provide funds for specifically approved airport improvement projects to begin September 1, 1994. Effective April 1, 2003, the FAA approved an increase of the charge from $3.00 to $4.50. PFC funds collected are restricted and may only be used on specifically approved facility improvement projects. All PFC funds collected are maintained in a separate interest-bearing account administered by the Authority prior to disbursement. Total PFC revenue for the years ended June 30, 2015 and 2014 totaled $8,103,510 and $7,839,780, respectively, including investment income on the PFC investment portfolio of $154,460 and $121,262, respectively.

During the year ended June 30, 2015, funds totaling $5,939,410 for eligible costs expended on PFC projects were reimbursed to the Current Operating Fund from the PFC Fund. Of this amount, $460,706 was for sound insulation program expenditures, $3,860,773 was for the elevated walkway portion of the RITC project, $645,866 was for the Common Use Passenger Processing System (CUPPS), $585,269 was for the high voltage switchgear replacement project, and $386,796 was for other Airport development projects. During the year ended June 30, 2014, funds totaling $9,075,243 for eligible costs expended on PFC projects were reimbursed to the Current Operating Fund from the PFC Fund. Of this amount, $312,379 was for sound insulation program expenditures, $6,184,045 was for the elevated walkway portion of the RITC project, $1,800,281 was for the CUPPS project, and $778,538 was for other Airport development projects.

Subsequent to year-end, Application No. 13 was approved by the FAA on August 13, 2015 in the amount of $7,734,489 for Airfield Lighting System Replacement.

(12) Customer Facility Charges

Effective December 1, 2009, the Authority adopted a $10 CFC per rental car transaction to provide for the planning, design, construction and financing of a CRCF in accordance with California Civil Code Section 1936(m) et seq. Effective July 1, 2011 the Authority increased the CFC to $6 per rental car transaction day up to a maximum of five days. All CFC funds collected are maintained in a separate account administered by the Authority prior to disbursement. CFC revenue for the years ended June 30, 2015 and 2014 totaled $5,575,979 and $4,904,964, respectively. In accordance with the Bond Indenture, all CFC revenues collected subsequent to July 1, 2014 are transferred to the 2012 Bonds Debt Service Fund, which amounted to $5,550,353 in FY 2015. CFC revenues plus residual Facility Rents, as necessary, are used to pay debt service on the 2012 Bonds and the rent-a-car company (RAC) loans for certain contingent costs associated with the RITC project. CFC revenues collected prior to June 30, 2014 were used for eligible costs on the CRCF project. In FY 2015, 2012 Bond construction funds were used to fund certain RITC expenditures which were previously funded by CFC funds in the amount of $512,961. The balance in the CFC Fund of $1,934,215 is available for uses in accordance with the agreements between the Authority and the RACs for operation in the CRCF. The Authority has reimbursed $1,099,156 of eligible development review and other planning costs and $14,906,484 of cumulative eligible construction costs from the CFC Fund. Eligible costs expended on the CRCF project, which have been reimbursed to the Current Operating Fund from the CFC Fund, totaled $1,991,424 for the year ended June 30, 2014. In FY 2014, $1,459,500 of CFC funds were transferred to the Surplus Fund. This amount represents 25% of the maximum annual debt service on the 2012 Bonds and may be used, beginning in FY 2015, for bond debt service coverage as defined in the Bond Indentures, as amended.

(13) Related-Party Transactions

The Authority is charged for services and items from City of Burbank departments that are categorized in the various expense line items in the statements of revenues, expenses, and changes in net assets and are included in various capital assets for permits and related fees. The most significant are payments for utilities, City parking tax and permits and plan check fees.

The Airport is subject to a 12% tax on parking revenue payable to the City of Burbank on a quarterly basis. The Authority incurred parking tax expense totaling $2,067,299 and $2,044,847 during the years ended June 30, 2015 and 2014, respectively, of which $0 and $57,911, respectively, related to the $1 incremental parking revenue (see note 17). Amounts due to the City of Burbank for parking taxes were $538,441 and $523,851 at June 30, 2015 and 2014, respectively. The Authority incurred utility expense for electricity, water and wastewater utilities from Burbank Water and Power during the years ended June 30, 2015 and 2014 totaling $2,475,830 and $2,166,569 (including amounts charged back to tenants of $628,673 and $293,813), respectively. Amounts due to Burbank Water and Power were $212,234 and $230,077 at June 30, 2015 and 2014, respectively. The Authority paid permit and plan check fees to the City of Burbank totaling $14,167 and $62,028 during the years ended June 30, 2015 and 2014, respectively, the majority of which related to the RITC project. No amounts were due for permit and plan check fees at June 30, 2015 and 2014, respectively. The Authority paid the City costs related to the environmental impact report (EIR) for evaluation of a replacement terminal and development on the B-6 Trust Property totaling $47,133 and $802,351 during the years ended June 30, 2015 and 2014, respectively. No amounts were due for EIR fees at June 30, 2015 and 2014, respectively. The Authority incurred costs from the City related to public safety radio systems totaling $45,225 during the year ended June 30, 2015, all of which was due at June 30, 2015. The Authority incurred rent expense from the City on certain property which is part of Parking Lot B totaling $36,000 and $36,000 during the years ended June 30, 2015 and 2014, respectively. No amounts were due for rent at June 30, 2015 and 2014, respectively.

