BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

Basic Financial Statements

June 30, 2016 and 2015

(With Independent Auditor's Report Thereon)

MGO Certified Public Accountants

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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, 2016 and 2015, 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, 2016 and 2015, 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.

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 5 to 27 be presented to supplement the basic financial statements. Such information, although

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2016 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 12, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

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Management of the Burbank-Glendale-Pasadena Airport Authority (Authority), which operates the Bob Hope Airport and now is branded as the “Hollywood Burbank 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, 2016 and 2015. 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, 2016 and 2015 by $470,373,990 and $462,042,369, respectively. Of this amount, $190,926,056 and $122,747,697, 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 $8,331,621 and $431,572 in the fiscal years ended June 30, 2016 and 2015, respectively.
- Under the terms of the Amended, Restated, Superseding and Combined Trust and Escrow Agreement, approximately 59 acres of undeveloped land (Trust Assets) was sold to Overton Moore Properties in April 2016 for $65,900,000 at a net gain on sale of $4,103,268.
- The Authority’s net capital assets decreased by $9,689,250 in fiscal year (FY) 2016, consisting of additions of $10,898,288, deletions of $1,715,228 (net of accumulated depreciation of $5,353,321), and depreciation expense of $18,872,310. 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. Included in deletions is $242,341 and $317,799 in FY 2016 and FY 2015, respectively, of construction-in-progress projects that the Authority determined would not move forward, which amount is included in gain (loss) on disposal of capital assets. Transfers from construction-in-progress to completed features totaled $9,079,034 and $113,419,324 in FY 2016 and FY 2015, respectively, of which $110,708,551 in FY 2015 relates to the Regional Intermodal Transportation Center (RITC) project. Due to strong safety measures taken during the construction of the RITC project, in FY 2016 the Insurance Underwriter returned $500,000 of excess owner-controlled insurance program (OCIP) reserves to the Authority, which was credited against the asset. In April 2016, approximately 66,000 square feet of undeveloped land known as the Kenwood Property was sold to Overton Moore Properties for $2,200,000 at a net gain on sale of $1,095,526.

- In April 2015, the Authority issued $32.3 million of 2015 Airport Revenue Bonds, which 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 (all of 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 2016 total passengers of 3,976,735 increased from FY 2015 by 1.9% and in FY 2015 total passengers of 3,902,455 increased from FY 2014 by 2.3%. 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. 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 2016 decreased by $221,369, or 0.5%, from FY 2015. Total operating revenues generated during FY 2015 increased by $2,869,972, or 6.2%, from FY 2014.
  - Total operating expenses incurred during FY 2016 increased by $309,215, or 0.5%, from FY 2015 (increase of $769,459, or 2.0%, excluding depreciation expense). 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).
  - The Airport was served during FY 2016 and FY 2015 by seven signatory carriers: Alaska Airlines, Delta Air Lines, JetBlue Airways, Seaport Airlines, Southwest Airlines, United Airlines and U.S. Airways. Seaport Airlines discontinued service in January 2016 and declared bankruptcy in February 5, 2016. The Authority established a reserve of $43,175 for outstanding bankruptcy receivables.

Schedule of Net Position

A summary of the Airport's net position as of June 30, 2016, 2015 and 2014 is shown below.

Schedule of Net Position

				FY 2015/16 increase (decrease)		FY 2014/15 increase (decrease)	
	2016	2015	2014	Amount	%	Amount	%
Assets:							
Current unrestricted assets	$ 30,397,449	$ 29,958,934	$ 31,297,211	$ 438,515	1.5%	$ (1,338,277)	(4.3)%
Restricted assets	56,908,877	109,049,614	113,729,716	(52,140,737)	(47.8)	(4,680,102)	(4.1)
Facility Development Reserve	167,334,136	101,395,103	101,395,103	65,939,033	65.0	—	0.0
Bond insurance premiums	—	—	191,127	—	n/a	(191,127)	(100.0)
Debt service reserve surety	38,615	44,137	—	(5,522)	(12.5)	44,137	n/a
Capital assets, net	346,025,062	355,714,312	363,113,761	(9,689,250)	(2.7)	(7,399,449)	(2.0)
Total assets	600,704,139	596,162,100	609,726,918	4,542,039	0.8	(13,564,818)	(2.2)
Liabilities:							
Current liabilities	9,702,456	11,419,338	12,884,755	(1,716,882)	(15.0)	(1,465,417)	(11.4)
Liabilities payable from restricted assets	7,211,502	4,389,934	6,381,341	2,821,568	64.3	(1,991,407)	(31.2)
Noncurrent liabilities	112,600,118	117,392,377	128,850,025	(4,792,259)	(4.1)	(11,457,648)	(8.9)
Total liabilities	129,514,076	133,201,649	148,116,121	(3,687,573)	(2.8)	(14,914,472)	(10.1)
Deferred inflows of resources – Deferred amount on refunding	816,073	918,082	—	(102,009)	(11.1)	918,082	n/a
Net position:							
Net investment in capital assets	234,200,550	241,786,162	245,399,825	(7,585,612)	(3.1)	(3,613,663)	(1.5)
Restricted, debt service	17,904,119	14,412,399	13,272,492	3,491,720	24.2	1,139,907	8.6
Restricted, capital projects	27,343,265	83,096,111	80,401,851	(55,752,846)	(67.1)	2,694,260	3.4
Unrestricted	190,926,056	122,747,697	122,536,629	68,178,359	55.5	211,068	0.2
Total net position	$ 470,373,990	$ 462,042,369	$ 461,610,797	$ 8,331,621	1.8	$ 431,572	0.1

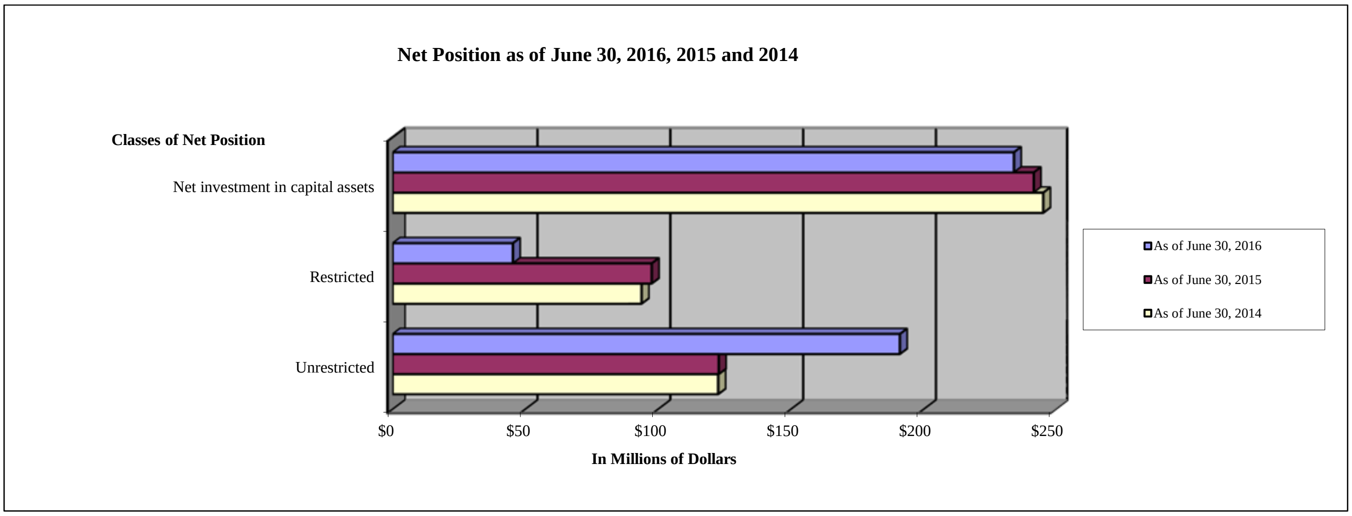
Net Position

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 $470,373,990, $462,042,369 and $461,610,797 at the close of FY 2016, FY 2015 and FY 2014, respectively.

The largest portion of the Authority's net position (49.8%, 52.3% and 53.2% at June 30, 2016, 2015 and 2014, 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 (9.6%, 21.1% and 20.3% at June 30, 2016, 2015 and 2014, respectively) represents resources that are subject to external restrictions on how they may be used. Of this restricted net position, 39.6%, 14.8% and 14.2% are for repayment of long-term debt and 60.4%, 85.2% and 85.8% are for construction of capital assets at June 30, 2016, 2015 and 2014, 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, 2016, 2015 and 2014, the Authority reported positive balances in all three categories of net position.

Current Unrestricted Assets

The Authority's current unrestricted assets increased by $438,515, or 1.5%, in FY 2016 primarily resulting from: (i) increased cash and investment requirements for the near-term FY 2017 capital program ($817,007); (ii) decreased grants receivable due to the timing of the FY 2016 grant activity (-$265,147); (iii) decreased accounts receivable primarily due to the FY 2015 receivable for utility expenses to RITC rent-a-car companies (-$264,516), an increase in July rents prepaid in FY 2016 (-$108,537) and common use passenger processing system maintenance costs charged back to airlines ($57,933); (iv) increased accrued interest receivable ($340,499) primarily due to the deposit to the operating cash and investments portfolio of the proceeds from the sale of the Trust Assets and an increase in the operating portfolio yield; (v) decrease in other receivables (-$82,666) primarily due to the decrease in amounts due from the Transportation Security Administration (TSA) for an upgrade to its baggage inspection systems; and (vi) other changes totaling a net decrease of $56,058.

The Authority's current unrestricted assets decreased by $1,338,277, or 4.3%, in FY 2015 primarily resulting from: (i) reduced cash and investment requirements with the completion of the RITC project (-$704,291); (ii) decreased grants receivable with the completion of the RITC project (-$1,082,307); (iii) 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); (iv) reduced other receivables due to a decrease in amounts due from the 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); and (v) other changes totaling a net decrease of $8,445.

Restricted Assets

The Authority's restricted assets decreased by $52,140,737 or 47.8% in FY 2016. The decrease in restricted assets consists of: (i) the sale of Trust Assets of $58,873,509 at a net gain of $4,103,268; (ii) a net increase in trustee-held cash and investments of $3,151,725 (including an increase in 2012 Bonds Debt Service Fund of $336,275 of the $500,000 of excess OCIP reserves returned, increase of the 2015 Bonds Debt Service Fund of $3,263,158 due to the increased debt service due July 1, 2016 on these bonds, offset by the $461,002 of arbitrage rebate on the 2005 Bonds paid to the IRS); (iii) increase of proceeds from the sale of the Kenwood Property ($2,104,502); (iv) a net increase of $887,331 of Passenger Facility Charge (PFC) funds ($7,903,007 of PFC revenues received, net interest received of $279,753, less $7,295,429 drawn for reimbursement of eligible project costs); (v) increase in the Operating Reserve Fund of $373,859 equal to 25% of the FY 2016 operations and maintenance budget; (vi) increase of $134,208 of PFC receivables due to the increased enplaned passengers, and (vii) other changes totaling a net increase of $81,147.

The Authority's restricted assets decreased by $4,680,102 or 4.1% in FY 2015. The decrease in restricted assets consists of: (i) 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); (ii) a net increase of $2,116,476 of 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); (iii) 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 (iv) other changes totaling a net increase of $64,983.

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 $373,859 and $128,622 based on corresponding increases in the budgets for FY 2016 and FY 2015, respectively. The Bond Surplus fund represents 25% of maximum annual debt service on the 2012 Bonds ($1,459,500) and the 2015 Bonds ($1,142,063), and are used for bond debt service coverage requirements.

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, 2016 and 2015 totaled $8,327,080 and $8,103,510, respectively, including interest and changes in fair value in the PFC Fund of $289,864 and $154,460, respectively. During the fiscal years ended June 30, 2016 and 2015, funds totaling $7,295,429 and $5,939,410, respectively, for eligible costs expended on

PFC projects were reimbursed to the Current Operating Fund from the PFC Fund. Of these amounts, (i) $7,065,840 and $0, respectively, were for the airfield lighting project; (ii) $0 and $3,860,773, respectively, were for the RITC project; (iii) $112,280 and $585,269, respectively, were for the high voltage switchgear replacement project; (iv) $0 and $645,866 were for the common use passenger processing system; (v) $84,675 and $460,706, respectively, were for sound insulation program expenses; and (vi) $32,634 and $386,796, respectively, were for other 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, 2016 and 2015 totaled $5,742,998 and $5,575,979, 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 2016 and FY 2015 of $5,761,140 and $5,550,353, respectively, 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.

Facility Development Reserve

Cash and investments – Facility Development Reserve 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. The fund increased by $65,939,033 and $0 in FY 2016 and FY 2015, respectively. The increase in FY 2016 consists of $63,152,393 of net proceeds from the sale of the Trust Assets and $2,786,640 transferred from the current operating fund.

Capital Assets

The Authority's net capital assets decreased $9,689,250, or 2.7% in FY 2016 and $7,399,449, or 2.0%, in FY 2015.

The net decrease in capital assets of $9,689,250 in FY 2016 includes additions of $10,898,288, deletions of $1,715,228 (net of accumulated depreciation of $5,353,321), and depreciation expense of $18,872,310. 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.

