BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

Basic Financial Statements
June 30, 2011 and 2010

(With Independent Auditor's Report Thereon)

MGO Certified Public Accountants.

BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY
Basic Financial Statements
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Independent Auditor's Report

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

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, 2011 and 2010, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion 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 includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

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, 2011 and 2010 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 23, 2011 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 for the year ended June 30, 2011. 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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 to 23 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which 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.

Macias Gini & O'Connell LLP

Los Angeles, California
November 23, 2011

MANAGEMENT’S DISCUSSION AND ANALYSIS

Management of the Burbank-Glendale-Pasadena Airport Authority (Authority), which operates Bob Hope Airport (Airport), offers readers of the Authority's basic financial statements the following *Management's Discussion and Analysis* (MD&A), a narrative overview and analysis of the Authority's financial activities as of and for the fiscal years ended June 30, 2011 and 2010. 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 assets, the statements of revenues, expenses, and changes in net assets, the statements of cash flows, and the notes to the basic financial statements.

The statements of net assets present information on all of the Authority's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The statements of revenues, expenses, and changes in net assets present information showing how the Authority's net assets changed during the fiscal year. All changes in net assets 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 (*net assets*) at June 30, 2011 and 2010 by $449,176,057 and $445,348,933, respectively. Of this amount, $122,694,054 and $130,128,587, respectively, may be used to meet the Authority's ongoing obligations to Airport users and creditors (*unrestricted net assets*).
- The Authority's total net assets increased by $3,827,124 and $13,068,518 in the fiscal years ended June 30, 2011 and 2010, respectively.
- The Authority's net capital assets increased by $7,434,376 in Fiscal Year (FY) 2011, consisting of additions of $22,126,685, deletions of $2,606 (net of accumulated depreciation of $1,041,044) and depreciation expense of $14,689,703. The Authority's net capital assets decreased by $4,646,182 in FY 2010, consisting of additions of $11,132,475, deletions of 98,781 (net of accumulated depreciation of $4,048,379) and depreciation expense of $15,679,876.
- Operational Results:
  - In FY 2011 total passengers of 4,359,928 declined from FY 2010 by 3.4%, and in FY 2010 total passengers of 4,515,713 declined from FY 2009 by 6.4%. The decrease in passenger traffic levels reflects the continuing impact of the sluggish national economy and the airline industry's capacity reductions relative to the reduced demand for air travel. The Airport remained focused on maintaining efficient passenger operations, matching the timing of capital programs to alternate funding sources, upgrading infrastructure, and implementing security requirements.
  - Total operating revenues generated during FY 2011 decreased by $1,012,406, or 2.2%, from FY 2010. Total operating revenues generated during FY 2010 decreased by $3,032,498, or 6.1%, from FY 2009.

- Total operating expenses incurred during FY 2011 increased by $429,877, or 0.9%, over FY 2010 (increase of $1,420,050 or 4.2% excluding depreciation expense). Total operating expenses in FY 2010 increased by $3,001,145, or 6.5%, over FY 2009 (increase of $1,933,692 or 6.1% excluding depreciation expense).
- The Airport was served during FY 2011 and FY 2010 by six signatory carriers: Alaska Airlines, American Airlines, U.S. Airways, JetBlue Airways, SkyWest Airlines (which operates Delta Connection and United Express) and Southwest Airlines.
- 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 Bob Hope Airport to meet customer demand. Airport management cannot predict the decisions of airline management or the future course of the aviation industry. The airline industry is highly cyclical and is characterized by intense competition, high operating and capital costs, and varying demand. Passenger and cargo volumes are highly sensitive to general and localized economic trends, and passenger traffic may vary substantially with seasonal travel patterns. The profitability of the airline industry can fluctuate dramatically even in the absence of catastrophic events. Due to impacts on airlines of varying demand as a result of the continuing sluggish national economy and volatile fuel costs, passenger levels in the quarters ended September 30, 2010, December 31, 2010, March 31, 2011 and June 30, 2011 declined 2.0%, 2.7%, 3.7% and 5.5%, respectively, from the same periods in FY 2010. The impact of the national economy on the airline industry and passenger activity is expected to continue in FY 2012.
- During FY 2011, the Airport continued its residential sound insulation program and acoustically treated approximately 207 residences and an additional 203 are in progress at June 30, 2011. During FY 2010, the Airport acoustically treated approximately 135 residences and an additional 112 were in progress at June 30, 2010. The funding for this 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. As part of its ongoing noise mitigation program, the Authority received Federal Aviation Administration (FAA) grant awards of $12.8 million in August 2006, $7 million in August 2007, $3 million in June 2008, and an additional $7 million was awarded in February 2009.

- **FAR Part 161 Application.** On November 2, 2009, the Federal Aviation Administration disapproved the Authority's FAR Part 161 application to impose a full night-time curfew at Bob Hope Airport. The Authority continues to work with the City of Burbank and surrounding communities to seek meaningful nighttime noise protection.
- **Development Agreement.** The Authority and the City of Burbank have entered into a multiyear agreement (the 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.

  Based on a recommendation of the Airport Land Use Working Group, on August 1, 2011 the Authority sought and on September 8, 2011 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 new or relocated passenger terminal.
- **Special Item – Environmental Litigation and Settlement.** In July 2010, the Authority was formally named by the U.S. Environmental Protection Agency (EPA) as one of approximately 30 parties designated under the federal Superfund law (CERCLA) as "potentially responsible parties" (PRPs) for the second

interim remedy at the North Hollywood Operable Unit (NHOU), which was preliminarily estimated by EPA to cost approximately $108 million. The EPA requested that the Authority, together with other named PRPs, form a group and submit a good faith settlement offer to EPA to undertake the work required for the second interim remedy, and demanded payment of certain of its past costs incurred in the NHOU and a portion of the collective San Fernando Valley Superfund Sites that the EPA calculated to be approximately $13 million.

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

The Authority subsequently settled its lawsuit with Lockheed Martin Corporation by written agreement on February 22, 2011. The written settlement agreement provides that the Authority will pay to Lockheed Martin Corporation the sum of $2,000,000 over two years, with the second installment due in January 2012. In exchange, Lockheed Martin Corporation agreed to defend and indemnify the Authority for certain settled matters, including all response costs (previously estimated by EPA to be $108 million) in connection with the second interim remedy for the NHOU asserted by EPA or by any other PRP against either or both Lockheed Martin Corporation and the Authority.

Included in the Special Item are the costs of the settlement totaling $2 million and legal costs related to the EPA and Lockheed matters for the year ended June 30, 2011 totaling $878,795. Legal costs related to the EPA and Lockheed matters for the year ended June 30, 2010 total $514,854 and were included in Professional Services for the year then ended.

Effective February 1, 2011, the Authority implemented a rate increase of $1 per day to all parking charges, the proceeds of which are to be used to fund the EPA and Lockheed legal and settlement costs, including those costs incurred in FY 2010. Incremental parking revenues totaling $591,789 for the year ended June 30, 2011, net of the related 12% City of Burbank parking tax on such incremental parking revenues totaling $63,406, are not included in parking revenues but, rather, are included as an offset to the legal and settlement costs noted above.

- **Regional Intermodal Transportation Center**. The Regional Intermodal Transportation Center (RITC) project will include a transportation center linking the Airport with the Metrolink/Amtrak Bob Hope Airport train station immediately south of the Airport, local and regional bus service, and other mass transit transportation in the Authority's continuing efforts to promote alternative access to the Airport. The RITC will also include a consolidated rental car facility (CRCF). The RITC project will also include an elevated covered moving sidewalk between the RITC and the terminal, a significant leased installation by the City of Burbank's Burbank Water and Power Department of solar power panels on the roof of the RITC and a publicly accessible consolidated natural gas (CNG) fueling facility to be developed and operated under a ground development lease.