The Authority is also charged for services from City of Glendale departments that are categorized in the various expense line items in the statements of revenues, expenses and changes in net position. The most significant are payments for Verdugo Fire Communications services totaling $15,101 and $19,530 during the years ended June 30, 2015 and 2014, respectively. No amounts were due to the City of Glendale at June 30, 2015 and 2014, respectively.

(14) Commitments and Contingencies

(a) Litigation and Claims

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; workers' compensation; war risk and natural disasters for which the Authority carries commercial insurance, subject to deductibles ranging from $1,000 to $100,000. No settlements exceeded insurance coverage in the past three fiscal years, except for the Lockheed settlement (see note 17).

Several lawsuits and claims, arising in the normal course of Authority operations, and the items described below, were pending against the Authority at June 30, 2015. In the opinion of the Authority's management and legal counsel, there are adequate defenses to these actions, and the Authority's management and legal counsel do not anticipate material adverse effects on the financial position of the Authority from the disposition of these lawsuits and claims.

EPA Superfund Site Cleanup (North Hollywood Operable Unit)

See note 17, *Special Item – Environmental Litigation and Settlement.*

Clybourn Complex Hangar Floors

The hangar floors of eight hangars constructed between 1997 and 1999 located in the Clybourn Complex in the northwest corner of the Airport have experienced surface deterioration through blisters or "pop outs" caused by reactive aggregate. While this damage is superficial, not structural, it results in an unsightly appearance. The Authority, its insurer, the construction contractor of the hangars and other parties reached a settlement to claims filed by the Authority on this matter totaling $2,223,219; such accumulated receipts, less cumulative payments of $1,339,466, are included in accounts payable and accrued expenses. The method, priority and schedule for repairs to the hangar floors have been negotiated between the Authority and the hangar tenants and repairs were begun in August 2011 and were substantially completed during FY 2012. The balance of receipts of approximately $884,000 is being retained for future hangar floor repairs.

Fox Rent-A-Car, Inc. vs. Burbank-Glendale-Pasadena Airport Authority

Fox Rent-A-Car, Inc.'s (Fox) pending lawsuit against the Authority alleges the Authority breached a settlement agreement which resolved a prior writ petition filed by Fox. Fox's writ petition alleged the Authority had failed to comply with the California Public Records Act in responding to Fox's document request related to the Authority’s initial allocation of garage space in the new CRCF at the Airport.

Pursuant to the settlement agreement, the Authority agreed to conduct a reallocation evaluation of garage space provided to the rental car companies in the new CRCF. Fox was allocated some additional garage space by the Authority, but alleges in its lawsuit that the settlement agreement required it be provided with more space for its rental cars than what it received from the Authority. Fox seeks monetary damages as well as an order from the Court compelling the Authority to conduct another reallocation evaluation of garage space pursuant to the provisions of the settlement agreement. The Authority denies Fox’s allegations and trial is currently set for December 7, 2015. Fox is alleging an annual net loss of approximately $2.8 million with damages allegedly accruing since July 15, 2014.

(b) Contracted Services

The Authority has contracted with TBI Airport Management, Inc. (TBI) to perform certain airport administrative, maintenance, and operational services. Effective May 1, 2015 the agreement was amended to include aircraft rescue and firefighting services. The agreement expires June 30, 2018 with one ten-year option. Compensation under the agreement is based on a base management fee and reimbursement of operating costs, primarily salaries and benefits. A budget for TBI costs is prepared each year and is subject to review and approval as part of the Authority’s annual budget process. The management fee is adjusted annually based on increases or decreases to certain operating costs. Costs incurred under the contract for the years ended June 30, 2015 and 2014 total $11,376,590 and $10,638,707, as follows:

	2015	2014
Contracted airport services	$ 10,248,760	$ 9,978,456
Aircraft rescue and firefighting services	422,266	—
Capitalized to constructed capital assets	532,537	427,637
Sound insulation program	87,395	133,598
Other expenses	85,632	99,016
Total airport management contract costs	$ 11,376,590	$ 10,638,707

The Authority contracted with Pro-Tec Fire Services for aircraft rescue and firefighting services through April 30, 2015. The agreement expires October 31, 2013 with two one-year options. The Authority exercised the first of these two option years on September 16, 2013 and, on September 15, 2014, extended the agreement for an additional six months through April 2015. Costs under the contract for the ten months ended April 30, 2015 and the year ended June 30, 2014 are $1,838,649 and $2,093,333, respectively.