FY 2016 additions to capital assets of $10,898,288 include phase two of the runway shoulder and Taxiway B rehabilitation, terminal high voltage switchgear replacement, phase two of the airfield lighting, emergency backup generator, and runway rehabilitation projects. FY 2016 deletions includes retirement of capital assets of $8,911 (net of accumulated depreciation of $5,353,321), which includes the shuttle bus fleet, certain floor coverings and a security checkpoint lane in Terminal B. Also included in deletions is the sale of the Kenwood Property to Overton Moore Properties (sale price of $2,200,000 less cost basis of $963,976 and other costs of sale of $140,498 for a net gain on sale of $1,095,526), other deletions of $242,341 (consisting of $21,725 of construction-in-progress projects that the Authority determined would not move forward; $175,616 of costs associated with the sale of the Trust Assets and $45,000 of costs associated with the sale of the Kenwood Property) and $500,000 of excess OCIP reserves returned to the Authority which were originally included as costs of the RITC project.

FY 2015 additions to capital assets of $12,253,747 include $1,355,400 related to the RITC project. Other additions include the phase one of the airfield lighting, phase one of the runway shoulder and Taxiway B rehabilitation, terminal high voltage switchgear, Aircraft Rescue and Fire Fighting (ARFF) Truck, and Runway 33 safety projects. FY 2015 deletions includes retirement of capital assets of $2,843 (net of accumulated depreciation of $2,210,045), which includes the old airfield lighting and sign systems, 1991 ARFF truck, and old noise monitoring system. Also included in deletions is $317,799 of construction-in-progress projects that the Authority determined would not move forward. 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.

Current Liabilities

Current liabilities decreased $1,716,882, or 15.0%, in FY 2016. The decrease results from: (i) a decrease in vendor accruals for capital projects of $722,367, a decrease in vendor accruals for operating accounts of $1,501,531, an increase in vendor accruals for replacement terminal development of $723,985, a decrease in vendor accruals for the sound insulation program of $368,036, and a decrease in vendor accruals for other non-operating accounts of $48,754; (ii) an increase in salaries and benefits payable of $3,192; (iii) an increase in unearned revenue of $108,537; and (iv) an increase in customer deposits of $88,092. The decrease in vendor accruals related to capital projects includes a decrease of $30,590 related to the RITC project, a decrease of $1,284,769 related to the airfield lighting phase one project, a decrease of $221,589 related to the runway shoulder phase one project, an increase of $943,469 related to the emergency backup generator project and an increase of $67,969 related to other capital projects. The decrease in vendor accruals for operating accounts includes $1,072,081 related to the TBI Airport Management, Inc. contract, a decrease of $446,341 related to parking operations contract, an increase of $394,311 related to the courtesy shuttle contract and a decrease of $377,420 related to other operating accounts.

Current liabilities decreased $1,465,417, or 11.4%, in FY 2015. The decrease results from; (i) 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 Transportation Security Administration (TSA) baggage inspection project of $135,562, and a decrease in other vendor accruals of $121,679; (ii) an increase in salaries and benefits payable of $40,035; (iii) a decrease in unearned revenue of $67,209; and (iv) 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 phase one 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.

Liabilities Payable from Restricted Assets

Liabilities payable from restricted assets increased by $2,821,568, or 64.3%, in FY 2016 and decreased by $1,991,407, or 31.2%, in FY 2015. The increase in FY 2016 reflects: (i) an increase in the current portion of long-term debt of $35,000 of 2012 Bonds ($1,535,000 of 2012 Bonds due July 1, 2016 less $1,500,000 of 2012 Bonds paid July 1, 2015) and addition of $2,750,000 of 2015 Bonds due July 1, 2016; (ii) a net increase in accrued interest payable of $497,570 (decrease of interest payable related to the 2012 Bonds of $15,270 and increase of interest payable related to the 2015 Bonds of $512,840); and (iii) payment of the arbitrage rebate payable to IRS related to the 2005 Bonds of $461,002.

The decrease in FY 2015 reflects: (i) 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 $3,015,000 of 2005 Bonds paid July 1, 2014 and addition of current portion of 2012 Bonds of $1,500,000 due July 1, 2015); (ii) a 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 (iii) arbitrage rebate payable to the IRS related to the 2005 Bonds of $461,002.

Noncurrent Liabilities

Noncurrent liabilities decreased by $4,792,259, or 4.1%, in FY 2016 and decreased by $11,457,648, or 8.9%, in FY 2015. The decrease in FY 2016 includes reclassification of the current portion of 2012 Bonds of $1,535,000 and current portion of the 2015 Bonds of $2,750,000, and amortization of original issue premium on the 2012 Bonds of $6,233 and on the 2015 Bonds of $501,026.

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 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.

Deferred Inflows of Resources

Deferred inflows of resources consists of the net deferred amount on refunding of the 2005 Bonds of $816,073 and $918,082 at June 30, 2016 and 2015, respectively. 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 2016 and FY 2015 totaled $102,009 and $17,285, respectively.

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, 2016, 2015 and 2014.

Schedule of Revenues, Expenses, and Changes in Net Position

				FY 2015/16 increase (decrease)		FY 2014/15 increase (decrease)	
	FY 2016	FY 2015	FY 2014	Amount	%	Amount	%
Operating revenues	$ 48,893,333	$ 49,114,702	$ 46,244,730	$ (221,369)	(0.5)%	$ 2,869,972	6.2%
Operating expenses	57,891,071	57,581,856	50,947,060	309,215	0.5	6,634,796	13.0
Operating loss	(8,997,738)	(8,467,154)	(4,702,330)	(530,584)	6.3	(3,764,824)	80.1
Nonoperating revenues, net	13,099,068	6,756,139	6,333,187	6,342,929	93.9	422,952	6.7
Income before contributions and special item	4,101,330	(1,711,015)	1,630,857	5,812,345	(339.7)	(3,341,872)	(204.9)
Capital contributions	4,230,291	2,142,587	2,442,212	2,087,704	97.4	(299,625)	(12.3)
Special items	—	—	482,591	—	n/a	(482,591)	(100.0)
Changes in net position	8,331,621	431,572	4,555,660	7,900,049	1,830.5	(4,124,088)	(90.5)
Total net position – beginning of year	462,042,369	461,610,797	457,055,137	431,572	0.1	4,555,660	1.0
Total net position – end of year	$ 470,373,990	$ 462,042,369	$ 461,610,797	$ 8,331,621	1.8	$ 431,572	0.1

Commercial aircraft operations (takeoffs and landings) and landing weight reflect increases during FY 2016 of 7.30% and 5.4%, respectively. Cargo tonnage, transported primarily by Federal Express and United Parcel Service, decreased 3.6% in FY 2016. 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 4.0% in FY 2015.

Total passenger levels increased by 1.9% and 2.3% in FY 2016 and FY 2015, respectively.

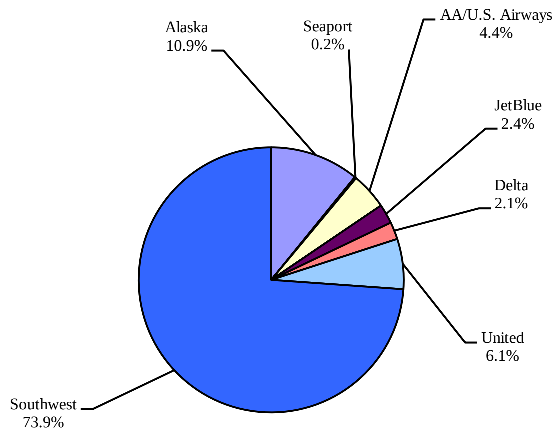
Illustrated below are comparative traffic activities for FY 2016, FY 2015 and FY 2014:

Comparative Traffic Activities

				% increase (decrease)	
Description	FY 2016	FY 2015	FY 2014	FY 2015/16	FY 2014/15
Commercial carrier flight operations (takeoffs and landings)	49,011	45,667	47,070	7.3%	(3.0)%
Landing weight (in pounds)	2,897,937,594	2,750,671,432	2,825,497,266	5.4	(2.6)
Total enplaned and deplaned passengers	3,976,735	3,902,455	3,816,578	1.9	2.3
Cargo tonnage (in tons)	54,060	56,104	53,967	(3.6)	4.0

Illustrated below is the passenger traffic share by airline for fiscal years ended June 30, 2016 and 2015:

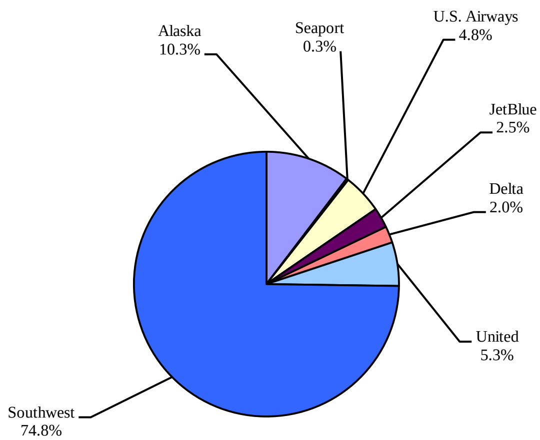
Total Passengers by Air Carrier – *FY 2016*



Air Carrier	***Number of Passengers***
Alaska Airlines	432,189
Delta Air Lines	83,804
JetBlue Airways	94,301
Seaport Airlines	7,832
Southwest Airlines	2,937,621
United Airlines	243,646
Americal Airlines/ U.S. Airways	177,342
Total Passengers	3,976,735

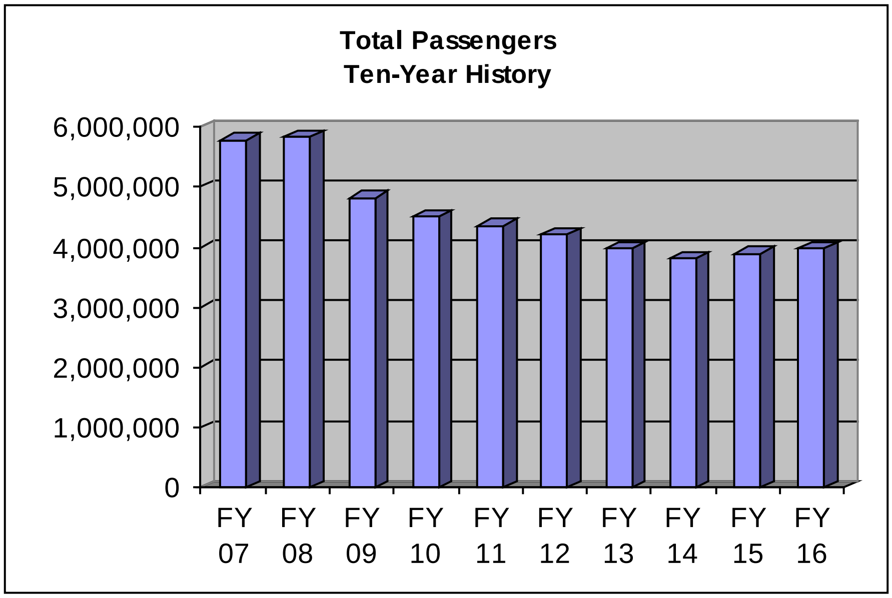
Note: Seaport Airlines discontinued service in January 2016 and declared bankruptcy in February 2016.

Total Passengers by Air Carrier – *FY 2015*



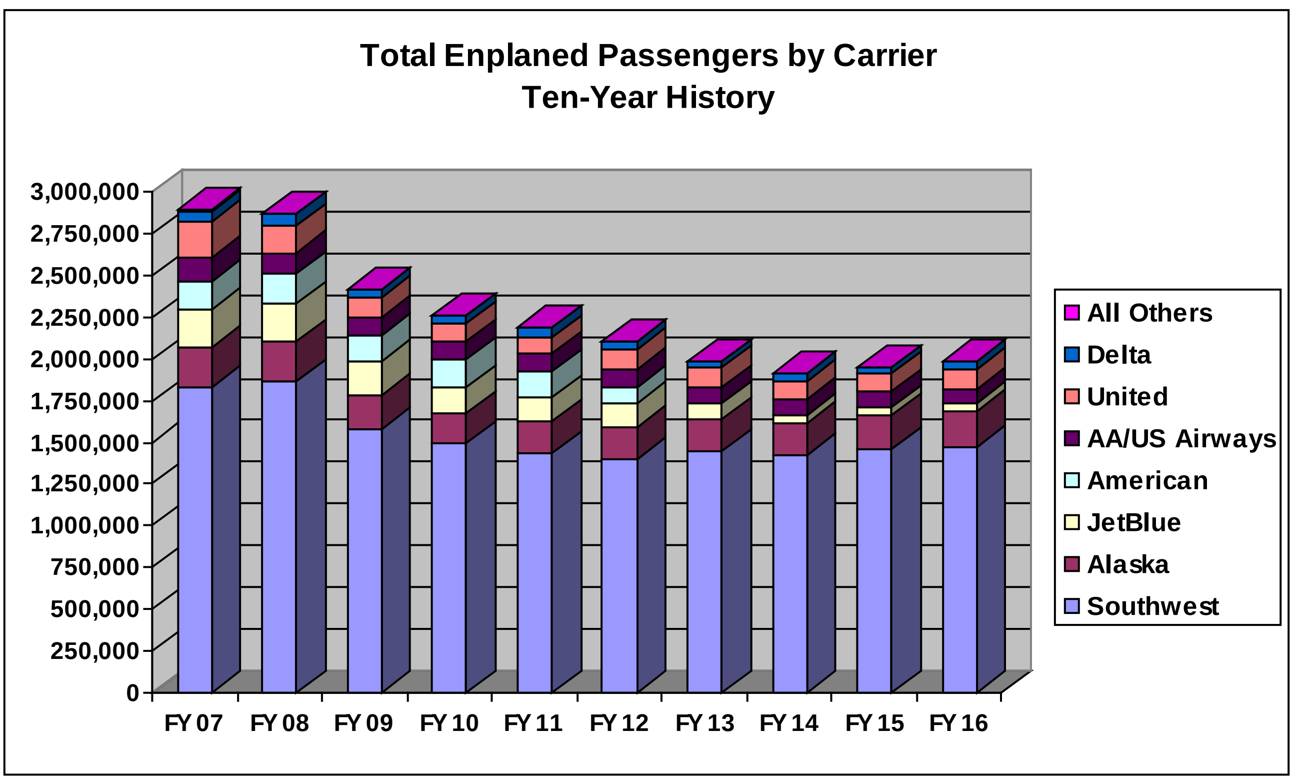
Air Carrier	***Number of Passengers***
Alaska Airlines	403,305
Delta Air Lines	78,630
JetBlue Airways	96,242
Seaport Airlines	9,720
Southwest Airlines	2,918,069
United Airlines	207,901
U.S. Airways	188,588
Total Passengers	3,902,455