  On May 25, 2011, the Authority opened bids from eight prequalified contractors for construction of the RITC. Those bids, ranging from $159 million to $187 million, significantly exceeded the $112 million construction budget for the RITC included in the Plan of Finance. On June 20, 2011, the Authority rejected all of the bids and directed Authority Staff to look at redesigning and re-programming the RITC to reduce its cost to meet the construction budget while still achieving all of the goals and objectives of the Authority for this facility. On August 1, 2011, the Authority approved redesign services with the expectation of going back out to bid for the redesigned project in November 2011.

Schedule of Net Assets

A summary of the Airport's net assets as of June 30, 2011, 2010 and 2009 is shown below:

Schedule of Net Assets

				FY 2011/10 increase (decrease)		FY 2010/09 increase (decrease)	
	2011	**2010**	**2009**	**Amount**	**%**	**Amount**	**%**
Assets:							
Current unrestricted assets	$ 31,337,049	30,983,974	30,527,347	353,075	1.1%	$ 456,627	1.5%
Restricted assets	110,076,099	109,055,103	112,954,531	1,020,996	0.9	(3,899,428)	(3.5)
Facility Development Reserve	100,000,000	106,000,000	88,000,000	(6,000,000)	(5.7)	18,000,000	20.5
Bond issuance costs	737,164	796,698	889,515	(59,534)	(7.5)	(92,817)	(10.4)
Capital assets, net	277,784,430	270,350,054	274,996,236	7,434,376	2.7	(4,646,182)	(1.7)
Total assets	519,934,742	517,185,829	507,367,629	2,748,913	0.5	9,818,200	1.9
Liabilities:							
Current liabilities	11,120,280	9,464,548	10,133,502	1,655,732	17.5	(668,954)	(6.6)
Liabilities payable from restricted assets	4,030,219	3,974,930	3,918,412	55,289	1.4	56,518	1.4
Noncurrent liabilities	55,608,186	58,397,418	61,035,300	(2,789,232)	(4.8)	(2,637,882)	(4.3)
Total liabilities	70,758,685	71,836,896	75,087,214	(1,078,211)	(1.5)	(3,250,318)	(4.3)
Net assets:							
Invested in capital assets, net of related debt	225,693,846	215,639,772	217,850,889	10,054,074	4.7	(2,211,117)	(1.0)
Restricted, debt service	11,736,865	11,243,481	10,836,080	493,384	4.4	407,401	3.8
Restricted, capital projects	89,051,292	88,337,093	92,447,702	714,199	0.8	(4,110,609)	(4.4)
Unrestricted	122,694,054	130,128,587	111,145,744	(7,434,533)	(5.7)	18,982,843	17.1
Total net assets	$ 449,176,057	445,348,933	432,280,415	3,827,124	0.9	$ 13,068,518	3.0

Net Assets

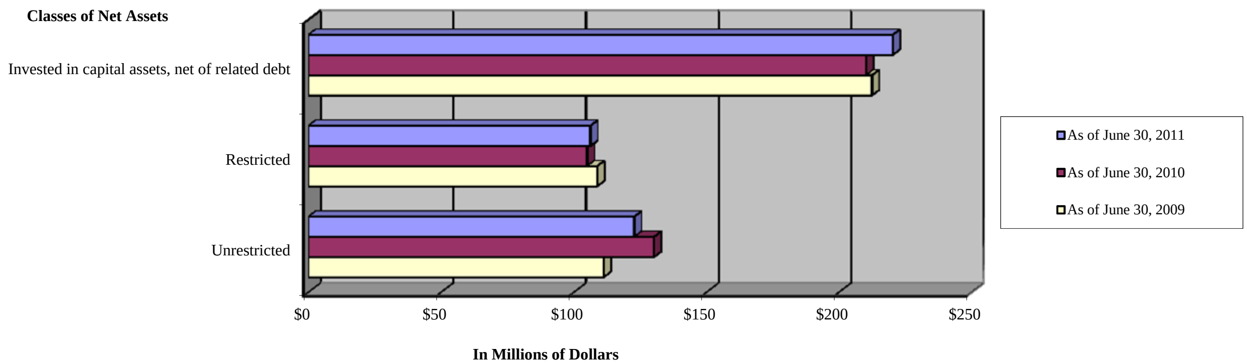
As noted earlier, net assets may serve over time as a useful indicator of the Authority's financial position. The Authority's assets exceeded its liabilities (net assets) by $449,176,057, $445,348,933, and $432,280,415 at the close of FY 2011, FY 2010, and FY 2009, respectively.

The largest portion of the Authority's net assets (50.2%, 48.4%, and 50.4% at June 30, 2011, 2010 and 2009, respectively) reflects its investment in capital assets (e.g., land, buildings, runways, and the like); 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, it should be noted that 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 largest portion of the Authority's net assets (22.4%, 22.4%, and 23.9% at June 30, 2011, 2010 and 2009, respectively) represents resources that are subject to external restrictions on how they may be used. Of these restricted net assets, 11.6%, 11.3% and 10.5% are for repayment of long-term debt and 88.4%, 88.7% and 89.5% are for construction of capital assets at June 30, 2011, 2010 and 2009, respectively.

The final portion of net assets is unrestricted net assets and may be used to meet the Authority's ongoing obligations to Airport users and creditors. Included in unrestricted net assets at June 30, 2011, 2010 and 2009 is net assets committed by Authority Resolution for engine repowerment of shuttle buses of $541,043, $700,000 and $700,000, respectively.

Net Assets as of June 30, 2011, 2010 and 2009



As of June 30, 2011, the Authority is able to report positive balances in all three categories of net assets. The same situation held true as of June 30, 2010 and 2009.

Current Unrestricted Assets

The Authority's current unrestricted assets increased by $353,075, or 1.1%, in FY 2011 primarily resulting from net operating revenues, offset by decreased interest receivables and decreased grant receivables from accrued qualifying grant expenditures. The Authority's current unrestricted assets increased by $456,627, or 1.5%, in FY 2010 primarily resulting from net operating revenues, offset by decreased interest receivables and decreased grant receivables from accrued qualifying grant expenditures. $6.0 million were transferred during FY 2011 from the Facility Development Reserve to the Current Operating Fund to provide interim financing for the Regional Intermodal Transportation Center (RITC) project. $18 million were transferred during FY 2010 from the Current Operating Fund to the Facility Development Reserve.

Restricted Assets

The Authority's restricted assets increased by $1.0 million, or 0.9%, in FY 2011. The increase in restricted assets includes an increase of $9,535 in the Debt Service Fund and Debt Service Reserve Fund related to the 2005 Airport Revenue Bonds, an increase of $365,785 in the Operating Reserve Fund, a decrease of $2,125,818 in the Passenger Facility Charge (PFC) Fund, an increase of $3,248,030 in the Customer Facility Charge (CFC) Fund, a decrease of $493,115 in PFC receivables, a decrease of $63,880 in CFC receivables, and an increase of $3,681 in accrued interest related to other restricted cash and investment funds.

The increase in the Debt Service and Debt Service Reserve funds relates to debt service requirements and accumulated interest earnings. The Operating Reserve Fund, a fund required by the Bond Indenture in an amount equal to the one fourth of the operations and maintenance budget, increased based on a corresponding increase in that budget for FY 2011. 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, 2011, 2010 and 2009 totaled $9,642,916, $10,291,366 and

$11,035,756, respectively, including interest and changes in fair value in the PFC Fund of $404,103, $649,043 and $1,370,788, respectively. During the fiscal year ended June 30, 2011, funds totaling $12,305,329 for eligible costs expended on PFC projects were reimbursed to the Current Operating Fund from the PFC Fund. Of this amount, $2,946,776 was for sound insulation program expenses and $9,358,553 for facility improvement project expenses.