Effective February 10, 2012, The Authority contracted with Standard Parking for self-park management services, valet parking services and employee and customer busing service, with a base term through June 30, 2014 and two one-year option periods. The Authority exercised the first of these two option years on April 21, 2014 and the second option year on May 18, 2015. Compensation under the contract is based on a fixed management fee and reimbursement of operating costs. These costs are subject to review and approval as part of the Authority's annual budget process. Costs under the contract for the years ended June 30, 2015 and 2014 are $6,341,035 and $6,309,863, respectively.

(c) Construction Contracts

The Authority has contract commitments outstanding at June 30, 2015 for various construction contracts totaling $813,312, including $200,190 related to the airfield lighting project, $530,180 related to the runway shoulder rehabilitation project and $82,942 related to the emergency generator replacement project. Subsequent to June 30, 2015, the Authority entered into additional construction contracts totaling $1,876,933 related to the runway rehabilitation design, Hangar 2 ramp paving, phase 2, and the back-up generator system upgrade projects .

(d) Federal and Other Grants

As of June 30, 2015, the Authority had nonexpended, noncancelable grant commitments of $5,290,913 in federal funds of which $357,756 related to the Part 150 noise compatibility study update, $808,047 related to runway shoulder rehabilitation, $3,071,558 related to Taxiway B rehabilitation; $910,865 related to design for runway repavement, and $142,687 related to the ground access study project. The Authority also had nonexpended, noncancelable grant commitments of $315,671 in County of Los Angeles Measure R grant funds for ground access and I-5 construction mitigation project costs.

The Authority has been awarded various federal and other grants for noise mitigation, facility improvement and security equipment. Grants awarded, which are included in grant commitments above, and expenditures against those grants for the years ended June 30, 2015 and 2014, are as follows:

Award Date	Award Amount	Project description	Expenditures charged to grant 2015	Expenditures charged to grant 2014
February 2009	$ 7,000,000	Noise mitigation measures	$ 2,010,316	$ 1,269,988
July 2010	1,778,142	Ground access study	176,956	490,521
May 2011	1,486,675	RITC (including five grants transferred from the City of Burbank totaling $936,675)	—	1,164,247
Sept. 2011	805,900	Part 150 noise compatibility study	48,564	37,289
August 2012	1,289,440	Runway 33 safety areas	216,124	227,784
Sept. 2012	254,261	Fiberoptic ring/perimeter security	—	240,450
Sept. 2013	478,392	ARFF Truck acquisition	478,159	233
Sept. 2013	811,048	Runway shoulder rehabilitation	602,885	208,163
Sept. 2013	2,171	Bulletproof vest partnership	—	2,171
Sept. 2014	1,329,735	Runway shoulder rehabilitation	521,688	—
Sept. 2014	3,390,837	Taxiway B rehabilition	319,279	—
Aug. 2015	915,317	Runway repavement design	4,452	—
Various	37,444	Asset forfeiture funds	—	36,840
Total expenditures charged to federal grants			4,378,423	3,677,686
August 2012	289,700	CoLA – Transit-Oriented Dev.	36,145	179,230
May 2014	294,536	CoLA – Measure R ground access study local match	44,240	214,625
May 2014	371,669	CoLA – Measure R RITC local match	—	371,669
May 2014	229,331	CoLA – Measure R RITC Transit Center upgrades	—	227,495
Total expenditures charged to local grants			80,385	993,019
Total expenditures charged to grants			$ 4,458,808	$ 4,670,705

On August 11, 2015, the FAA awarded the Authority a grant in the total amount of $915,317 for design for Runway 8/26 and Runway 15/33 repaving. Eligible expenses incurred prior to the issuance of this grant are considered allowable expense.

Amounts received or receivable from granting agencies are subject to audit and adjustment by grantor agencies. While no matters of noncompliance were disclosed by the audit of the financial statements or single audit of the federal grant programs which resulted in disallowed costs, grantor agencies may subject grant programs to additional compliance tests, which may result in disallowed costs. In the opinion of management, the Authority has complied with provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts.