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

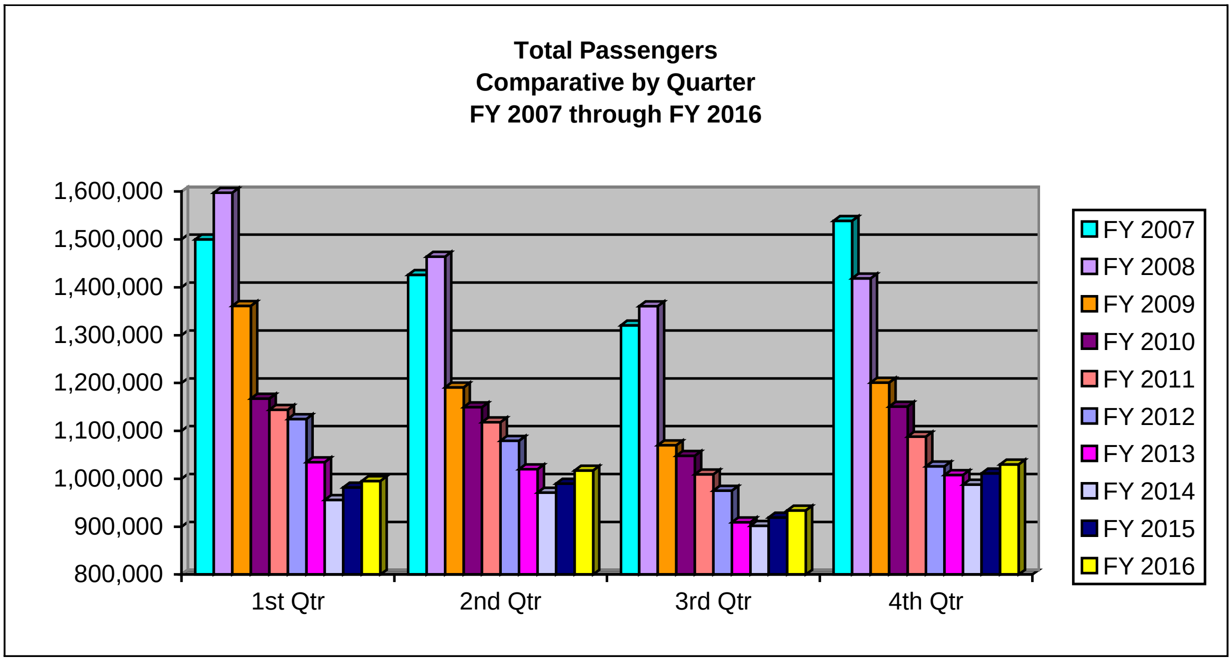


Total Passengers	
FY 2016	3,976,735
FY 2015	3,902,455
FY 2014	3,816,578
FY 2013	3,971,804
FY 2012	4,206,023
FY 2011	4,359,928
FY 2010	4,515,713
FY 2009	4,823,781
FY 2008	5,841,021
FY 2007	5,785,843

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



Illustrated below is a comparison, by quarter, of passenger activity for FY 2007 through FY 2016.



	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total Passengers
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
FY 2016	995,602	1,017,315	933,794	1,030,024	3,976,735

Operating Revenues

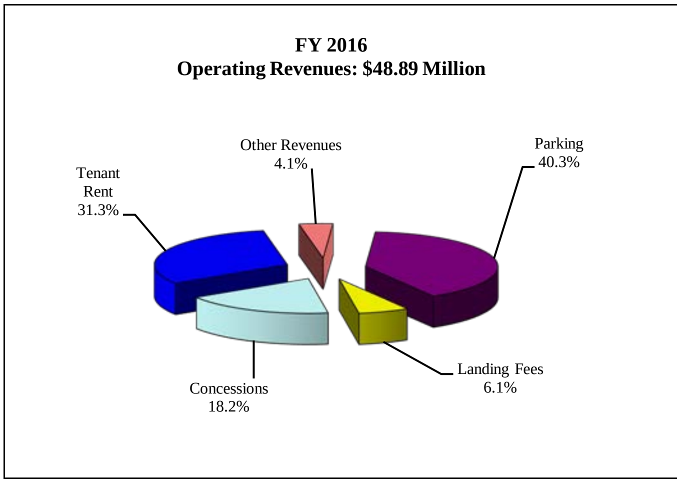
The Airport derives its operating revenues from the operation of parking facilities, tenant rent, concessionaire-assessed rents and fees, aircraft landing fees, and other assessments including ground transportation access fees and fuel flowage fees.

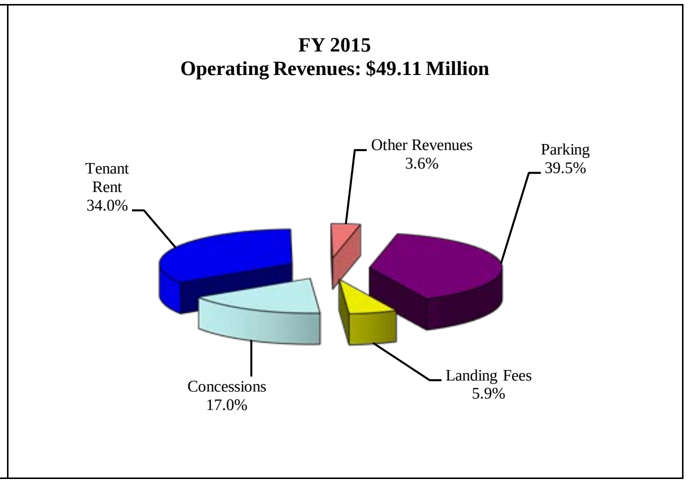
The following table illustrates a comparative summary of operating revenues in FY 2016, FY 2015 and FY 2014:

Comparative Summary of Operating Revenues

	FY 2016	FY 2015	FY 2014	FY 2015/16 increase (decrease) Amount	%	FY 2014/15 increase (decrease) Amount	%
Parking	$ 19,700,020	$ 19,427,097	$ 18,832,517	$ 272,923	1.4%	$ 594,580	3.2%
Landing fees	3,006,791	2,884,238	2,927,426	122,553	4.2	(43,188)	(1.5)
Concessions	8,900,221	8,361,519	8,317,353	538,702	6.4	44,166	0.5
Tenant rent	15,285,266	16,684,706	14,477,727	(1,399,440)	(8.4)	2,206,979	15.2
Other operating revenues	2,001,035	1,757,142	1,689,707	243,893	13.9	67,435	4.0
Total operating revenues	$ 48,893,333	$ 49,114,702	$ 46,244,730	$ (221,369)	(0.5)	$ 2,869,972	6.2

The charts below illustrate the distribution of major sources of operating revenues in FY 2016 and FY 2015:





Total operating revenue decreased by $221,369, or 0.5%, during FY 2016. Increased passenger levels have favorably impacted parking revenue, landing fees and concessions. (1) Parking revenues increased by $272,923, or 1.4%, primarily due to an increase of $256,803 for certain parking areas leased to local car dealers. Despite increased passenger traffic, public parking was impacted by the increased use of Transportation Network Companies (TNCs) such as Uber and Lyft. (2) Landing fees increased $122,553, or 4.2%, primarily due to increased commercial carrier operations and charter activity. (3) Concession revenues increased by $538,702, or 6.4%, primarily due to increased rent-a-car demand ($234,457) and improved gift/news performance due to a new concessionaire which commenced operations in May 2015 ($189,118). Changes to components of concession fees include rent-a-cars (4.6% increase), food/beverage (4.1% increase), gift/news (23.7% increase), and advertising (6.6% increase). (4) Tenant rent decreased $1,399,440, or 8.4%, primarily due to (i) termination of leases on the Trust Property (-$661,441); (ii) a decrease in RITC facility rent (-$981,965) required from the rental car companies due to the increase in CFC revenues received; and offset by (iii) the first year of RITC ground rent ($247,764). 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. (5) Other operating revenues increased $243,893, or 13.9%, primarily due to (i) a 6.7% increase in fuel flowage fees for general aviation (GA) aircraft of $35,103 and (ii) a 17.0% increase in other operating revenue of $208,790, which includes a $125,000 settlement with one of the former Trust Property tenants.

Total operating revenue increased by $2,869,972, or 6.2%, during FY 2015. Increased passenger levels have favorably impacted parking revenue, landing fees and concessions. (1) 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. (2) Landing fees decreased $43,188, or 1.5%, primarily due to a decrease in commercial carrier operations. (3) 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). (4) 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. (5) 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.

Operating Expenses

The following illustrates a comparative summary of operating expenses in FY 2016, FY 2015 and FY 2014:

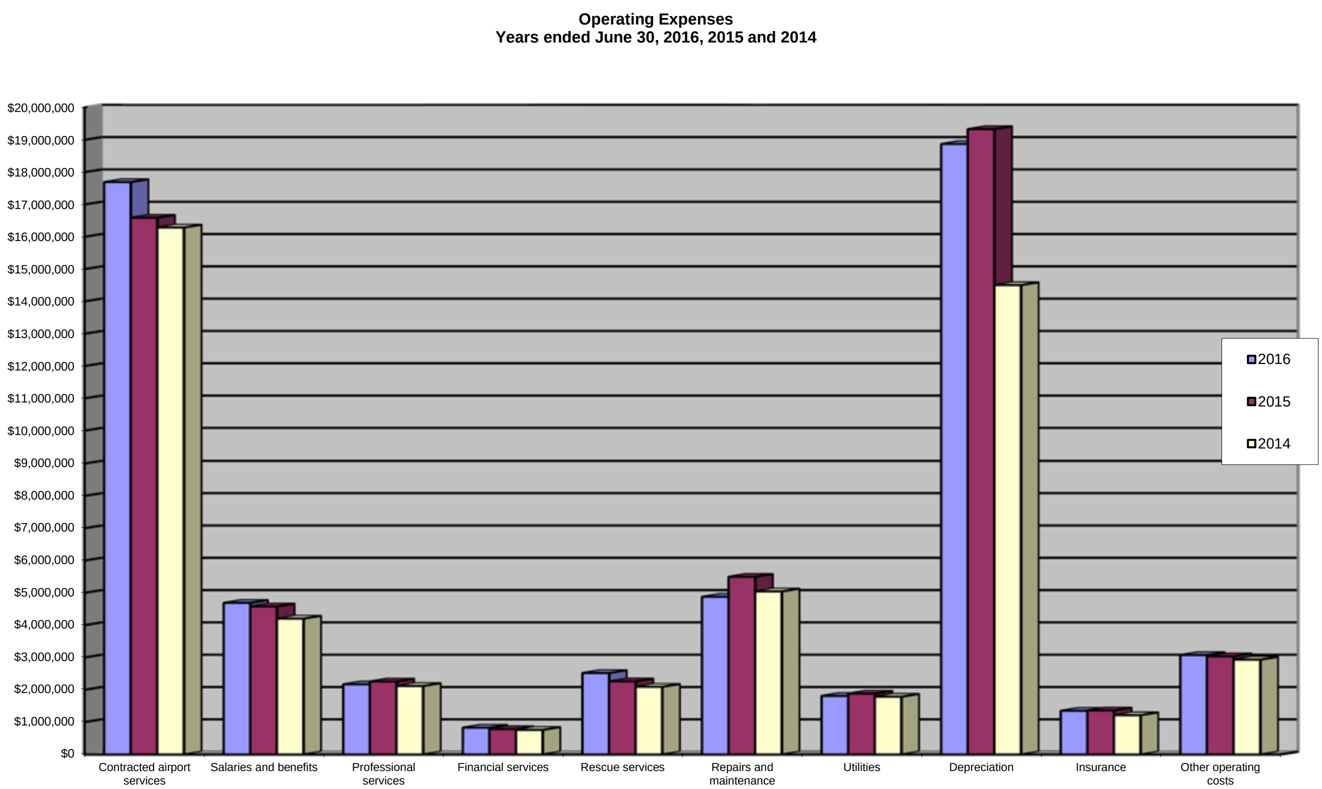
Operating Expenses Summary

	FY 2016	FY 2015	FY 2014	FY 2015/16 increase (decrease) Amount	FY 2015/16 increase (decrease) %	FY 2014/15 increase (decrease) Amount	FY 2014/15 increase (decrease) %
Contracted airport services	$ 17,693,627	$ 16,589,795	$ 16,288,319	$ 1,103,832	6.7%	$ 301,476	1.9%
Salaries and benefits	4,689,853	4,580,083	4,203,080	109,770	2.4	377,003	9.0
Financial services	829,140	783,560	759,460	45,580	5.8	24,100	3.2
Rescue services	2,519,902	2,260,915	2,093,333	258,987	11.5	167,582	8.0
Repairs and maintenance, materials and supplies	4,878,577	5,498,912	5,045,622	(620,335)	(11.3)	453,290	9.0
Utilities	1,810,775	1,881,327	1,785,299	(70,552)	(3.8)	96,028	5.4
Professional services	2,169,426	2,257,763	2,117,862	(88,337)	(3.9)	139,901	6.6
Insurance	1,350,639	1,360,485	1,215,492	(9,846)	(0.7)	144,993	11.9
Other operating expenses	3,076,822	3,036,462	2,933,821	40,360	1.3	102,641	3.5
Operating expenses before depreciation	39,018,761	38,249,302	36,442,288	769,459	2.0	1,807,014	5.0
Depreciation	18,872,310	19,332,554	14,504,772	(460,244)	(2.4)	4,827,782	33.3
Total operating expenses	$ 57,891,071	$ 57,581,856	$ 50,947,060	$ 309,215	0.5	$ 6,634,796	13.0