The CFC is a State of California permitted charge established by the Authority effective December 1, 2009, levied on rental car customers. 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, 2011 and 2010 totaled $3,186,870 and $1,755,750, respectively, and funds totaling $0 and $1,105,186 for eligible CRCF costs were reimbursed to the Current Operating Fund from the CFC Fund in FY 2011 and FY 2010, respectively.

The Authority's restricted assets decreased by $3.9 million, or 3.5%, in FY 2010. The decrease in restricted assets includes an increase of $164,216 in the Debt Service Fund and Debt Service Reserve Fund related to the 2005 Airport Revenue Bonds, an increase of $189,703 in the Operating Reserve Fund, a decrease of $4,740,711 in the PFC Fund, an increase of $292,894 in the CFC Fund, a decrease of $71,607 in PFC receivables, an increase of $360,390 in CFC receivables, and a decrease of $226,666 in accrued interest related to other restricted cash and investment funds. The increase in the Debt Service and Debt Service Reserve funds relates to debt service requirements and accumulated interest earnings. The Operating Reserve Fund increased based on a corresponding increase in that operations and maintenance budget for FY 2010. During the fiscal year ended June 30, 2010, funds totaling $15,168,837 for eligible costs expended on PFC projects were reimbursed to the Current Operating Fund from the PFC Fund. Of this amount, $1,715,544 was for sound insulation program expenses and $13,453,293 for facility improvement project expenses.

Facility Development Reserve

Cash and investments – Facility Development Reserve decreased $6.0 million, or 5.7% in FY 2011 and increased $18 million, or 20.5%, in FY 2010. This fund was established by the Authority during fiscal year 2000 to provide for the development of the 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. $6.0 million was transferred from the Facility Development Reserve to the current operating fund to provide interim financing for the RITC project in FY 2011. $18 million were transferred during FY 2010 to the Facility Development Reserve from current operating funds.

Capital Assets

The Authority's net capital assets increased $7,434,376, or 2.7%, in FY 2011 and decreased $4,646,182, or 1.7%, in FY 2010. The net increase in capital assets of $7,434,376 in FY 2011 includes additions of $22,126,685, deletions of $2,606 (net of accumulated amortization of $1,041,044) and depreciation expense of $14,689,703. The net decrease in capital assets of $4,636,182 in FY 2010 includes additions of $11,132,475, deletions of $98,781 (net of accumulated depreciation of $4,048,379), and depreciation expense of $15,679,876.

FY 2011 additions to capital assets of $22.1 million include runway shoulder rehabilitation, extension of the Taxiway D blast fence, repaving of certain general aviation aircraft ramps, landside water line replacement, Terminal B carpet replacement, CNG engine retrofit on one shuttle bus, and additions to construction in progress on the RITC, Aircraft Ramps A and B rehabilitation and CUPPS projects. FY 2011 deletions include depreciation of $14.7 million and other deletions of $2,606 (net of accumulated depreciation of $1,041,044) including taxilane centerline and guard lighting, prior Aircraft Ramps A and B paving, and prior taxilane and other airfield paving.

FY 2010 additions to capital assets of $11.1 million include rehabilitation of parking lots B and E, phase II of the digital video surveillance system (DVSS) project, replacement radio console system, blade server and SAN system, Taxilane B repaving, runway guard lights system, Taxiways C, D and G rehabilitation, and additions to construction in progress on the CUPPS and RITC projects. FY 2010 deletions include depreciation of $15.7 million and other deletions of $98,781 (net of accumulated depreciation of $4.0 million) including prior paving of Parking Lots B and E, radio console system and prior Taxiway B and C paving.

Current Liabilities

Current liabilities increased $1.7 million, or 17.5%, in FY 2011. The increase results from increase in vendor accruals primarily related to various capital projects of $381,811 and the Special Item of $1,078,850, an increase in salaries and benefits payable of $59,332, and an increase in unearned revenue of $155,291; offset by a decrease in customer deposits of $19,552.

Current liabilities decreased $0.7 million, or 6.6%, in FY 2010. The decrease results from an increase in vendor accruals primarily related to various capital projects of $116,418, an increase in salaries and benefits payable of $79,753, and an increase in customer deposits of $19,561; offset by a decrease in unearned revenue related to tenant rents paid in advance of $884,686.

Liabilities Payable from Restricted Assets

Liabilities payable from restricted assets increased by $55,289, or 1.4%, in FY 2011 and $56,518, or 1.4%, in FY 2010. The increase in FY 2011 reflects a net increase of $110,000 in the current portion of long-term debt related to the 2005 Airport Revenue Bonds, offset by a decrease of $54,711 in interest payable on the 2005 Airport Revenue Bonds.

The increase in FY 2010 reflects a net increase of $110,000 in the current portion of long-term debt related to the 2005 Airport Revenue Bonds, offset by a decrease of $53,482 in interest payable on the 2005 Airport Revenue Bonds.

Noncurrent Liabilities

Noncurrent liabilities decreased by $2,789,232, or 4.8%, in FY 2011 and $2,637,881, or 4.3%, in FY 2010. These decreases represent the reclassification of $2,640,000 in FY 2011 and $2,530,000 in FY 2010 of the 2005 Airport Revenue Bonds to current portion of long-term debt and annual amortization of original issue premium and deferred amounts on refunding on the 2005 Airport Revenue Bonds totaling $149,232 in FY 2011 and $107,881 in FY 2010.

(Continued)

Schedule of Revenues, Expenses, and Changes in Net Assets

The following table illustrates a condensed summary of the changes in net assets for the fiscal years ended June 30, 2011, 2010 and 2009:

Schedule of Revenues, Expenses, and Changes in Net Assets

				FY 2010/11 increase (decrease)		FY 2009/10 increase (decrease)	
	FY 2011	FY 2010	FY 2009	Amount	%	Amount	%
Operating revenues	$ 45,365,011	46,377,417	49,409,915	(1,012,406)	(2.2)%	$ (3,032,498)	(6.1)%
Operating expenses	49,773,153	49,343,276	46,342,131	429,877	0.9	3,001,145	6.5
Operating income (loss)	(4,408,142)	(2,965,859)	3,067,784	(1,442,283)	48.6	(6,033,643)	(196.7)
Nonoperating revenues, net	9,928,405	10,588,549	10,752,045	(660,144)	(6.2)	(163,496)	(1.5)
Income before contributions and special item	5,520,263	7,622,690	13,819,829	(2,102,427)	(27.6)	(6,197,139)	(44.8)
Capital contributions	657,273	5,445,828	4,609,536	(4,788,555)	(87.9)	836,292	18.1
Special item	(2,350,412)	—	—	(2,350,412)	N/A	—	N/A
Changes in net assets	3,827,124	13,068,518	18,429,365	(9,241,394)	(70.7)	(5,360,847)	(29.1)
Total net assets – beginning of year	445,348,933	432,280,415	413,851,050	13,068,518	3.0	18,429,365	4.5
Total net assets – end of year	$ 449,176,057	445,348,933	432,280,415	3,827,124	0.9	$ 13,068,518	3.0

Traffic Activities

Commercial aircraft operations (takeoffs and landings) and landed weight reflect decreases during FY 2011 of 10.1% and 6.1%, respectively. Cargo tonnage, transported primarily by Federal Express and United Parcel Service, increased 1.6% in FY 2011. Aircraft operations (takeoffs and landings) and landing weight decreased 6.1% and 7.7%, respectively, during FY 2010. Cargo tonnage increased 6.9% in FY 2010.

Total passenger levels decreased by 3.4% and 6.4% in FY 2011 and FY 2010, respectively. The state of the national economy, the impact of rapidly increasing fuel costs and potential restructuring of the airline industry could materially affect passenger traffic levels at the Airport.