(15) Airport Development Agreement

The Authority and the City of Burbank have entered into a multiyear agreement (Development Agreement) clarifying permitted development and uses within the Airport Zone, as defined by the City of Burbank Municipal Code, on the Airport property for the term of the agreement and determining the uses and/or disposition of certain land during the term of the Development Agreement.

Under its original terms, the Development Agreement was to expire seven years after June 21, 2005, the date the Authority gave notice of its A-1 North Property fee title acquisition to the City of Burbank. Pursuant to the Development Agreement, the Authority agreed to not (i) build or announce plans for a new Passenger Terminal, (ii) expand square footage of the existing Passenger Terminal (with certain exceptions for security related improvements), (iii) expand the general aviation area beyond an area specified in the Development Agreement, or (iv) increase the number of gates at the Airport beyond 14. The Authority's agreement to not build or announce plans for a new Passenger Terminal was effective for ten years. Also pursuant to the Development Agreement, the Authority had a vested right to develop the Airport in accordance with the City of Burbank zoning, development and land use regulations in effect at the time the Development Agreement was executed, except as clarified in the Development Agreement. Such permitted uses included (i) aircraft fabrication, testing, and servicing, (ii) aircraft landing fields for aircraft and helicopters, and runways and control towers, (iii) air passenger facilities and accessory uses, including airport related vehicle parking, and (iv) personal wireless telecommunication service facilities. The Development Agreement also contained provisions for the continuation of an already existing "Noise Working Group" and an "Airport Land Use Working Group." The Development Agreement could (with the mutual approval of the signatories to the Agreement) be amended under certain circumstances, and the Development Agreement could be amended or terminated if the FAA or a court renders a decision that would make it impossible or impractical for the Authority to comply with the Development Agreement.

This Development Agreement was amended and approved by the Authority via Resolution No. 443 adopted on August 1, 2011, and approved by the City of Burbank via Ordinance No. 3819 adopted on September 13, 2011. The Development Agreement expired March 15, 2015.

(16) Regional Intermodal Transportation Center

On August 24, 2010, the City of Burbank approved entitlements and minor amendments to the Development Agreement to permit the Authority to proceed with the RITC project located in the southeast corner of the A-1 North Property. This project includes a transportation center linking the Airport with the Metrolink/Amtrak Bob Hope Airport train station immediately south of the Airport, local and regional bus service, and other mass transit transportation in the Authority's continuing efforts to promote alternative access to the Airport. The RITC also includes a CRCF which consolidates the rental car operations at the Airport, relocates the ready-return facility that was partially located in the Runway 33 runway safety area and eliminates over 700,000 annual trips on Empire Avenue of rental cars traveling between the ready return lot and the service center facilities previously used for the washing and fueling of the rental cars on the southwest quadrant of the Airport. The CRCF is funded in part from CFC fees established December 1, 2009, as amended, and rental car company facility rents, as required. An elevated covered moving sidewalk accommodates pedestrian travel between the RITC and the terminal, but is not physically connected to the terminal building. The Authority and the City of Burbank's Water and Power Department (BWP) entered into an agreement that will allow installation by BWP of solar power panels on the roof of the RITC to provide an alternate energy source for the community. A publicly accessible consolidated natural gas fueling facility to be developed and operated under a ground development lease is also planned to promote use of alternate fuel vehicles.

On May 25, 2011, the Authority opened bids from eight prequalified contractors for construction of the RITC. Those bids, ranging from $159 million to $187 million, significantly exceeded the $120 million construction budget for the RITC included in the Plan of Finance. On June 20, 2011, the Authority Commission rejected all of the bids and directed Authority Staff to look at redesigning and re-programming the RITC to reduce its cost to meet the construction budget while still achieving all of the goals and objectives of the Authority for this facility. On August 1, 2011, the Authority Commission approved redesign services and went back out to bid for the redesigned project on November 10, 2011 for the Replacement Parking Structure (RPS) and on January 13, 2012 for the balance of the project.

The Authority opened bids from seven prequalified contractors for the construction of the design-build RPS on January 10, 2012 with the low bid of $8,496,000, and opened bids from five prequalified contractors for the construction of the balance of the RITC project on March 22, 2012 with a low bid of $72,683,000. The Authority approved these construction contracts for the RITC on May 14, 2012 and issued notices to proceed on May 21, 2012.

On April 23, 2012, the Authority approved the revised Plan of Finance with an estimated cost of $112.6 million, as well as the form of non-exclusive on-airport rental car lease and concession agreement.

On May 10, 2012, the Authority issued $82,165,000 of 2012 Airport Revenue Bonds in order to finance the CRCF and the portion of the costs of the RPS attributable to the parking spaces displaced by the CRCF (see note 7).