Total operating expenses increased by $309,215, or 0.5%, in FY 2016 due to a combination of factors, as follows: (1) increased contracted airport services (increase of $1,103,832) consists of increased contracted shuttle operations costs of $517,275, decreased self-park and valet parking operations costs of $17,433 and increased Airport Manager costs of $603,990; (i) the Authority's shuttle fleet had reached the end of its useful life and, effective November 1, 2016, the Authority contracted for a turnkey passenger and employee shuttle operation with MV Transportation which owns, operates and maintains an alternative fuel shuttle fleet for the Airport. The increased cost of the shuttle operation of $517,275 was substantially offset by fuel savings of $254,669, shuttle repair and maintenance savings of $161,129 and insurance savings of $29,880; (ii) the increased Airport Manager costs of $603,990 is primarily due to new positions and filling of open positions, reduction of costs charged to the sound insulation and capital programs, reduction of overtime, and increased personnel/benefits costs; (2) increased salaries and benefits for airport police officers (increase of $109,770) in accordance with the revised agreement with the Burbank-Glendale-Pasadena Airport Police Officers Union; (3) increased rescue services (increase of $258,987) in accordance with the Burbank Airport Professional Firefighters IAFF Local I-61 Union; (4) decrease in repairs and maintenance costs (decrease of $620,335) primarily due to the fuel and shuttle bus repair and maintenance savings discussed above (total decrease of $415,798), and information and technology costs for certain network and security system repairs which occurred in FY 2015; (5) decreased utilities costs (decrease of $70,552) as the Authority continues to implement water conservation measures and efficiency programs; (6) decreased professional service costs (decrease of $88,337) primarily due to decrease in legal expense with the settlement of the Fox Rent-A-Car matter; and (7) decreased depreciation expense (decrease of $460,244) because the impact of assets fully depreciated in FY 2016 and FY 2015 (decrease of $809,899) exceeded the impact of capital asset additions in FY 2016 and FY 2015 (increase of $349,655).

(Continued)

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 the impact of capital asset additions in FY 2015 and FY 2014 (increase of $5,658,808) exceeded the impact of capital assets fully depreciated in FY 2015 and FY 2014 (decrease of $831,025), primarily due to completion of the RITC project in July 2014.



Nonoperating Revenues and Expenses

The following summary illustrates a comparison of nonoperating revenues and expenses in FY 2016, FY 2015 and FY 2014.

Comparative Summary of Nonoperating Revenues and Expenses

				FY 2015/16 increase (decrease)		FY 2014/15 increase (decrease)	
	FY 2016	**FY 2015**	**FY 2014**	**Amount**	**%**	**Amount**	**%**
Nonoperating revenues:							
PFC revenues	$ 8,327,080	$ 8,103,510	$ 7,839,780	$ 223,570	2.8%	$ 263,730	3.4%
CFC revenues	5,742,998	5,575,979	4,904,964	167,019	3.0	671,015	13.7
Investment income	2,529,456	1,984,415	1,351,011	545,041	27.5	633,404	46.9
FAA and other grants	85,255	2,316,221	2,191,653	(2,230,966)	(96.3)	124,568	5.7
Gain on sale of Trust Assets	4,103,268	—	—	4,103,268	n/a	—	n/a
Gain (loss) on disposal of capital assets	1,081,445	(317,557)	(1,165,155)	1,399,002	(440.6)	847,598	(72.7)
	21,869,502	17,662,568	15,122,253	4,206,934	23.8	2,540,315	16.8
Nonoperating expenses:							
Interest expense	5,213,240	6,068,552	3,830,439	(855,312)	(14.1)	2,238,113	58.4
Bond issuance costs	—	441,981	—	(441,981)	(100.0)	441,981	n/a
Sound insulation program	12,759	2,527,131	1,678,536	(2,514,372)	(99.5)	848,595	50.6
Replacement terminal development	3,457,449	1,544,312	2,348,269	1,913,137	123.9	(803,957)	(34.2)
Other	86,986	324,453	931,822	(237,467)	(73.2)	(607,369)	(65.2)
	8,770,434	10,906,429	8,789,066	(2,135,995)	(19.6)	2,117,363	24.1
Total nonoperating revenues (expenses), net	$ 13,099,068	$ 6,756,139	$ 6,333,187	$ 6,342,929	93.9	$ 422,952	6.7

Nonoperating revenues of $21,869,502 and $17,662,568 in FY 2016 and FY 2015 respectively, consist of PFC revenues; CFC revenues; net investment income; FAA sound insulation and other non-capital grants (capital grant revenues are included in capital contributions); gain on sale of Trust Assets and gain (loss) on disposal of capital assets. (1) PFC revenue increased in FY 2016 and FY 2015 primarily due to the increase in passenger traffic and increase in investment income on the PFC Fund resulting from increases in interest rates. (2) CFC revenue (for funding of 2012 Bonds debt service) increased in FY 2016 and FY 2015 due to an increase in number of customer transaction/days. (3) Investment income increased $545,041 in FY 2016 because of (i) increase in available cash for investments from net proceeds of the sale of the Trust Assets and Kenwood Property in April 2016 ($65.25 million) and $4.1 million of other cash activities, (ii) increase in average yield of 0.54% (75% increase), (iii) decrease in interest on the rent-a-car loans of $10,221 due to principal payments, (iv) increase in fair value of investments of $563,231, and (v) decrease in interest income on Trustee-held investments primarily due to the termination of the forward delivery investment contract for the 2005 Bonds in FY 2015. 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. (4) FAA sound insulation grant revenues decreased $2,010,315 in FY 2016 and increased $740,327 in FY 2015 because of related changes in sound insulation program costs as the program is reaching maturity. (5) Other noncapital grant revenues (primarily for ground access study-related grants and Part 150 noise compatibility grant) decreased $220,651 in FY 2016 and decreased $615,759 in FY 2015 because of the related changes in these programs, which are expected to be finalized in FY 2016. (6) The gain on sale of Trust Assets to Overton Moore Properties in April 2016 consists of the sales price of $65,900,000 less closing costs paid through escrow of $2,747,607, carrying amount of the Trust Assets of $58,873,509, and other closing costs of $175,616 for a net gain of $4,103,268. (7) The gain on retirement of capital assets in FY 2016 consists of gain on sale of the Kenwood Property to Overton Moore Properties of $1,095,526, gain on sale of certain equipment of $7,644 and retirement of certain construction in progress projects that the Authority determined would not move forward of $21,725. The loss on disposal of capital assets in FY 2015 consists of gain on sale of certain equipment of $242 and retirement of certain construction in progress projects that the Authority determined would not move forward of $317,799.

Nonoperating expenses of $8,770,434 and $10,906,429 in FY 2016 and FY 2015, respectively, include: (1) $12,759 and $2,527,131, respectively, associated with the Airport's residential and school sound insulation program. These costs decreased in FY 2016 by $2,514,372, or 99.5%, and increased in FY 2015 by $848,595, or 50.6%, because the program is reaching maturity. No residences were acoustically treated in FY 2016 and 59 residences were acoustically treated in FY 2015. 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. (2) Interest expense of $5,213,240 and $6,068,552, net of capitalized interest of $36,018 and $191,328 in FY 2016 and FY 2015, respectively. Interest expense in FY 2016 consists of: (i) interest expense and amortization of original issue premium on the 2012 Bonds of $4,301,555 and -$6,233, respectively; (ii) interest expense, amortization of original issue premium, and amortization of Debt Service Reserve Surety on the 2015 bonds of $1,551,450, -$501,026 and $5,521, respectively; (iii) amortization of deferred amount on refunding of the 2005 Bonds of -$102,009; and (iv) capitalized interest of $36,018. Interest expense in FY 2015 consists of: (i) interest expense, amortization of original issue premium, and amortization of bond insurance costs of the 2005 Bonds of $1,880,312, -$124,360 and $16,428, respectively; (ii) interest expense and amortization of original issue premium on the 2012 Bonds of $4,332,095 and -$6,233, respectively; (iii) interest expense, amortization of original issue premium, and amortization of Debt Service Reserve Surety on the 2015 Bonds of $262,884, -$84,896 and $936, respectively; (iv) amortization of deferred amount on refunding of the 2005 Bonds of $17,285; and (v) capitalized interest of -$191,328. The decrease in FY 2016 of $1,772,380 of the interest expense amounts for the 2005 Bonds is due to the defeasance of the 2005 Bonds in April 2015. The decrease in FY 2016 of $30,540 of the interest expense amounts for the 2012 Bonds is due to the principal payment on July 1, 2015 of $1,500,000. The increase in FY 2016 of $877,022 of the interest expense amounts for the 2015 Bonds is due to the issuance of the 2015 Bonds in April 2015. The increase in FY 2016 in amortization of deferred amount on refunding of the 2005 Bonds is due to the defeasance of the 2005 Bonds in April 2015. The decrease in FY 2016 of $155,310 of capitalized interest is due to a reduction in qualified projects. 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

(Continued)

FY 2015 in the interest expense and amortization of original issue premium related to the 2012 Bonds. The 2015 Bonds were issued April 30, 2015. The decrease in capitalized interest in FY 2015 is due to the completion of the RITC project in July 2014. (3) The 2015 Bonds were issued in April 2015 to defease the outstanding 2005 Bonds. Issuance costs for the 2015 Bonds of $441,981 were incurred and expensed. (4) The replacement terminal development program (see note 16 to the basic financial statements) 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 increase in costs for this project in FY 2016 of $1,913,137 is due to the completion of the environmental impact report process, development review agreement with the City for the project and establishment of the Measure B vote for a replacement terminal on the November 8, 2016 ballot. 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. (5) Other non-operating expenses include (i) ground access study and transit-oriented development study costs of $40,524 (completion of the program) and $257,342 in FY 2016 and FY 2015, respectively; (ii) Part 150 Noise Compatibility Study Update costs of $27,958 and $59,919 in FY 2016 and FY 2015, respectively; (iii) the HARP fund raising project revenues (completion of the program) of $1,966 and $5,413 and expenses of $791 and $12,605 in FY 2016 and FY 2015, respectively; and (iv) I-5 construction mitigation programs (funded by Los Angeles County Measure R grants) of $19,679 and $0 in FY 2016 and FY 2015, respectively.

Capital Contributions

Capital contributions amounting to $4,230,291 and $2,142,587 were recorded during FY 2016 and FY 2015, respectively. In FY 2016 these amounts represent FAA airport improvement grants for runway shoulder rehabilitation ($645,377), Taxiway B rehabilitation ($2,696,555), and runway rehabilitation design ($888,359). In FY 2015 these amounts represent FAA airport improvement grants for Runway 33 safety improvements ($216,125), runway shoulder rehabilitation ($1,124,573), acquisition of an ARFF vehicle ($478,158), Taxiway B rehabilitation ($319,279) and runway rehabilitation design ($4,452).

Capital Assets

Additions to capital assets in FY 2016 and FY 2015 totaled $10.9 million and $12.2 million, respectively.

Significant capital asset additions in FY 2016 include:

- Runway shoulder phase 2
- Taxiway B phase 2
- Terminal high voltage switchgear
- Additions to construction in progress for the airfield lighting system phase 2, emergency backup generator and runway rehabilitation projects.

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 switchgear systems.

		2016		2015		2014
Capital assets:						
Land	$	157,794,496	$	158,758,472	$	158,758,472
Other non-depreciable capital assets		1,128,515		1,128,515		589,966
Buildings and improvements		249,295,529		248,962,701		138,031,978
Runways and improvements		99,895,509		93,536,670		93,466,437
Machinery and equipment		35,095,833		38,570,698		38,903,767
Construction in progress		11,232,442		9,655,529		111,138,905
Less accumulated depreciation		(208,417,262)		(194,898,273)		(177,775,764)
Total capital assets, net	$	346,025,062	$	355,714,312	$	363,113,761

The Authority has contract commitments outstanding at June 30, 2016 for various construction contracts totaling $614,826, including $405,414 related to the emergency generator replacement project, $118,705 related to the blast fence project, $45,839 related to the runway rehabilitation design project, and $44,868 related to the airfield lighting project. Subsequent to June 30, 2016, the Authority entered into additional construction contracts totaling $11,804,667 related to the Runway 8/26 engineered material arresting system (EMAS) and Runway 8/26 rehabilitation 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 Hollywood Burbank 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.

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, 2016 and 2015 is $80,665,000 and $82,165,000, respectively, plus unamortized original issue premium of $162,069 and $168,302, respectively, for a net total amount outstanding of $80,827,069 and $82,333,302, respectively. The current portion of 2012 Bonds at June 30, 2016 and 2015 is $1,535,000 and $1,500,000, respectively, which was paid July 1, 2016 and 2015, respectively.