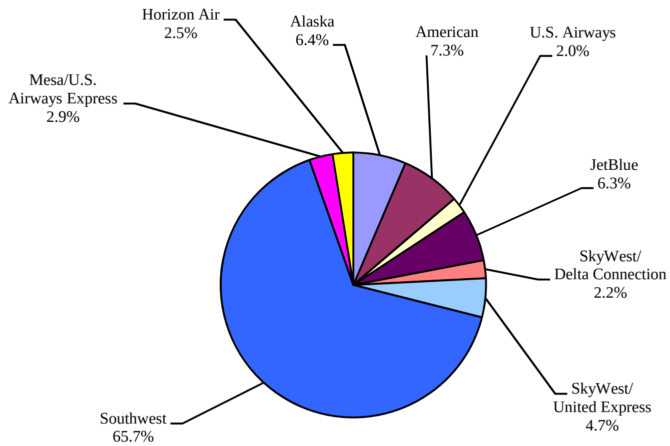
Illustrated below are comparative traffic activities for FY 2011, FY 2010 and FY 2009:

Comparative Traffic Activities

				% increase (decrease)	
Description	FY 2011	FY 2010	FY 2009	FY 2010/11	FY 2009/10
Commercial carrier flight operations (takeoffs and landings)	57,306	63,730	67,836	(10.1)%	(6.1)%
Landing weight (in pounds)	3,279,571,614	3,493,028,279	3,785,565,016	(6.1)	(7.7)
Total enplaned and deplaned passengers	4,359,928	4,515,713	4,823,781	(3.4)	(6.4)
Cargo tonnage (in tons)	47,598	46,863	43,835	1.6	6.9

Illustrated below is the passenger traffic share by airline for fiscal years ended June 30, 2011 and 2010:

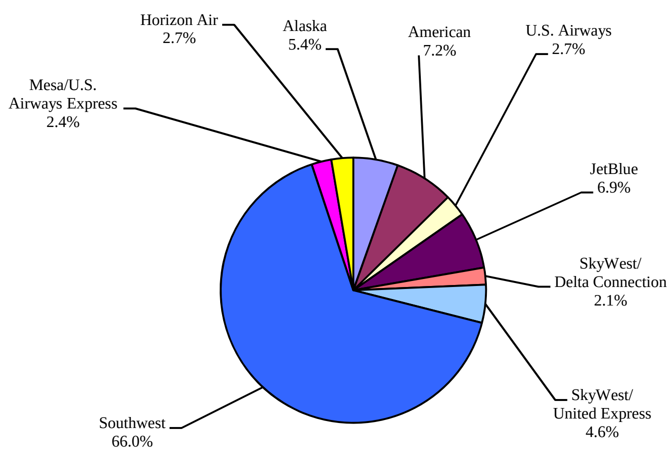
Total Passengers by Air Carrier – *FY 2011*



Air Carrier	*Number of Passengers*
Alaska Airlines	280,447
American Airlines	318,594
JetBlue Airways	273,104
SkyWest Airlines:	
Delta Connection	95,799
United Express	206,500
Southwest Airlines	2,864,328
U.S. Airways	87,237
Mesa – U.S. Airways Express	125,003
Horizon Air	108,916
Total Passengers	4,359,928

***** Note:***
Delta Air Lines service is provided by Delta Connection and United Airlines service is provided by United Express, both operated by SkyWest Airlines.

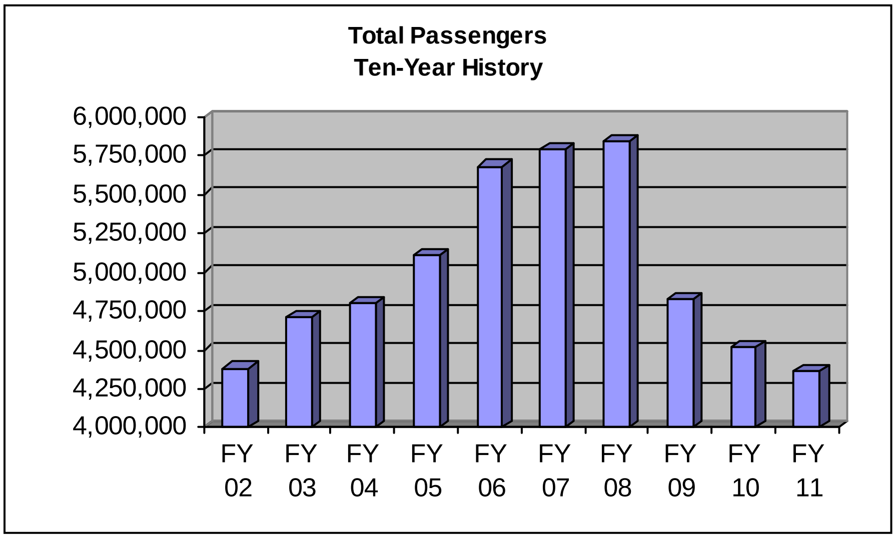
Total Passengers by Air Carrier – *FY 2010*



Air Carrier	*Number of Passengers*
Alaska Airlines	245,100
American Airlines	325,409
JetBlue Airways	313,713
SkyWest Airlines:	
Delta Connection	93,108
United Express	209,234
Southwest Airlines	2,978,621
U.S. Airways	121,031
Mesa – U.S. Airways Express	109,093
Horizon Air	120,404
Total Passengers	4,515,713

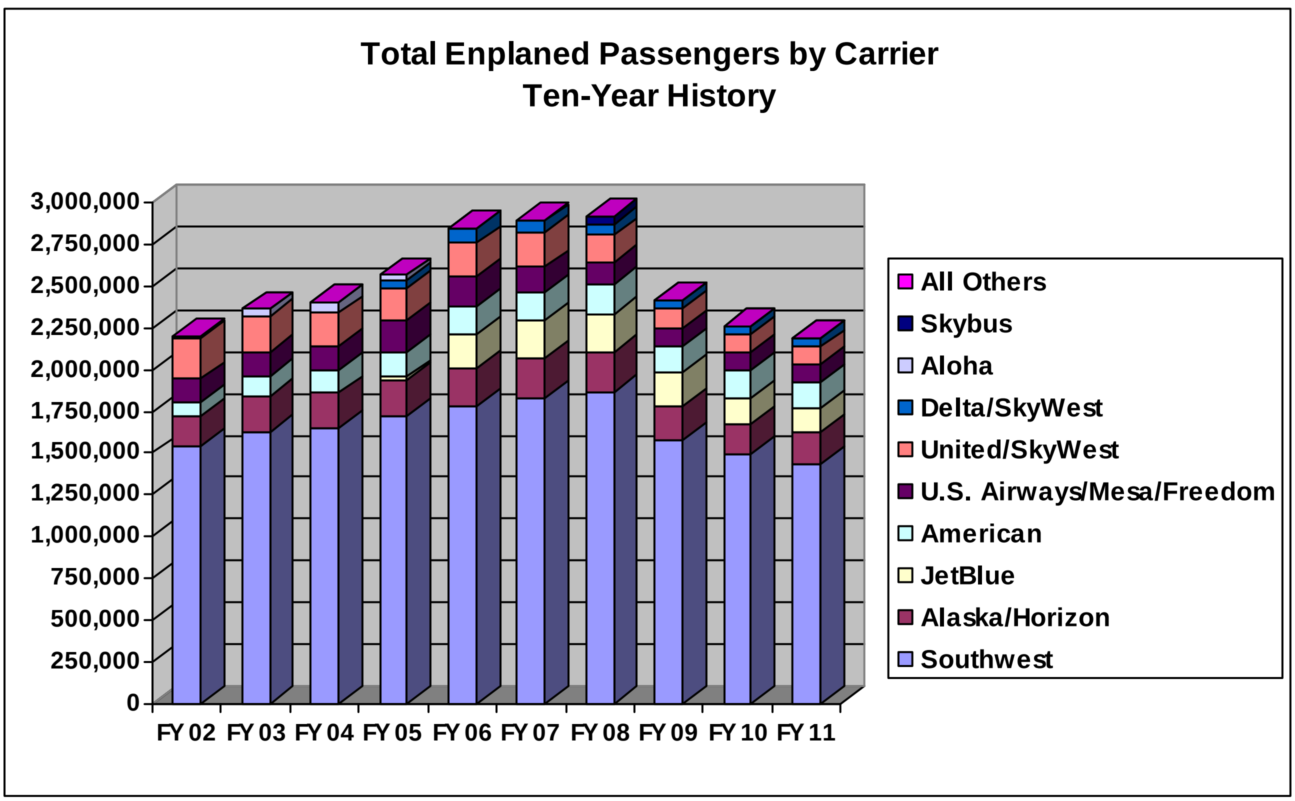
***** Note:***
Delta Air Lines service is provided by Delta Connection and United Airlines service is provided by United Express, both operated by SkyWest Airlines.