Construction on the RITC project continued in FY 2013 and FY 2014, with completion in FY 2015. The replacement parking structure was completed and opened for business on August 1, 2013 and the CRCF and elevated walkway were substantially completed and opened to the public for business on July 15, 2014. The RITC project has been funded by a combination of 2012 Revenue Bonds, CFCs, PFCs, federal and local grants, reimbursement from the RACs for contract contingencies, and Authority investment from the Facility Development Fund. Cumulative expenditures on the RITC project through June 30, 2015 total $122,262,566, which consists of $78,162,736 for the CRCF, $7,270,208 for the Customer Service Building, $3,000,150 for the Transit Center, $22,275,457 for the Elevated Walkway and $11,554,015 for the replacement parking structure.

The agreements between the Authority and the RACs operating in the CRCF include reimbursement to the Authority for a portion of RITC costs for contract contingencies totaling $7,416,079, of which $790,899 was repaid in FY 2015 for a net outstanding amount of $6,625,180. The reimbursement is to be repaid over a 20-year period with interest (RAC loans). Debt service on the 2012 Bonds and the RAC loans are funded from CFCs and residual Facility Rents paid by the RACs. The amount of the residual Facility Rents paid by the RACs is contingent upon the collection of CFCs and not currently determinable. Therefore, the RAC loans are not reported on the accompanying financial statements.

In accordance with the Bond Indenture, beginning July 1, 2014, all CFCs collected are transferred to the 2012 Bonds Debt Service Fund held by the bond trustee. In FY 2015, $5,550,353 was collected and transferred to the bond trustee.

(17) Special Item – Environmental Litigation and Settlement

In January 2010, the Authority received a letter from the U.S. Environmental Protection Agency (EPA) indicating that the EPA intended to name the Authority as one of approximately 30 parties designated under the federal Superfund law (CERCLA) as "potentially responsible parties" (PRPs) for the second interim remedy at the North Hollywood Operable Unit (NHOU). The second interim remedy was estimated by EPA to cost approximately $108 million. This was a preliminary estimate that was made without benefit of a detailed engineering analysis of the exact components of the proposed remedy. Thus, the actual remediation costs could vary considerably from EPA's estimate. In July 2010, the Authority received a letter from the EPA formally designating the Authority as a "potentially responsible party" and requesting that the Authority, together with other named PRPs, form a group and submit a good faith settlement offer to EPA to undertake the work required for the second interim remedy. The July 2010 letter also contained a demand by EPA for payment of certain of its past costs incurred in the NHOU and a portion of the collective San Fernando Valley Superfund Sites that the EPA calculated to be approximately $13 million.

Separately, the Authority filed a lawsuit, *Burbank-Glendale-Pasadena Airport Authority v. Lockheed Martin Corporation*, No. CV 10-2392 MRP (ANx) in the United States District Court for the Central District of California (Indemnification Action). That lawsuit claimed that Lockheed Martin Corporation (Lockheed) owed the Authority a contractual duty to defend and indemnify against the EPA's current claims. The Authority based its claims principally upon a written indemnification provision in the 1978 Airport Purchase Agreement executed by it and by Lockheed. Lockheed answered the complaint, denying the material allegations thereof and asserting various affirmative defenses.

The Authority settled its lawsuit with Lockheed by written agreement on February 22, 2011. The written settlement agreement provided that the Authority pay to Lockheed the sum of $2,000,000 over two years, with the second installment due in January 2012. In exchange, Lockheed agreed to defend and indemnify the Authority for certain settled matters, including all response costs in connection with the second interim remedy for the North Hollywood Operable Unit asserted by EPA or by any other PRP against either or both Lockheed and the Authority.

No costs were incurred in FY 2015 and FY 2014 related to the environmental litigation and settlement. Cumulative total settlement costs are $2,000,000 and legal costs are $1,394,446.

Effective February 1, 2011, the Authority implemented a rate increase of $1 per day to all parking charges, the proceeds of which are to be used to fund the EPA and Lockheed legal and settlement costs. Incremental parking revenues, net of related City of Burbank parking tax, totaling $482,591 for the year ended June 30, 2014 (cumulative total net incremental parking revenues are $3,394,446 as of June 30, 2014) are not included in parking revenues but, rather, are included in the Special Item until the legal and settlement costs noted above are fully recovered (occurred December 7, 2013). No incremental parking revenues were realized in FY 2015. Such incremental parking revenues are net of the related 12% City of Burbank parking tax on such incremental parking revenues totaling $57,911 for the year ended June 30, 2014.