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, 2016 and 2015 is $32,260,000 and $32,260,000, respectively, plus unamortized original issue premium of $3,798,049 and $4,299,075, respectively, for a net total amount outstanding of $36,058,049 and $36,559,075, respectively. The current portion of 2015 bonds at June 30, 2016 and 2015 is $2,750,000 and $0, respectively, which was paid July 1, 2016 and 2015, respectively.

The underlying ratings of the 2012 Bonds and 2015 Bonds were reviewed in June 2016 by Standard and Poor's which reaffirmed its rating of A+ upgraded its outlook to stable primarily due to increased passenger demand. Fitch Ratings reviewed its rating of the 2012 Bonds and 2015 Bonds in July 2016 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. Moody's has not prepared its review in 2016.

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

Residential Acoustical Treatment Program

As the Authority's residential sound insulation program reaches maturity, during FY 2015 the Airport acoustically treated approximately 59 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.

Trust Assets

59.2 acres of the B-6 Property (Trust Assets) was 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 $65.9 million. The sale closed in April 2016 for a gain on sale of $4.1 million.

Additional information regarding the B-6 Trust Property can be found in note 5 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 and $286,640 in FY 2016 for a net outstanding amount of $6,338,540. 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 2016 and FY 2015, $5,761,140 and $5,550,353, respectively, was collected and transferred to the bond trustee.

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

Airport Development Agreement/Replacement Passenger Terminal

The Authority and the City of Burbank (City) approved a March 15, 2005 "Development Agreement" that set 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.

On August 1, 2016, the City of Burbank approved a new Development Agreement along with various other legal documents associated with entitlement of the Replacement Passenger Terminal (RPT) project. The current passenger terminal does not meet FAA safety standards for distance from runways and portions of the terminal do not meet current earthquake design standards. On November 8, 2016, voters in the City of Burbank passed Measure B allowing for the development of a RPT at the Hollywood Burbank Airport.

The preliminary planning for the RPT includes an environmental impact report (EIR) analysis including the California Environmental Quality Analysis (CEQA) of the project at the primary and alternative sites. Through June 2016, the Authority has expended approximately $8.7 million on such preliminary planning.

With the passage of Measure B, the first step the Authority is undertaking begins with revising the current Airport Layout Plan (ALP) as required by the Federal Aviation Administration (FAA). Upon receipt of a conditional approval of the revised ALP, Airport staff will, in conjunction with the FAA, begin an Environmental Impact Study under the National Environmental Policy Act (NEPA). However, during the seven month period that the ALP is being revised, staff will begin to undertake financial analyses of various potential financing options for the RPT as well as continuing community outreach and working together with the airlines that serve the Airport.

Additional information regarding the Airport Development Agreement/Replacement Passenger Terminal can be found in note 16 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, 2016 and 2015

Assets	2016	2015
Current unrestricted assets:		
Cash and investments – current operating fund (note 3)	$ 27,820,808	$ 27,003,801
Grants receivable	437,709	702,856
Accounts receivable, net of allowance of $57,545 and $14,370 in 2016 and 2015, respectively	1,104,317	1,430,677
Accrued interest receivable	805,068	464,569
Other receivables (note 4)	10,109	92,775
Prepaid expenses	219,438	264,256
Total current unrestricted assets	30,397,449	29,958,934
Current restricted assets:		
Cash and investments (note 3):		
Cash and investments with trustee	14,091,847	10,940,122
Other restricted cash and investments:		
Operating Reserve Fund	9,971,860	9,598,001
Bond Surplus Fund	2,601,563	2,601,563
Authority Areas Reserve	2,896,927	2,812,999
Asset Forfeiture Fund	16,069	13,415
Proceeds from sale of Airport property	2,104,502	—
Passenger Facility Charge Fund	21,905,765	21,018,434
Customer Facility Charge Fund	1,934,215	1,934,215
Total other restricted cash and investments	41,430,901	37,978,627
Total restricted cash and investments	55,522,748	48,918,749
Passenger Facility Charge receivables	830,080	695,872
Customer Facility Charge receivables	466,172	484,314
Accrued interest receivable	89,877	77,170
Total current restricted assets	56,908,877	50,176,105
Noncurrent restricted assets – Trust Assets (note 5)	—	58,873,509
Total restricted assets	56,908,877	109,049,614
2015 Bonds debt service reserve surety, net (note 7)	38,615	44,137
Cash and investments – Facility Development Reserve (note 3)	167,334,136	101,395,103
Capital assets (notes 6 and 10):		
Land	157,794,496	158,758,472
Other nondepreciable capital assets	1,128,515	1,128,515
Construction in progress	11,232,442	9,655,529
Buildings and improvements	249,295,529	248,962,701
Runways and improvements	99,895,509	93,536,670
Machinery and equipment	35,095,833	38,570,698
Less accumulated depreciation	(208,417,262)	(194,898,273)
Total capital assets, net	346,025,062	355,714,312
Total assets	600,704,139	596,162,100

BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

Statements of Net Position

June 30, 2016 and 2015

Liabilities	**2016**	**2015**
Current liabilities:		
Accounts payable and accrued expenses	$ 7,433,893	$ 9,350,596
Salaries and benefits payable	773,818	770,626
Unearned revenue	1,080,121	971,584
Customer deposits	414,624	326,532
Total current liabilities	9,702,456	11,419,338
Liabilities payable from restricted assets (note 7):		
Current portion of long-term debt	4,285,000	1,500,000
Accrued interest payable	2,926,502	2,428,932
Arbitrage rebate payable	—	461,002
Total liabilities payable from restricted assets	7,211,502	4,389,934
Long-term debt, net of current portion (note 7):		
Revenue bonds payable, less current portion	108,640,000	112,925,000
Original issue premium, net	3,960,118	4,467,377
Total long-term liabilities	112,600,118	117,392,377
Total liabilities	129,514,076	133,201,649
Deferred Inflows of Resources		
Deferred amount on refunding of 2005 Bonds, net (note 7)	816,073	918,082
Net Position		
Net investment in capital assets	234,200,550	241,786,162
Restricted:		
Debt service	17,904,119	14,412,399
Capital projects	27,343,265	83,096,111
Unrestricted	190,926,056	122,747,697
Total net position	$ 470,373,990	$ 462,042,369

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, 2016 and 2015

	2016	2015
Operating revenues:		
Charges for services:		
Parking	$ 19,700,020	$ 19,427,097
Landing fees	3,006,791	2,884,238
Concessions	8,900,221	8,361,519
Tenant rent	15,285,266	16,684,706
Fuel flowage fees	562,342	527,239
Other operating revenues	1,438,693	1,229,903
Total operating revenues	48,893,333	49,114,702
Operating expenses:		
Contracted airport services	17,693,627	16,589,795
Salaries and benefits	4,689,853	4,580,083
Financial services	829,140	783,560
Rescue services	2,519,902	2,260,915
Materials and supplies	304,209	293,930
Repairs and maintenance	4,574,368	5,204,982
Utilities	1,810,775	1,881,327
Professional services	2,169,426	2,257,763
Insurance	1,350,639	1,360,485
Other operating expenses	3,076,822	3,036,462
Total operating expenses before depreciation	39,018,761	38,249,302
Operating income before depreciation	9,874,572	10,865,400
Depreciation (note 6)	18,872,310	19,332,554
Operating loss	(8,997,738)	(8,467,154)
Nonoperating revenues (expenses):		
Passenger Facility Charge revenue, including interest on the Passenger Facility Charge Fund of $289,864 and $154,460 in 2016 and 2015, respectively (note 11)	8,327,080	8,103,510
Customer Facility Charge revenue (note 12)	5,742,998	5,575,979
Investment income, net of $173 and $12,265 capitalized in 2016 and 2015, respectively	2,529,456	1,984,415
Interest expense, net of $36,018 and $191,328 capitalized in 2016 and 2015, respectively	(5,213,240)	(6,068,552)
2015 Bonds issuance costs	—	(441,981)
Gain on sale of Trust Assets (note 5)	4,103,268	—
Gain (loss) on retirement of capital assets (note 6)	1,081,445	(317,557)
Sound insulation program (note 9)	(12,759)	(2,527,131)
Federal Aviation Administration grants, sound insulation program (note 9)	—	2,010,315
Other noncapital grants	85,255	305,906
Replacement terminal development	(3,457,449)	(1,544,312)
Other expenses, net	(86,986)	(324,453)
Total nonoperating revenues, net	13,099,068	6,756,139
(Loss) income before capital contributions	4,101,330	(1,711,015)
Capital contributions	4,230,291	2,142,587
Changes in net position	8,331,621	431,572
Total net position – beginning of year	462,042,369	461,610,797
Total net position – end of year	$ 470,373,990	$ 462,042,369

See accompanying notes to basic financial statements.

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BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

Statements of Cash Flows

Years ended June 30, 2016 and 2015

	2016	2015
Cash flows from operating activities:		
Cash received from airline carriers, tenants, and others	$ 49,416,042	$ 48,474,616
Cash paid to suppliers of goods and services	(33,656,357)	(30,335,593)
Cash paid for employees’ services	(4,682,652)	(4,540,047)
Cash paid for parking taxes to the City of Burbank	(2,089,669)	(2,052,709)
Cash paid for replacement terminal development	(2,733,464)	(1,663,024)
Cash paid from settlement – hangar floors	(12,859)	(20,628)
Cash (paid from) received for settlement – hangar apron	(179,907)	(11,093)
Cash received for HARP program fundraising	6,000	10,558
Cash paid for HARP program fundraising	(1,954)	(15,813)
Net cash provided by operating activities	6,065,180	9,846,267
Cash flows from noncapital financing activities:		
Sound insulation program	(380,795)	(2,368,992)
FAA grants, sound insulation program	303,958	1,912,838
Ground access study	(61,990)	(362,923)
Part 150 noise compatability study	(31,959)	(55,919)
I-5 construction mitigation program	(10,405)	—
Payments for TSA Other Transaction Agreement	(63,759)	(218,259)
Reimbursements for TSA Other Transaction Agreement	110,994	173,014
Other noncapital grants received	208,374	704,207
Net cash provided by (used in) noncapital financing activities	74,418	(216,034)
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(11,431,176)	(14,554,374)
Reimbursement of OCIP reserves for RITC project	500,000	—
Proceeds from sale of Trust Assets	63,152,393	—
Proceeds from sale of capital assets	2,121,058	3,083
Principal paid on revenue bonds	(1,500,000)	(3,015,000)
Interest paid on revenue bonds	(5,355,434)	(6,660,576)
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	7,903,007	7,920,155
Customer Facility Charge program receipts	5,761,140	5,550,353
Capital contributions received	4,068,362	2,924,070
Net cash used in capital and related financing activities	65,219,350	(17,703,560)
Cash flows from investing activities:		
Interest received on investments, including interest received in the Passenger Facility Charge Fund of $195,068 and $115,372 in 2016 and 2015, respectively	1,818,369	1,932,076
Rebatable interest paid to IRS	(461,002)	—
Interest received rebatable to IRS	—	461,002
Purchases of investments not considered cash equivalents	(161,476,136)	(122,685,904)
Proceeds from the sale or maturity of investments not considered cash equivalents	85,118,310	125,737,877
Net cash provided by investing activities	(75,000,459)	5,445,051
Net increase (decrease) in cash and cash equivalents	(3,641,511)	(2,628,276)
Cash and cash equivalents, beginning of year	23,061,676	25,689,952
Cash and cash equivalents, end of year	$ 19,420,165	$ 23,061,676

BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

Statements of Cash Flows

Years ended June 30, 2016 and 2015

	2016	2015
Reconciliation of operating loss to net cash provided by operating activities:		
Operating loss	$ (8,997,738)	$ (8,467,154)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	18,872,310	19,332,554
Other noncash operating expenses, net	43,325	4,328
Other nonoperating expenses	(3,456,274)	(1,551,502)
Changes in assets and liabilities:		
Accounts receivable	326,360	(535,338)
Other receivables	4,034	5,145
Prepaid expenses	44,818	(19,804)
Accounts payable and accrued expenses	(971,475)	1,142,994
Salaries and benefits payable	3,192	40,035
Unearned revenue	108,537	(67,209)
Customer deposits	88,091	(37,782)
Net cash provided by operating activities	$ 6,065,180	$ 9,846,267
Reconciliation of cash and cash equivalents to the statements of net position:		
Operating fund	$ 27,820,808	$ 27,003,801
Restricted cash and investments	55,522,748	48,918,749
Facility Development Reserve	167,334,136	101,395,103
Cash, cash equivalents, and investments	250,677,692	177,317,653
Investments not considered cash equivalents	(231,257,527)	(154,255,977)
Cash and cash equivalents, end of year (note 3)	$ 19,420,165	$ 23,061,676
Summary of significant noncash investing and financing activities:		
Amortization of 2005 Bonds insurance premiums	$ —	$ 16,428
Amortization of 2015 Bonds debt service reserve surety	5,521	936
Amortization of original issue premiums	(507,259)	(215,490)
Amortization of 2005 Bonds deferred amount on refunding	102,009	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
Proceeds from sale of Trust Assets used for costs of sale	2,747,607	—
Carrying value of the disposed Kenwood Property	(1,008,976)	—
Change in fair value of investments	647,916	223,516
Change in capital assets acquired by accounts payable	(529,602)	(2,464,449)
Change in sound insulation program from accounts payable	(368,036)	158,138
Capitalized interest expense, net	35,845	179,063

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 Hollywood Burbank Airport, also known as 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. (TBI) 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 $234,200,550 and $241,786,162 at June 30, 2016 and 2015, 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 $17,904,119 and $14,412,399 at June 30, 2016 and 2015, respectively. Net position restricted for capital projects totaled $27,343,265 and $83,096,111 at June 30, 2016 and 2015, respectively, including $22,822,307 and $21,790,657 at June 30, 2016 and 2015, respectively, restricted by enabling legislation for the passenger facility charge program and $2,400,387 and $2,418,529 at June 30, 2016 and 2015, respectively, restricted by enabling legislation for the customer facility charge program.
- *Unrestricted* – This component of net position, totaling $190,926,056 and $122,747,697 at June 30, 2016 and 2015, 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,

(Continued)

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, a Measure R grant for a portion of the RITC project, and a Measure R grant for I-5 construction mitigation 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; for the sound insulation program as nonoperating revenue FAA grants – sound insulation program; and for non-capital purposes as nonoperating revenue other noncapital grants. 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.