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

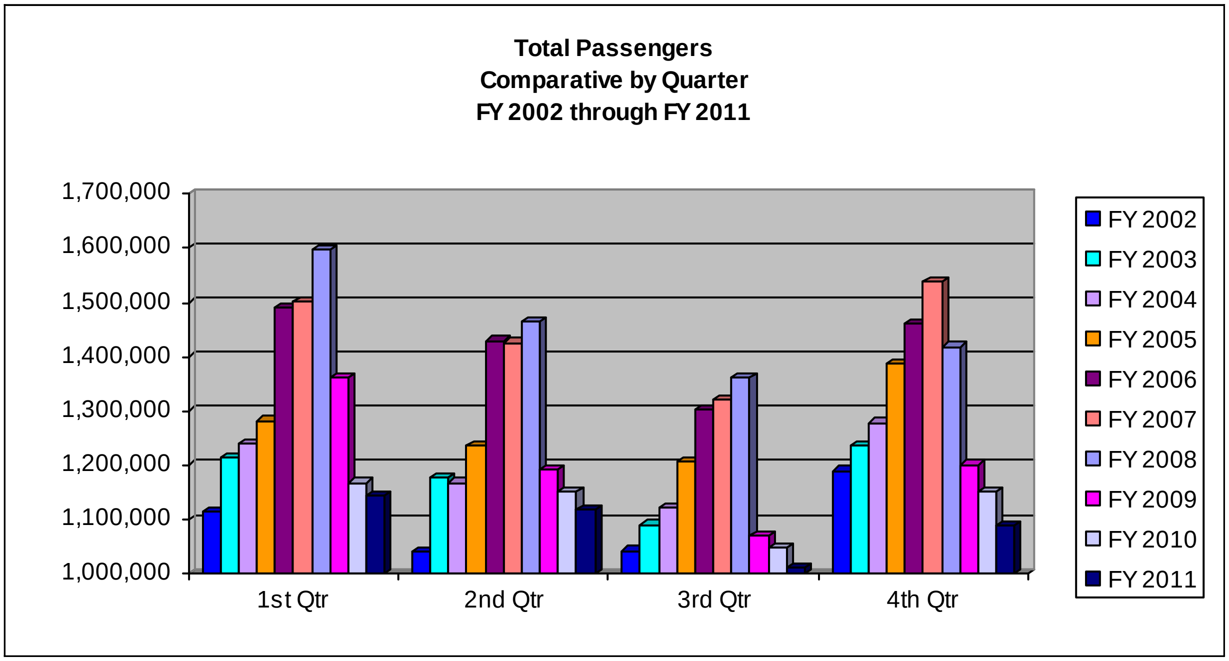


Total Passengers	
FY 2011	4,359,928
FY 2010	4,515,713
FY 2009	4,823,781
FY 2008	5,841,021
FY 2007	5,785,843
FY 2006	5,681,528
FY 2005	5,111,412
FY 2004	4,804,639
FY 2003	4,714,539
FY 2002	4,385,110

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



Illustrated below is a comparison, by quarter, of passenger activity for FY 2002 through FY 2011.



	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total Passengers
FY 2002	1,113,270	1,040,676	1,041,397	1,189,767	4,385,110
FY 2003	1,213,440	1,176,469	1,089,632	1,234,998	4,714,539
FY 2004	1,238,575	1,166,731	1,121,090	1,278,243	4,804,639
FY 2005	1,281,556	1,235,911	1,205,963	1,387,982	5,111,412
FY 2006	1,489,935	1,428,739	1,302,471	1,460,383	5,681,528
FY 2007	1,500,235	1,426,202	1,320,763	1,538,643	5,785,843
FY 2008	1,597,498	1,464,432	1,360,627	1,418,464	5,841,021
FY 2009	1,361,546	1,190,767	1,070,324	1,201,144	4,823,781
FY 2010	1,167,429	1,149,536	1,047,910	1,150,838	4,515,713
FY 2011	1,144,365	1,118,158	1,009,449	1,087,956	4,359,928

Operating Revenues

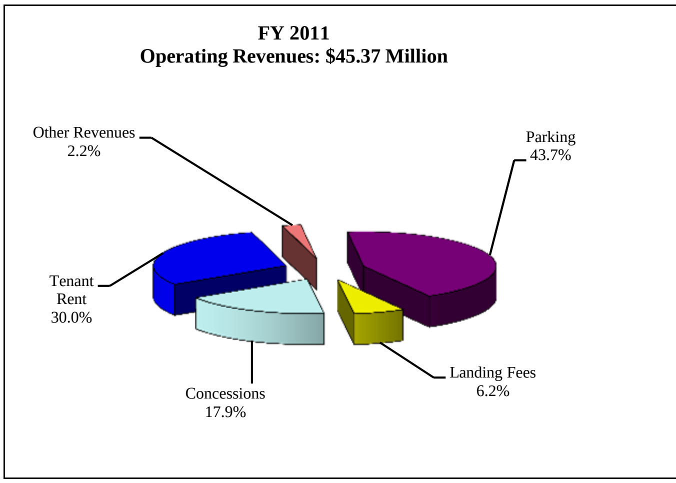
The Airport derives its operating revenues from the operation of parking facilities, tenant rent, concessionaire-assessed rents and fees, aircraft landing fees, and other assessments including ground transportation access fees and fuel flowage fees.

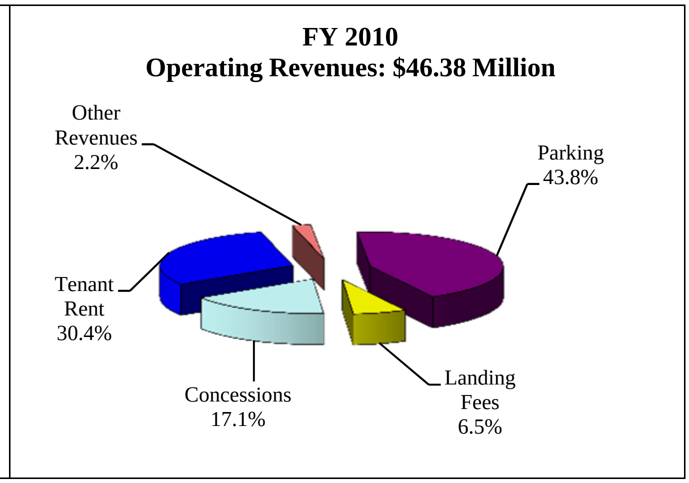
The following table illustrates a comparative summary of operating revenues in FY 2011, FY 2010 and FY 2009:

Comparative Summary of Operating Revenues

				FY 2010/11 increase (decrease)		FY 2009/10 increase (decrease)	
	FY 2011	FY 2010	FY 2009	Amount	%	Amount	%
Parking	$ 19,825,325	20,331,286	21,820,676	(505,961)	(2.5)%	$ (1,489,390)	(6.8)%
Landing fees	2,808,867	2,996,230	3,299,103	(187,363)	(6.3)	(302,873)	(9.2)
Concessions	8,098,199	7,944,325	8,744,001	153,874	1.9	(799,676)	(9.1)
Tenant rent	13,620,630	14,072,543	14,553,636	(451,913)	(3.2)	(481,093)	(3.3)
Other operating revenues	1,011,990	1,033,033	992,499	(21,043)	(2.0)	40,534	4.1
Total operating revenues	$ 45,365,011	46,377,417	49,409,915	(1,012,406)	(2.2)	$ (3,032,498)	(6.1)

The charts below illustrate the distribution of major sources of operating revenues in FY 2011 and FY 2010:





Total operating revenue decreased by $1,012,406, or 2.2%, during FY 2011. Operating revenues directly impacted by decreased passenger levels and reduced air carrier activity from the impacts of the national economic recession include parking revenues, which decreased $505,961, or 2.5%; concession revenues, which increased $153,874, or 1.9%; and landing fees, which decreased $187,363, or 6.3%. Changes to components of concession revenues include rental cars (a 4.6% increase), food/beverage (a 4.0% increase), gift/news (a 2.0% increase) and advertising (a 2.2% decrease). Landing fees are impacted by decreased number of landing aircraft and changes for some operations to smaller aircraft. Tenant rent decreased by $451,913, or 3.2%, primarily due to contractual increases in existing leases (CPI adjustments) of $177,819, offset by partial termination of certain hangar leases from GTC Management Service of $70,523 and the full year impact of termination of a small portion of ramp space of FBO operator Atlantic Aviation and a small portion of hangar leases of FBO operator Million Air in FY 2010 of $353,315. Other operating revenues decreased by $21,043, or 2.0%, primarily due to decreases in fuel flowage fees.

Total operating revenue decreased by $3,032,498, or 6.1%, during FY 2010. Parking revenues decreased by $1,489,390, or 6.8%. This resulted from decreased passengers and reduced air carrier activity from the impacts of the national economic recession. Concession revenues decreased by $799,676, or 9.1%, also impacted by decreased passengers and reduced air carrier activity, including rental cars (a 10.4% decrease), food/beverage (a 7.0% decrease), gift/news (a 6.2% decrease) and advertising (a 7.5% decrease). Landing fees decreased by

$302,873, or 9.2%, primarily due to decreased number of landing aircraft and changes for some operations to smaller aircraft. Tenant rent decreased by $481,093, or 3.3%, from contractual increases in existing leases (CPI adjustments) of $49,627, a full year impact of the increase in a ground lease upon completion of a Leadership in Energy and Environmental Design award hangar (Avjet) in FY 2009 of $110,959; offset by termination of a small portion of ramp space lease of FBO operator Atlantic Aviation and a small portion of hangar leases of FBO operator Million Air of $473,599. Other operating revenues increased by $40,534, or 4.1%, primarily because of an increase in fuel flowage fees of $37,312.

Operating Expenses

The following illustrates a comparative summary of operating expenses in FY 2011, FY 2010 and FY 2009:

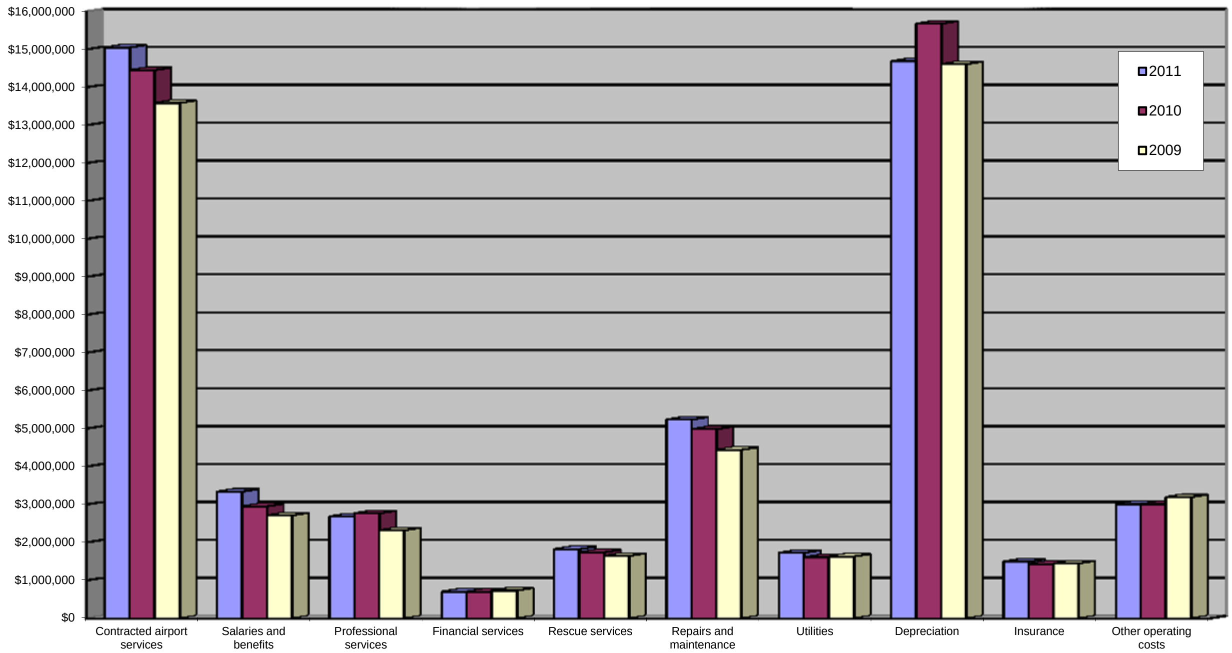
Operating Expenses Summary

				FY 2010/11 increase (decrease)		FY 2009/10 increase (decrease)	
	FY 2011	FY 2010	FY 2009	Amount	%	Amount	%
Contracted airport services	$ 15,051,145	14,453,670	13,589,267	597,475	4.1%	$ 864,403	6.4%
Salaries and benefits	3,340,203	2,953,126	2,715,539	387,077	13.1	237,587	8.7
Financial services	703,676	703,075	735,512	601	0.1	(32,437)	(4.4)
Rescue services	1,825,000	1,741,667	1,646,610	83,333	4.8	95,057	5.8
Repairs and maintenance, materials and supplies	5,240,095	4,987,357	4,443,354	252,738	5.1	544,003	12.2
Utilities	1,728,285	1,609,350	1,630,023	118,935	7.4	(20,673)	(1.3)
Professional services	2,686,206	2,769,555	2,322,905	(83,349)	(3.0)	446,650	19.2
Insurance	1,496,860	1,433,007	1,449,439	63,853	4.5	(16,432)	(1.1)
Other operating expenses	3,011,980	3,012,593	3,197,059	(613)	(0.0)	(184,466)	(5.8)
Operating expenses before depreciation	35,083,450	33,663,400	31,729,708	1,420,050	4.2	1,933,692	6.1
Depreciation	14,689,703	15,679,876	14,612,423	(990,173)	(6.3)	1,067,453	7.3
Total operating expenses	$ 49,773,153	49,343,276	46,342,131	429,877	0.9	$ 3,001,145	6.5

Total operating expenses increased by $429,877, or 0.9% in FY 2011 from a combination of factors, as follows: (1) decreased depreciation expense (decrease of $990,173) resulting from the impact of capital assets fully depreciated in FY 2011 and FY 2010 exceeding capital asset additions in FY 2011 and FY 2010 by $9.9 million; (2) additional contracted airport services costs (increase of $597,475) primarily related to cost of living adjustments and filling open positions for Airport Manager staff; (3) increased salaries and benefits costs for airport police officers (increase of $387,077) primarily resulting from filling open positions and from the impacts of a revised three-year memorandum of understanding with the Burbank-Glendale-Pasadena Airport Police Officers Association that went into effect as of February 1, 2011; (4) increased repairs and maintenance costs (increase of $252,738) primarily resulting from increase airfield and roadway pavement repairs; and (5) increase utility costs (increase of $118,935) primarily the result of a increases in City of Burbank Water and Power rates of 3.5% for electrical and 13.5% for water and wastewater utilities, respectively.

Total operating expenses increased by $3,001,145, or 6.5%, in FY 2010 from a combination of factors, as follows: (1) increased depreciation expense (increase of $1,067,453) resulting from the impact of capital assets additions in FY 2010 and FY 2009 exceeding capital assets fully depreciated in FY 2010 and FY 2009 by $14.9 million; (2) additional contracted airport services costs (increase of $864,403) related to cost of living adjustment and filling open positions for Airport Manager staff; (3) increased salaries and benefits costs for airport police officers (increase of $237,587) as open positions were filled; (4) increased professional services (increase of $446,650 primarily related to EPA/Lockheed legal expenses; offset by (5) decreased other operating costs (decrease of $184,466) consisting primarily of decreased parking taxes to the City of Burbank reflecting the decline in parking revenues.

Operating Expenses
Years ended June 30, 2011, 2010 and 2009



Nonoperating Revenues and Expenses

The following summary illustrates a comparison of nonoperating revenues and expenses in FY 2011, FY 2010 and FY 2009:

Comparative Summary of Nonoperating Revenues and Expenses

	FY 2011	FY 2010	FY 2009	FY 2010/11 increase (decrease) Amount	FY 2010/11 %	FY 2009/10 increase (decrease) Amount	FY 2009/10 %
Nonoperating revenues:							
Passenger Facility Charge (PFC) revenues	$ 9,642,916	10,291,366	11,035,756	(648,450)	(6.3)%	$ (744,390)	(6.7)%
Customer Facility Charge (CFC) revenues	3,186,870	1,755,750	—	1,431,120	81.5	1,755,750	N/A
Investment income	2,508,763	4,210,575	4,649,823	(1,701,812)	(40.4)	(439,248)	(9.4)
FAA and other grants	4,446,419	3,828,715	5,716,446	617,704	16.1	(1,887,731)	(33.0)
	19,784,968	20,086,406	21,402,025	(301,438)	(1.5)	(1,315,619)	(6.1)
Nonoperating expenses:							
Interest expense	2,644,347	2,850,515	2,955,440	(206,168)	(7.2)	(104,925)	(3.6)
Sound insulation program	6,894,782	6,109,511	7,102,086	785,271	12.9	(992,575)	(14.0)
Other	317,434	537,831	592,454	(220,397)	(41.0)	(54,623)	(9.2)
	9,856,563	9,497,857	10,649,980	358,706	3.8	(1,152,123)	(10.8)
Total nonoperating revenues (expenses), net	$ 9,928,405	10,588,549	10,752,045	(660,144)	(6.2)	$ (163,496)	(1.5)

Nonoperating revenues of $19,784,968 in FY 2011 and $20,086,406 in FY 2010 consist of PFC receipts; CFC receipts; investment income, net of amounts capitalized of $4,381 and $2,122 in FY 2011 and FY 2010, respectively; and FAA sound insulation and other non-capital grants. PFC revenue decreased in FY 2011 and FY 2010 due to the decline in passenger traffic and reduced investment income on the PFC Fund resulting from a decline in interest rates. CFC revenue increased in FY 2011 due to a full year implementation of the CFC charge, which was implemented on December 1, 2009 for funding of the CRCF. Investment income decreased in FY 2011 and FY 2010 as interest rates fell. FAA sound insulation grant revenues increase in FY 2011 and decreased in FY 2010 because of related changes in sound insulation program costs and multifamily units reimbursed primarily with PFC revenues.

Nonoperating expenses of $9,856,563 and $9,497,857 in FY 2011 and FY 2010, respectively, include $6,894,782 and $6,109,511, respectively, associated with the Airport's residential and school sound insulation program. These costs increased in FY 2011 by $785,271, or 12.9%, because of an increase in the number of residences insulated and in progress during the year, including multifamily residences. 207 residences were acoustically treated in FY 2011 and 203 are in progress at June 30, 2011. The Authority received grant commitments from the FAA for noise insulation of $12.8 million in August 2006, $7 million in August 2007, $3 million in June 2008 and $7 million in February 2009. Costs for this program decreased in FY 2010 by $992,575, or 14.0%, because of a decrease in the number of residences insulated offset by an increase in residences in progress during the year, including multifamily residences. 135 residences were acoustically treated in FY 2010 and 112 were in progress at June 30, 2010. Interest expense of $2,644,347 and $2,850,515, net of capitalized interest of $46,393 and $24,281, in FY 2011 and FY 2010, respectively, consists of interest expense and related amortization of bond issue costs, deferred amount on refunding (in FY 2010) and original issue premium on the 2005 Airport Revenue Bonds. Other expenses include nighttime noise mitigation costs of $240,776 and $261,120 in FY 2011 and FY 2010 to meet the Authority's ongoing commitment to seek meaningful nighttime noise relief to residences surrounding the airport, ground access study costs of $74,052 in FY 2011, net losses on retirement of capital assets of $2,606 and $92,496 in FY 2011 and FY 2010, respectively, and in FY 2010 the balance of costs to complete the Part 161 Study of $184,215. The Part 161 Study is a process established under the Airport Noise and Capacity Act of 1990 (ANCA) to seek approval from the FAA to implement mandatory limitations of certain flight operations. On November 2, 2009, the Federal Aviation Administration disapproved the Authority's FAR Part 161 application to impose a full night-time curfew at Bob Hope Airport. The Authority continues to work with the City of Burbank and surrounding communities to seek meaningful nighttime noise protection.

Capital Contributions

Capital contributions amounting to $657,273 and $5,445,828 were recorded during FY 2011 and FY 2010, respectively. In FY 2011 these amounts represent FAA airport improvement program grants for acquisition planning (RFP) for acquisition of an Aircraft Rescue and Firefighting (ARFF) Truck of $10,770, Runway Should Rehabilitation of $627,934, Runway Safety (blast fence and service road relocation) of $14,791; and a U.S. Department of Justice grant for Bulletproof vests of $3,778. In FY 2010 these amounts represent an American Recovery and Reinvestment Act (ARRA) grant awarded through the FAA for the Taxiway C, D and G Rehabilitation project of $3,317,221, and FAA airport improvement program grants for the Runway Guard Lights project of $2,117,607, acquisition planning (RFP) for acquisition of an ARFF Truck of $3,040 and Runway Shoulder Rehabilitation project of $7,960.

Special Item –Environmental Litigation and Settlement

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

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

The Authority subsequently settled its lawsuit with Lockheed Martin Corporation by written agreement on February 22, 2011. The written settlement agreement provides that the Authority will pay to Lockheed Martin Corporation the sum of $2,000,000 over two years, with the second installment due in January 2012. In exchange, Lockheed Martin Corporation agreed to defend and indemnify the Authority for certain settled matters, including all response costs (previously estimated by EPA to be $108 million) in connection with the second interim remedy for the North Hollywood Operable Unit asserted by EPA or by any other PRP against either or both Lockheed Martin Corporation and the Authority.