(Continued)

(h) Revenues and Cash Accounts

All revenues, except PFCs and CFCs (CFCs collected are 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, 2016 and 2015, 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. 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, 2016 is $4,564,481 for the 2012 Bonds and $3,526,042 for the 2015 Bonds. The balance in the Debt Service Funds at June 30, 2015 is $4,212,356 for the 2012 Bonds and $262,933 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. In addition, due to strong safety measures taken during the construction of the RITC, the Insurance Underwriter returned $500,000 of excess owner-controlled insurance program (OCIP) reserves to the Authority, of which $336,275 related to premiums funded by the 2012 Bonds construction funds was deposited to the 2012 Bonds Debt Service Fund, and the balance was deposited to the Operating Fund.
- **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, 2016 and 2015, 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 $5,838,000 and $5,838,000 for the 2012 Bonds. The balance in the Debt Service Reserve Fund for the 2005 Bonds at June 30, 2016 and 2015 is $148,731 and $609,708, respectively. The balance in the Debt Service Reserve Fund for the 2012 Bonds at June 30, 2016 and 2015 is $5,852,530 and $5,854,954, 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, 2016 and 2015 is $9,971,860 and $9,598,001, 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, 2016 and 2015, 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, 2016 and 2015, 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, 2016 and 2015, there was $2,601,563 and $2,601,563, respectively, 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. There was no balance for the cost of issuance fund for any bond issued at June 30, 2016. 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.
- **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, 2016 and 2015, there is $60 and $60 for the 2012 Series A Bonds and $3 and $3 for the 2012 Taxable Series B Bonds, 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.
- **Proceeds from Sale of Airport Property Fund** – proceeds from the sale of Airport property is set aside to be used for similar income producing means in accordance with the Master Indenture of Trust, as supplemented.
- **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 2016 and FY 2015, no transfers were made to the Current Operating Fund. In FY 2016, $2,786,639 of excess revenues and the proceeds of the sale of Trust Assets of $63,152,393 were transferred to the Facility Development Reserve.

(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, 2016, interest cost of $36,018 less interest income of $173 was capitalized. During the year ended June 30, 2015, interest cost of $191,328 less interest income of $12,265 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) Fair Value Measurements

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

(m) 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.

(n) Statements of Cash Flows

For purposes of the statements of cash flows, the Authority considers its investment in money market mutual funds in the Operating and Passenger Facility Charge cash and investment portfolios, 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.

(o) Prepaid Expenses

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

(p) 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.

(q) 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.

(r) 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, 2016 or 2015.

(s) Recent Accounting Pronouncements

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 retroactively adopted this statement effective July 1, 2014.

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 adopted this statement effective July 1, 2015, which did not have any impact on its financial statements.

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. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, 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 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 retroactively adopted this statement effective July 1, 2014, which did not have any impact on its financial statements.

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 adopted this statement effective July 1, 2015, which did not have any impact on its financial statements.

In December 2015, GASB issued Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. Prior to the issuance of this Statement, the requirements of Statement 68 applied to the financial statements of all state and local governmental employers whose employees are provided with pensions through pension plans that are administered through trusts that meet the criteria in paragraph 4 of that Statement. This Statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. The provisions of this Statement are effective for reporting periods beginning after December 15, 2015. Earlier application is encouraged. The Authority has not yet adopted this statement.

In December 2015, GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants*. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. The specific criteria address (1) how the external investment pool transacts with participants; (2) requirements for portfolio maturity, quality, diversification, and liquidity; and (3) calculation and requirements of a shadow price. Significant noncompliance prevents the external investment pool from measuring all of its investments at amortized cost for financial reporting purposes. Professional judgment is required to determine if instances of noncompliance with the criteria established by this Statement during the reporting period, individually or in the aggregate, were significant. If an external investment pool does not meet the criteria established by this Statement, that pool should apply the provisions in paragraph 16 of Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, as amended. If an external investment pool meets the criteria in this Statement and measures all of its investments at amortized cost, the pool's participants also should measure their investments in that external investment pool at amortized cost for financial reporting purposes. If an external investment pool does not meet the criteria in this Statement, the pool's participants should measure their investments in that pool at fair value, as provided in paragraph 11 of Statement 31, as amended. This Statement establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Those disclosures for both the qualifying external investment pools and their participants include information about any limitations or restrictions on participant withdrawals. The provisions of this Statement are effective for reporting periods beginning after June 15, 2015, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing. Those provisions are effective for reporting periods beginning after December 15, 2015. Earlier application is encouraged. The Authority retroactively adopted this statement effective July 1, 2014, which did not have any impact on its financial statements.

In January 2016, GASB issued Statement No. 80, *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14*. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity, as amended*. This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. The provisions of this Statement are effective for reporting periods beginning after June 15, 2016. Earlier application is encouraged. The Authority has not yet adopted this statement.

In March 2016, GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. Split-interest agreements are a type of giving agreement used by donors to provide resources to two or more beneficiaries, including governments. Split-interest agreements can be created through trusts—or other legally enforceable agreements with characteristics that are equivalent to split-interest agreements—in which a donor transfers resources to an intermediary to hold and administer for the benefit of a government and at least one other beneficiary. Examples of these types of agreements include charitable lead trusts, charitable remainder trusts, and life-interests in real estate. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively. Earlier application is encouraged. The Authority has not yet adopted this statement.

In March 2016, GASB issued Statement No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68 and No. 73*. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and 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. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. 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, 2016 and 2015 are classified in the accompanying statements of net position as follows:

	2016	2015
Cash and investments – current assets:		
Operating fund	$ 27,820,808	$ 27,003,801
Cash and investments – restricted assets:		
Cash and investments held by bond trustee:		
Debt service reserve fund – 2005 Bonds	148,731	609,708
Debt service fund – 2012 Bonds	4,564,481	4,212,356
Debt service reserve fund – 2012 Bonds	5,852,530	5,854,954
Construction funds – 2012 Bonds	63	63
Debt service fund – 2015 Bonds	3,526,042	262,933
Cost of issuance fund – 2015 Bonds	—	108
Total cash and investments held by bond trustee	14,091,847	10,940,122
Other restricted cash and investments:		
Operating Reserve fund	9,971,860	9,598,001
Bond Surplus fund	2,601,563	2,601,563
Authority Areas Reserve fund	2,896,927	2,812,999
Asset Forfeiture fund	16,069	13,415
Proceeds from sale of Airport property	2,104,502	—
Passenger Facility Charge fund	21,905,765	21,018,434
Customer Facility Charge fund	1,934,215	1,934,215
Total other restricted cash and investments	41,430,901	37,978,627
Total cash and investments – restricted assets	55,522,748	48,918,749
Cash and investments – Facility Development Reserve	167,334,136	101,395,103
Total cash and investments	$ 250,677,692	$ 177,317,653

(ii) Cash and investments as of June 30, 2016 and 2015 consist of the following:

	2016	2015
Operating portfolio cash and investments:		
Cash and cash equivalents:		
Cash on hand	$ 800	$ 800
Deposits with financial institutions	571,538	1,123,527
Money market mutual funds	141,911	405,331
LAIF	16,372,769	15,891,741
Total cash and cash equivalents	17,087,018	17,421,399
Investments:		
U.S. Treasury securities	69,868,112	47,149,678
U.S. Agency securities	68,555,722	44,675,503
Medium-term corporate notes	57,235,013	34,178,302
Total investments	195,658,847	126,003,483
Total cash and cash equivalents and investments	212,745,865	143,424,882
Less restricted portion	(17,590,921)	(15,025,978)
Less Facility Development Reserve	(167,334,136)	(101,395,103)
Current and unrestricted cash and investments	$ 27,820,808	$ 27,003,801
Passenger Facility Charge Fund:		
Cash and cash equivalents:		
Deposits with financial institutions	$ 357	$ 89,349
Money market mutual funds	398,575	3,616,713
Total cash and cash equivalents	398,932	3,706,062
Investments:		
U.S. Treasury securities	7,511,004	5,595,320
U.S. Agency securities	7,834,881	6,924,741
Medium-term corporate notes	6,160,948	4,792,311
Total investments	21,506,833	17,312,372
Total cash and cash equivalents and investments	$ 21,905,765	$ 21,018,434
Customer Facility Charge Fund:		
Deposits with financial institutions	$ 1,934,215	$ 1,934,215
Investments held by bond trustee:		
Money market mutual funds	$ 14,091,847	$ 10,940,122
Total investments	$ 14,091,847	$ 10,940,122

	2016	2015
Summary of cash and investments:		
Cash and cash equivalents:		
Cash on hand	$ 800	$ 800
Deposits with financial institutions	2,506,110	3,147,091
Money market mutual funds	540,486	4,022,044
LAIF	16,372,769	15,891,741
Total cash and cash equivalents	19,420,165	23,061,676
Investments:		
U.S. Treasury securities	77,379,116	52,744,998
U.S. Agency securities	76,390,603	51,600,244
Medium-term corporate notes	63,395,961	38,970,613
Money market mutual funds held by bond trustee	14,091,847	10,940,122
Total investments	231,257,527	154,255,977
Total cash and cash equivalents and investments	$ 250,677,692	$ 177,317,653

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, 2016 and 2015 are as follows:

	June 30, 2016		June 30, 2015	
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	$ 69,868,112	1.91	$ 47,149,678	1.49
U.S. Agency securities	68,555,722	1.64	44,675,503	1.73
Medium-term corporate notes	57,235,013	1.95	34,178,302	1.75
Total operating portfolio Investments	195,658,847	1.83	126,003,483	1.65
Operating portfolio cash equivalents:				
Money market mutual funds	141,911	0.12	405,331	0.02
LAIF	16,372,769	0.46	15,891,741	0.66
Total operating portfolio cash equivalents	16,514,680	0.46	16,297,072	0.64
Total operating portfolio cash equivalents and investments	212,173,527	1.72	142,300,555	1.53
Passenger Facility Charge (PFC) Fund cash equivalents and investments:				
PFC Fund investments:				
U.S. Treasury securities	7,511,004	2.03	5,595,320	1.35
U.S. Agency securities	7,834,881	1.50	6,924,741	2.49
Medium-term corporate notes	6,160,948	1.95	4,792,311	1.63
Total PFC Fund investments	21,506,833	1.81	17,312,372	1.88
PFC Fund cash equivalents – money market mutual funds	398,575	0.12	3,616,713	0.02
Total PFC Fund cash equivalents and investments	21,905,408	1.78	20,929,085	1.56
Investments held by bond trustee:				
Money market mutual funds	14,091,847	0.07	10,940,122	0.11
Total investments held by bond trustee	14,091,847	0.07	10,940,122	0.11
Total cash equivalents and investments	$ 248,170,782	1.63	$ 174,169,762	1.45

(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, 2016 and 2015 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, 2016 and 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.

BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

Notes to Basic Financial Statements

June 30, 2016 and 2015

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, 2016:						
Operating portfolio cash equivalents and investments:						
Operating portfolio investments:						
U.S. Treasury securities	$ 69,868,112	N/A	$ 69,868,112	$ —	$ —	$ —
U.S. Agency securities:						
Fed. Farm Credit Bank	4,990,610	N/A	—	4,990,610	—	—
Fed. Home Loan Bank	12,736,217	N/A	—	12,736,217	—	—
Fed. Home Loan Mort. Corp.	25,023,196	N/A	—	25,023,196	—	—
Fed. National Mort. Assn.	25,805,699	N/A	—	25,805,699	—	—
Total U.S. Agency securities	68,555,722		—	68,555,722	—	—
Medium-term corporate notes	57,235,013	A	—	2,865,896	18,126,903	36,242,214
Total Operating portfolio Investments	195,658,847		69,868,112	71,421,618	18,126,903	36,242,214
Operating portfolio cash equivalents:						
Money market mutual funds	141,911	AAA	—	141,911	—	—
LAIF	16,372,769	N/A	16,372,769	—	—	—
Total Operating portfolio cash equivalents	16,514,680		16,372,769	141,911	—	—
Total Operating portfolio cash equivalents and investments	212,173,527		86,240,881	71,563,529	18,126,903	36,242,214
Passenger Facility Charge (PFC) Fund cash equivalents and investments:						
PFC Fund investments:						
U.S. Treasury securities	7,511,004	N/A	7,511,004	—	—	—
U.S. Agency securities:						
Fed. Home Loan Bank	2,646,922	N/A	—	2,646,922	—	—
Fed. Home Loan Mort. Corp.	2,417,891	N/A	—	2,417,891	—	—
Fed. National Mort. Assn.	2,770,068	N/A	—	2,770,068	—	—
Total U.S. Agency securities	7,834,881		—	7,834,881	—	—
Medium-term corporate notes	6,160,948	A	—	261,391	2,157,504	3,742,053
Total PFC Fund investments	21,506,833		7,511,004	8,096,272	2,157,504	3,742,053
PFC Fund cash equivalents – money market mutual funds	398,575	AAA	—	398,575	—	—
Total PFC Fund cash equivalents and investments	21,905,408		7,511,004	8,494,847	2,157,504	3,742,053
Investments held by bond trustee:						
Money market mutual funds	14,091,847	AAA	—	14,091,847	—	—
Total investments bond trustee	14,091,847		—	14,091,847	—	—
Total cash equivalents and investments	$ 248,170,782		$ 93,751,885	$ 94,150,223	$ 20,284,407	$ 39,984,267

(Continued)

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

(g) Fair Value Measurements

The Authority categorizes its fair value measurements of its investments within the fair value hierarchy established by GAAP. The hierarchy of inputs used to measure fair value consists of three levels. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs (the Authority has no investments measured using Level 3 inputs). Investments in an external government investment pool, such as LAIF, are not subject to reporting within the level hierarchy (see note A below).

The Authority has the following recurring fair value measurements as of June 30, 2016 and 2015:

	June 30, 2016				June 30, 2015			
Authorized investment type	**Total**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Signifcant Other Observable Inputs (Level 2)**	**Pooled Government Investments (Note A)**	**Total**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Signifcant Other Observable Inputs (Level 2)**	**Pooled Government Investments (Note A)**
Operating portfolio cash equivalents and investments:								
Operating portfolio investments:								
U.S. Treasury securities	$ 69,868,112	$ 69,868,112	$ —	$ —	$ 47,149,678	$ 47,149,678	$ —	$ —
U.S. Agency securities:								
Fed. Farm Credit Bank	4,990,610	—	4,990,610	—	4,000,836	—	4,000,836	—
Fed. Home Loan Bank	12,736,217	—	12,736,217	—	9,725,263	—	9,725,263	—
Fed. Home Loan Mort. Corp.	25,023,196	—	25,023,196	—	15,362,904	—	15,362,904	—
Fed. National Mort. Assn.	25,805,699	—	25,805,699	—	15,586,500	—	15,586,500	—
Total U.S. Agency securities	68,555,722	—	68,555,722	—	44,675,503	—	44,675,503	—
Medium-term corporate notes	57,235,013	—	57,235,013	—	34,178,302	—	34,178,302	—
Total Operating portfolio Investments	195,658,847	69,868,112	125,790,735	—	126,003,483	47,149,678	78,853,805	—
Operating portfolio cash equivalents:								
Money market mutual funds	141,911	—	141,911	—	405,331	—	405,331	—
LAIF	16,372,769	—	—	16,372,769	15,891,741	—	—	15,891,741
Total Operating portfolio cash equivalents	16,514,680	—	141,911	16,372,769	16,297,072	—	405,331	15,891,741
Total Operating portfolio cash equivalents and investments	212,173,527	69,868,112	125,932,646	16,372,769	142,300,555	47,149,678	79,259,136	15,891,741

Note A: Investments in an external government investment pool, such as LAIF, are not subject to reporting within the level hierarchy.

(Continued)

	June 30, 2016				June 30, 2015			
Authorized investment type	**Total**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Signifcant Other Observable Inputs (Level 2)**	**Pooled Government Investments (Note A)**	**Total**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Signifcant Other Observable Inputs (Level 2)**	**Pooled Government Investments (Note A)**
Passenger Facility Charge (PFC) Fund cash equivalents and investments:								
PFC Fund investments:								
U.S. Treasury securities	7,511,004	7,511,004	—	—	5,595,320	5,595,320	—	—
U.S. Agency securities:								
Fed. Home Loan Bank	2,646,922	—	2,646,922	—	1,925,041	—	1,925,041	—
Fed. Home Loan Mort. Corp.	2,417,891	—	2,417,891	—	2,251,207	—	2,251,207	—
Fed. National Mort. Assn.	2,770,068	—	2,770,068	—	2,748,493	—	2,748,493	—
Total U.S. Agency securities	7,834,881	—	7,834,881	—	6,924,741	—	6,924,741	—
Medium-term corporate notes	6,160,948	—	6,160,948	—	4,792,311	—	4,792,311	—
Total PFC Fund investments	21,506,833	7,511,004	13,995,829	—	17,312,372	5,595,320	11,717,052	—
PFC Fund cash equivalents – money market mutual funds	398,575	—	398,575	—	3,616,713	—	3,616,713	—
Total PFC Fund cash equivalents and investments	21,905,408	7,511,004	14,394,404	—	20,929,085	5,595,320	15,333,765	—
Investments held by bond trustee:								
Money market mutual funds	14,091,847	—	14,091,847	—	10,940,122	—	10,940,122	—
Total investments bond trustee	14,091,847	—	14,091,847	—	10,940,122	—	10,940,122	—
Total cash equivalents and investments	$ 248,170,782	$ 77,379,116	$ 154,418,897	$ 16,372,769	$ 174,169,762	$ 52,744,998	$ 105,533,023	$ 15,891,741

(h) 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:

	Authorized	Reported amount at June 30			
	investment	2016		2015	
Issuer	type	Amount	Fund%	Amount	Fund%
Operating portfolio investments:					
Federal National Mortgage Association	U.S. Agency securities	$ 25,805,699	12.16%	$ 15,586,500	10.95%
Federal Home Loan Mortgage Corp.	U.S. Agency securities	25,023,196	11.79	15,362,904	10.80
Federal Home Loan Bank	U.S. Agency securities	12,736,217	6.00	9,725,263	6.83
Passenger Facility Charge Fund investments:					
Federal National Mortgage Association	U.S. Agency securities	2,770,068	12.65	2,748,493	13.13
Federal Home Loan Bank	U.S. Agency securities	2,646,922	12.08	1,925,041	9.20
Federal Home Loan Mortgage Corp.	U.S. Agency securities	2,417,891	11.04	2,251,207	10.76

(i) 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, 2016 and 2015, 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:

	2016	2015
Cash deposits:		
Insured	$ 250,000	$ 250,000
Uninsured, collateral held in the Authority's name	5,256,112	3,877,964
Total cash deposits	5,506,112	4,127,964
Plus deposits in transit	128,184	125,147
Less outstanding checks	(3,128,186)	(1,106,020)
Carrying amount of cash deposits	$ 2,506,110	$ 3,147,091

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.

(j) 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, 2016 and 2015, the total amount invested by all California local governments and special districts in LAIF was $22.7 billion and $21.5 billion, respectively. LAIF is part of the State of California's Pooled Money Investment Account (PMIA), which as of June 30, 2016 and 2015 had a balance of $75.4 billion and $69.6 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 $400 million and $0, respectively, and asset-backed securities totaling $1.7 billion and $1.4 billion, respectively.

(4) Other Receivables

At June 30, 2016 and 2015, the Authority recorded other current receivables not related to operating activities and, therefore, not included in accounts receivable on the accompanying statements of net position. The other receivables at June 30, 2016 and 2015 consist of the following:

	2016	2015
Transportation Security Administration for an upgrade to the baggage inspection systems	$ 10,109	$ 88,741
HARP fundraising program	—	4,034
Total other receivables	$ 10,109	$ 92,775

(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 Hollywood Burbank 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) was 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 $65.9 million. The sale closed in April 2016. A summary of sales and costs of sale are as follows:

Sales price	$ 65,900,000
Less costs of sale paid through escrow	(2,747,607)
Net proceeds deposited to the Facility Development Reserve	63,152,393
Less:	
Carrying amount of Trust Assets	$ (58,873,509)
Other costs of sale	(175,616)
Gain on sale of Trust Assets	$ 4,103,268

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

(6) Capital Assets

Changes in capital assets for the year ended June 30, 2016 were as follows:

	July 1, 2015	Additions	Deletions	Other deletions	June 30, 2016
Capital assets not being depreciated:					
Land	$ 158,758,472	$ —	$ (963,976)	$ —	$ 157,794,496
Other non-depreciable assets	1,128,515	—	—	—	1,128,515
Construction in progress	9,655,529	10,898,288	(9,079,034)	(242,341)	11,232,442
Total capital assets not being depreciated	169,542,516	10,898,288	(10,043,010)	(242,341)	170,155,453
Capital assets being depreciated/ amortized:					
Building and improvements	248,962,701	2,242,564	(1,409,736)	(500,000)	249,295,529
Runways and improvements	93,536,670	6,358,839	—	—	99,895,509
Machinery and equipment	38,570,698	477,631	(3,952,496)	—	35,095,833
Total capital assets being depreciated/ amortized	381,070,069	9,079,034	(5,362,232)	(500,000)	384,286,871
Less accumulated depreciation/ amortization for:					
Building and improvements	(95,699,190)	(10,993,484)	1,409,736	—	(105,282,938)
Runways and improvements	(66,789,316)	(5,161,007)	—	—	(71,950,323)
Machinery and equipment	(32,409,767)	(2,717,819)	3,943,585	—	(31,184,001)
Total accumulated depreciation/ amortization	(194,898,273)	(18,872,310)	5,353,321	—	(208,417,262)
Total capital assets being depreciated/ amortized, net	186,171,796	(9,793,276)	(8,911)	(500,000)	175,869,609
Total capital assets, net	$ 355,714,312	$ 1,105,012	$ (10,051,921)	$ (742,341)	$ 346,025,062

Other deletions of construction in progress in FY 2016 of $242,341 consists of $21,725 of construction in progress projects that the Authority determined would not move forward, $175,616 of costs associated with the sale of the Trust Assets (see note 5), and $45,000 of costs associated with the sale of the Kenwood Property. These amounts are included in gain on sale of Trust Assets and gain on retirement of capital assets on the accompanying Statement of Revenues, Expenses and Changes in Net Position. Gain on retirement of capital assets consists of the gain on sale of the Kenwood Property of $1,095,526 (sale price of $2,200,000 less cost basis of $963,976 and other costs of sale of $140,498), gain on sale of certain equipment of $7,644 less the deletion of construction in progress projects that the Authority determined would not move forward of $21,725.

Due to strong safety measures taken during the construction of the RITC, the Insurance Underwriter returned $500,000 of excess OCIP reserves to the Authority, which is included in other deletions of buildings and improvements in FY 2016.

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 and improvements	(84,526,975)	(11,214,410)	42,195	—	(95,699,190)
Runways and improvements	(62,305,645)	(5,164,734)	681,063	—	(66,789,316)
Machinery and 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 consisting 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. Loss on retirement of capital assets consists of gain on sale of certain equipment of $242 less the deletion of construction in progress projects that the Authority determined would not move forward of $317,799.

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.

(7) Long–Term Debt

The following is a summary of changes in long-term debt for the years ended June 30, 2016 and 2015:

	Beginning balance	Additions	Deductions	Ending balance	Due within one year
Year ended June 30, 2016:					
Revenue bonds payable:					
2012 Revenue Bonds:					
2012 Series A	$ 6,715,000	$ —	$ —	$ 6,715,000	$ —
2012 Taxable Series B	75,450,000	—	(1,500,000)	73,950,000	1,535,000
Plus deferred amounts for original issue premium	168,302	—	(6,233)	162,069	—
2015 Revenue Bonds:					
2015 Series A	1,335,000	—	—	1,335,000	680,000
2015 Taxable Series B	30,925,000	—	—	30,925,000	2,070,000
Plus deferred amounts for Original issue premium	4,299,075	—	(501,026)	3,798,049	—
Total long–term debt payable	$ 118,892,377	$ —	$ (2,007,259)	$ 116,885,118	$ 4,285,000
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

(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 is $0, plus unamortized original issue premium of $0. Interest payable on the 2005 Series A Bonds totals $0 at June 30, 2015. 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 at June 30, 2015 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 Hollywood Burbank 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 is $0, plus unamortized original issue premium of $0. Interest payable on the 2005 Series B Bonds totals $0 at June 30, 2015. 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 for 2005 Series B Bonds of $0, 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, 2016 and 2015 is $6,715,000 and $6,715,000, respectively, plus unamortized original issue premium of $162,069 and $168,302, respectively. Interest payable on the 2012 Series A Bonds totals $167,875 and $167,875 at June 30, 2016 and 2015, 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 bond official statement, plus unpaid accrued interest. The balance of 2012 Taxable Series B Bonds outstanding at June 30, 2016 and 2015 is $73,950,000 and $75,450,000, respectively. At June 30, 2016 and 2015, the current portion of the 2012 Taxable Series B Bonds, paid July 1, 2016 and 2015, is $1,535,000 and $1,500,000, respectively. Interest payable on the 2012 Taxable Series B Bonds totals $1,982,902 and $1,998,172 at June 30, 2016 and 2015, 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 at June 30, 2015. 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, 2016 and 2015 is $1,335,000 and $1,335,000, respectively, plus unamortized original issue premium of $30,022 and $60,044, respectively. Interest payable on the 2015 Series A Bonds is $23,300 and $7,896 at June 30, 2016 and 2015, respectively.

The balance of the 2015 Taxable Series B Bonds outstanding at June 30, 2016 and 2015 is $30,925,000 and $30,925,000, respectively, plus unamortized original issue premium of $3,768,027 and $4,239,031, respectively. Interest payable on the 2015 Taxable Series B Bonds is $752,425 and $254,988 at June 30, 2016 and 2015, respectively. 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, 2016 and 2015 is $38,615 and $44,137, respectively. 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, 2016 and 2015 is $816,073 and $918,082, respectively.

(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:							
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	4,136,960	3,405,000	1,073,375	5,075,000	5,210,335	10,285,335
2021	1,730,000	4,073,031	3,580,000	898,750	5,310,000	4,971,781	10,281,781
2022 – 2026	9,840,000	19,082,162	16,185,000	1,668,125	26,025,000	20,750,287	46,775,287
2027 – 2031	12,805,000	16,008,692	—	—	12,805,000	16,008,692	28,813,692
2032 – 2036	16,810,000	11,878,277	—	—	16,810,000	11,878,277	28,688,277
2037 – 2041	22,270,000	6,253,666	—	—	22,270,000	6,253,666	28,523,666
2042 – 2043	10,820,000	565,166	—	—	10,820,000	565,166	11,385,166
Total principal and interest to maturity	80,665,000	$ 74,715,746	32,260,000	$ 7,784,925	112,925,000	$ 82,500,671	195,425,671
Unamortized portion of:							
Original issue premium	162,069		3,798,049		3,960,118		3,960,118
Less current portion of principal	(1,535,000)		(2,750,000)		(4,285,000)		(4,285,000)
Total long-term portion of revenue bonds payable	$ 79,292,069		$ 33,308,049		$ 112,600,118		$ 195,100,789

(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, 2016 and 2015 are as follows:

		2016		2015
Net Revenues	$	12,404,028	$	12,849,815
Transfers to Surplus Fund		2,534,501		2,601,563
Net Pledged Revenues	$	14,938,529	$	15,451,378
Accrued debt service on 2005 Bonds	$	—	$	5,040,312
Accrued debt service on 2012 Bonds		5,836,555		5,832,095
Less: Customer Facility Charges collected and deposited to the debt service fund		(5,761,140)		(5,550,353)
Accrued debt service on 2015 Bonds		4,301,450		262,885
Net accrued debt service on parity obligations	$	4,376,865	$	5,584,939
Ratio of Net Pledged Revenues to net accrued debt service on parity obligations		3.41		2.77
Net Revenues plus transfers to Surplus Fund	$	14,938,529	$	15,451,378
Less: transfers to Operating Reserve		(373,859)		(128,622)
Less: net accrued debt service on parity obligations		(4,376,865)		(5,584,939)
Excess of net revenues over net accrued debt service on parity obligations and transfers to Operating Reserve	$	10,187,805	$	9,737,817

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, 2016 of $195,425,671. 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, 2014, the Authority entered into an employment contract with the Burbank Airport Police Officers Association (BAPOA) which, among other things, called for the continued implementation of 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) sponsored by the BAPOA. The Authority contributes 6.5% of eligible base salaries and overtime as a retirement contribution to the 401(a) profit sharing plan, payable as part of bi-weekly payroll. 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.

Total salaries and benefits for the Airport Police Officers were $4,689,853 and $4,580,083 for the years ended June 30, 2016 and 2015, respectively. The Authority's contributions have been calculated using the base salary plus overtime amount of $3,668,822 and $3,420,520 for the years ended June 30, 2016 and 2015, respectively. The Authority made the required accruals and contributions, amounting to $239,638 and $222,203 in the years ended June 30, 2016 and 2015, respectively.

(9) Sound Insulation Programs

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 year ended June 30, 2016 and 2015 (this agreement was closed in August 2015):

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, 2016 the Authority expended $12,759 on these projects, of which $0 was funded through FAA grants, $12,661 through PFC funds and $98 through Authority funds.

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.

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, 2016 and 2015 as follows:

	2016		2015	
	Cost	Accumulated depreciation	Cost	Accumulated depreciation
Land	$ 34,042,063	$ —	$ 34,042,063	$ —
Buildings and improvements	141,856,122	34,172,537	140,738,734	29,038,246
Runways and improvements	740,320	654,777	647,000	647,000
	$ 176,638,505	$ 34,827,314	$ 175,427,797	$ 29,685,246

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 $8,900,221 and $8,361,519 for the years ended June 30, 2016 and 2015, respectively, consisting of MAG revenues of $7,265,479 and $7,102,776, respectively, and over-MAG revenues of $1,634,742 and $1,258,743, respectively.

Minimum future rental revenue on noncancelable leases in effect at June 30, 2016 is as follows:

	Lease revenue
Fiscal year ending June 30:	
2017	$ 26,880,873
2018	18,037,330
2019	15,532,289
2020	13,104,379
2021	13,023,684
2022 – 2026	42,844,628
2027 – 2031	2,128,825
	$ 131,552,008

(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, 2016 and 2015 totaled $8,327,080 and $8,103,510, respectively, including investment income on the PFC investment portfolio of $289,864 and $154,460, respectively.

During the year ended June 30, 2016, funds totaling $7,295,429 for eligible costs expended on PFC projects during FY 2016 and FY 2015 were reimbursed to the Current Operating Fund from the PFC Fund. Of this amount, $84,675 was for sound insulation program expenditures, $7,065,840 was for the airfield lighting replacement project, $112,280 was for the high voltage switchgear replacement project, and $32,634 was for other Airport development projects.

During the year ended June 30, 2015, funds totaling $5,939,410 for eligible costs expended on PFC projects during FY 2015 and FY 2014 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.

(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, 2016 and 2015 totaled $5,742,998 and $5,575,979, 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 $5,761,140 and $5,550,353 for the years ended June 30, 2016 and 2015, respectively. 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.

(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. Amounts due to related parties at June 30, 2016 and 2015 are included in accounts payable and accrued expenses on the accompanying basic financial statements.

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 $2,095,775 and $2,067,299 during the years ended June 30, 2016 and 2015, respectively. Amounts due to the City of Burbank for parking taxes were $544,548 and $538,441 at June 30, 2016 and 2015, respectively. The Authority incurred utility expense for electricity, water and wastewater utilities from Burbank Water and Power during the years ended June 30, 2016 and 2015 totaling $2,497,911 and $2,475,830 (including amounts charged back to tenants of $537,125 and $628,673), respectively. Amounts due to Burbank Water and Power were $227,573 and $212,234 at June 30, 2016 and 2015, respectively. The Authority paid permit and plan check fees to the City of Burbank totaling $3,294 and $14,167 during the years ended June 30, 2016 and 2015, respectively. No amounts were due for permit and plan check fees at June 30, 2016 and 2015, 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 during the year ended June 30, 2015. No amounts were due for EIR fees at June 30, 2016 and 2015. The Authority incurred costs from the City related to public safety radio systems totaling $20,100 and $45,225 during the years ended June 30, 2016 and 2015, of which $20,100 and $45,225 was due at June 30, 2016 and 2015, respectively. 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, 2016 and 2015, respectively. No amounts were due for rent at June 30, 2016 and 2015, 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 $20,172 and $15,101 during the years ended June 30, 2016 and 2015, respectively. No amounts were due to the City of Glendale at June 30, 2016 and 2015, 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.

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, 2016. 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.

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 $1,352,090, 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 $871,129 is being retained for future hangar floor repairs.

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

Fox Rent-A-Car, Inc. (Fox) had a lawsuit against the Authority alleging 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 sought 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 denied Fox's allegations and trial was set for December 7, 2015. Fox alleged an annual net loss of approximately $2.8 million with damages allegedly accruing since July 15, 2014.

The lawsuit is no longer pending. The Authority entered into a settlement with Fox in December 2015 which resulted in a dismissal of the action. The Authority agreed to conduct another reallocation evaluation of garage space in the CRCF based on updated market share numbers for the rental car companies. The Authority did not make any monetary payments to Fox in the settlement.

(b) Contracted Services

The Authority has contracted with TBI to perform certain airport administrative, maintenance, and operational services. Effective May 1, 2015 the agreement was amended to include aircraft rescue and firefighting (ARFF) 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, 2016 and 2015 total $14,113,579 and $11,376,590, as follows:

	2016	2015
Contracted airport services	$ 10,852,751	$ 10,248,760
Aircraft rescue and firefighting services	2,519,902	422,266
Capitalized to constructed capital assets	658,770	532,537
Sound insulation program	3,131	87,395
Other expenses	79,025	85,632
Total airport management contract costs	$ 14,113,579	$ 11,376,590

Prior to contracting with TBI for ARFF services, the Authority had contracted with Pro-Tec Fire Services for ARFF services. Costs under the contract with Pro-Tec for the ten months ended April 30, 2015 were $1,838,649. ARFF services for the years ended June 30, 2016 and 2015 totaled $2,519,902 and $2,260,915, 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. The Authority extended the contract on a month-to-month basis in FY 2017. 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, 2016 and 2015 are $5,263,634 and $6,341,035, respectively.

Effective November 1, 2015, the Authority contracted with MV Transportation for a five-year period to provide turn-key employee and customer busing services, which replaced the service provided by Standard Parking as well as the costs for repair and other services related to the Authority shuttle bus fleet, which was subsequently retired. The costs of the shuttle services in FY 2016 totaled $1,577,242.

(c) Construction Contracts

The Authority has contract commitments outstanding at June 30, 2016 for various construction contracts totaling $614,826, including $405,414 related to the emergency generator replacement project, $118,705 related to the blast fence project, $45,839 related to the runway rehabilitation design project, and $44,868 related to the airfield lighting project. Subsequent to June 30, 2016, the Authority entered into additional construction contracts totaling $11,804,667 related to the Runway 8/26 engineered material arresting system (EMAS) and Runway 8/26 rehabilitation projects.

(d) Federal and Other Grants

As of June 30, 2016, the Authority had nonexpended, noncancelable grant commitments of $895,402 in federal funds of which $375,003 related to the Taxiway B rehabilitation project; $335,224 related to the Part 150 noise compatibility study update; $162,669 related to runway shoulder rehabilitation project; and $22,506 related to design for the runway rehabilitation project. The Authority also had nonexpended, noncancelable grant commitments of $256,840 in County of Los Angeles Measure R grant funds for 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, 2016 and 2015, are as follows:

Award Date	Award Amount	Project description	Expenditures charged to grant 2016	Expenditures charged to grant 2015
Feb. 2009	$ 7,000,000	Noise mitigation measures	$ —	$ 2,010,316
July 2010	1,778,142	Ground access study	32,419	176,956
Sept. 2011	805,900	Part 150 noise compatibility study	22,532	48,564
Aug. 2012	1,289,440	Runway 33 safety areas	—	216,124
Sept. 2013	478,392	ARFF Truck acquisition	—	478,159
Sept. 2013	811,048	Runway shoulder rehabilitation	—	602,885
Sept. 2014	1,329,735	Runway shoulder rehabilitation	645,378	521,688
Sept. 2014	3,390,837	Taxiway B rehabilition	2,696,555	319,279
Aug. 2015	915,317	Runway repavement design	888,359	4,452
Total expenditures charged to federal grants			4,285,243	4,378,423
Aug. 2012	289,700	CoLA – Transit-Oriented Dev.	—	36,145
May 2014	294,536	CoLA – Measure R, ground access study local match	8,105	44,240
June 2015	180,000	CoLA – Measure R, I-5 Support services	8,204	—
June 2015	100,000	CoLA – Measure R, I-5 shuttle services	14,956	—
Total expenditures charged to local grants			31,265	80,385
Total expenditures charged to grants			$ 4,316,508	$ 4,458,808

On August 23, 2016, the FAA awarded the Authority a grant in the total amount of $12,088,500 for rehabilitation of Runway 8/26 and the Runway 8/26 EMAS. On September 21, 2016, the FAA awarded the Authority a grant in the total amount of $9,670,800 for rehabilitation of Runway 15/33. 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) Regional Intermodal Transportation Center

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. The RITC also includes a CRCF that consolidates rental car operations at the Airport. The CRCF is funded in part from CFCs and rental car facility rents, as required. Pedestrian traffic between the RITC and the Airport Passenger Terminal is accommodated by an elevated covered moving walkway which was funded through Passenger Facility Charges.

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 replacement parking structure attributable to the parking spaces displaced by the CRCF (see note 7).

The replacement parking structure was completed and opened for business on August 1, 2013 and construction of the CRCF and elevated walkway were substantially completed and opened to the public for business on July 15, 2014. Cumulative expenditures on the RITC project through June 30, 2016 total $121,762,566, which consists of $77,662,736 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 rent-a-car companies (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 and $286,640 in FY 2016 for a net outstanding amount of $6,338,540. 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 2016 and FY 2015, $5,761,140 and $5,550,353 were collected and transferred to the bond trustee. In addition, in March 2016 due to strong safety measures taken during the construction of the RITC, the Insurance Underwriter returned $500,000 of excess OCIP reserves to the Authority, which is included in other deletions of buildings and improvements in FY 2016. The portion of the $500,000 of excess OCIP reserves returned which relates to the 2012 Bonds Construction Funds totaling $336,275 was transferred to the 2012 Bonds Debt Service Fund in June 2016.

(16) Airport Development Agreement/Replacement Passenger Terminal Project

On March 15, 2005, the Authority and the City of Burbank 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.

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.

On August 1, 2016, the City of Burbank approved a new Development Agreement along with various other legal documents associated with entitlement of the Replacement Passenger Terminal (RPT) project. The current passenger terminal does not meet FAA safety standards for distance from runways and portions of the terminal do not meet current earthquake design standards. On November 8, 2016, voters in the City of Burbank passed Measure B (70% to 30%) allowing for the development of a RPT at the Hollywood Burbank Airport.

The preliminary planning for the RPT included an environmental impact report (EIR) analysis including the California Environmental Quality Analysis (CEQA) of the project at a primary and alternative site. Through June 2016, the Authority has expended approximately $8.7 million on such preliminary planning.

With the passage of Measure B, the first step the Authority is undertaking begins with revising the current Airport Layout Plan (ALP) as required by the FAA. Upon receipt of a conditional approval of the revised ALP, Airport staff will, in conjunction with the FAA, begin an Environmental Impact Study under the National Environmental Policy Act (NEPA). However, during the seven month period that the ALP is being revised, staff will begin to undertake financial analyses of various potential financing options for the RPT as well as continuing community outreach and working together with the airlines that serve the Airport

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