Included in the Special Item are the costs of the settlement totaling $2 million and legal costs related to the EPA and Lockheed matters for the year ended June 30, 2011 totaling $878,795. Legal costs related to the EPA and Lockheed matters for the year ended June 30, 2010 total $514,854 and were included in Professional Services for the year then ended.

Effective February 1, 2011, the Authority implemented a rate increase of $1 per day to all parking charges, the proceeds of which are to be used to fund the EPA and Lockheed legal and settlement costs, including those costs incurred in FY 2010. Incremental parking revenues totaling $591,789 for the year ended June 30, 2011, net of the related 12% City of Burbank parking tax on such incremental parking revenues totaling $63,406, are not included in parking revenues but, rather, are included as an offset to the legal and settlement costs noted above.

Capital Assets

Additions to capital assets in FY 2011 and FY 2010 consisted of $22.1 million and $10.1 million, respectively.

Significant capital asset additions in FY 2011 include:

- Runway shoulder rehabilitation
- Extension of Taxiway D Blast Fence
- Repaving of certain general aviation aircraft ramps
- Landside water line replacement
- Terminal B carpet replacement
- CNG engine retrofit on one shuttle bus

- Additions to construction projects in progress of the Regional Intermodal Transportation Center (RITC), Aircraft Ramps A and B rehabilitation and Common Use Passenger Processing System (CUPPS) projects.

Significant capital asset additions in FY 2010 include:

- Parking Lot B rehabilitation
- Parking Lot E rehabilitation
- Phase II of the digital video surveillance system (DVSS)
- Replacement radio console system
- Blade server and SAN system
- Taxilane B repaving
- Runway guard light system
- Taxiways C, D and G rehabilitation
- Additions to construction projects in progress of the Common Use Passenger Processing System (CUPPS) and Regional Intermodal Transportation Center (RITC) projects.

		2011	2010	2009
Capital assets:				
Land	$	156,923,796	156,923,796	156,923,796
Other non-depreciable capital assets		589,966	589,966	589,966
Buildings and improvements		130,779,287	129,619,952	129,322,739
Runways and improvements		85,078,552	83,702,945	79,467,528
Machinery and equipment		32,584,591	31,841,547	30,470,943
Construction in progress		22,348,353	4,543,304	3,461,223
Less accumulated depreciation		(150,520,115)	(136,871,456)	(125,239,959)
Total capital assets, net	$	277,784,430	270,350,054	274,996,236

The Authority has contract commitments outstanding at June 30, 2011 for various construction contracts totaling $5,754,385. Subsequent to June 30, 2011, the Authority entered into additional construction contracts totaling $1,726,711 primarily related to the Clybourn Complex hangar floor rehabilitation project, Terminal A carpet replacement project and Building 9 infrastructure improvement project.

Additional information regarding the Authority's capital assets can be found in note 5 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 (2005 Bonds) in three series at a net effective interest rate of 4.680%. The $7,750,000 Airport Revenue Bonds 2005 Series A (non-AMT) (2005 Series A Bonds) were issued to refinance the $9,395,000 outstanding Airport Revenue Bonds Refunding Series 1992 (1992 Bonds). The $50,765,000 Airport Revenue Bonds 2005 Series B (AMT) and the $9,020,000 Airport Revenue Bonds 2005 Taxable Series C Bonds were issued to finance the acquisition and improvement of certain land adjacent to the Bob Hope Airport to be used for Airport parking (A-1 North Property Development project). The 2005 Bonds mature in varying amounts through July 1, 2025 and represent the only outstanding bonded debt issue at June 30, 2011 and 2010. The 2005 Bonds are insured by Ambac,

Ambac's ratings have steadily deteriorated. In July 2009, Moody's Investors Service and Standard and Poor's downgraded Ambac to Caa2 and CC, respectively, and withdrew their rating in April 2011 and November 2010, respectively. The underlying ratings of the 2005 Bonds were reviewed during the current year by Standard and Poor's which reaffirmed its A+ (stable) rating, and Fitch Ratings which reaffirmed its AA- rating. Fitch Ratings changed its outlook from stable to negative due to the potential for the Authority to issue parity debt for the proposed RITC project. Depending on the Authority moving forward with a new debt issue in FY 2012, Moody's Investors Service, Standard and Poor's and Fitch Ratings will review the Authority's long-term debt. In March 2008, Moody's Investors Service upgraded its underlying rating on the 2005 Bonds from A1 to Aa3 (stable) and affirmed its rating in April 2009 and June 2010. Standard and Poor's affirmed its rating in November 2008, March 2010 and August 2011. Fitch Ratings affirmed its rating in February 2010 and May 2011. The outstanding balance of 2005 Bonds at June 30, 2011 is $56,190,000, plus unamortized original issue premium of $2,058,186, for a net total amount outstanding for this issue of $58,248,186. Principal payments on the 2005 Bonds of $2,530,000 and $2,420,000 were made July 1, 2010 and 2009, respectively. The current portion of 2005 Bonds at June 30, 2011 is $2,640,000, which was paid July 1, 2011.

Additional information regarding the Authority's long-term debt can be found in note 6 in the accompanying notes to the basic financial statements.

Other Items

Airport Development Agreement

The Authority and the City of Burbank approved a March 15, 2005 "Development Agreement" that sets guidelines on Airport development and provides greater certainty to the City and Authority on issues of Airport zoning and development. Under the terms of the agreement, for a period of seven years, the existing footprint of the terminal, the number of air carrier gates, and the area available for general aviation may not be increased. The Agreement retains approximately 59 acres of property (the B-6 Property) in a trust. The provisions of the trust allow the Authority to use approximately 33 acres of the B-6 Property for purposes that do not involve expansion or enlargement of the Airport. The ultimate disposition of the B-6 Property is to be determined upon the expiration of a ten-year period. The current zoning of Airport property remains unchanged for seven years and allows aviation facilities to be developed consistent with that zoning. Further, the agreement defers public planning and the construction of a new or relocated passenger terminal for a period of ten years.

Under the Development Agreement and related project approvals, the City of Burbank approved the acquisition and planned use of the A-1 North Property (including the former Star Park parking lot) permitting the Authority to acquire and improve this property to relocate valet and self-parking facilities, and permitted the Taxiway D extension.

Based on a recommendation of the Airport Land Use Working Group, on August 1, 2011 the Authority sought and on September 8, 2011 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 new or relocated passenger terminal.

Regional Intermodal Transportation Center (RITC)

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

On May 25, 2011, the Authority opened bids from eight prequalified contractors for construction of the RITC. Those bids, ranging from $159 million to $187 million, significantly exceeded the $112 million construction budget for the RITC included in the Plan of Finance. On June 20, 2011, the Authority rejected all of the bids and the Board of Commissioners directed Authority Staff to look at redesigning and re-programming the RITC to reduce its cost to meet the construction budget while still achieving all of the goals and objectives of the Authority for this facility. On August 1, 2011, the Authority approved redesign services with the expectation of going back out to bid for the redesigned project in November 2011.

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

BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

Statements of Net Assets

June 30, 2011 and 2010

Assets		2011	2010
Current unrestricted assets:			
Cash and investments – current operating fund (note 3)	$	28,847,625	28,322,961
Grants receivable		646,957	722,946
Accounts receivable, net of allowance of $15,500 and $19,314 in 2011 and 2010, respectively		810,117	794,265
Accrued interest receivable		963,599	1,075,858
Prepaid expenses		68,751	67,944
Total current unrestricted assets		31,337,049	30,983,974
Current restricted assets:			
Cash and investments (note 3):			
Cash and investments with trustee:			
Debt Service Fund – 2005 Bonds		4,030,220	3,974,931
Debt Service Reserve Fund – 2005 Bonds		5,482,381	5,528,135
Total cash and investments with trustee		9,512,601	9,503,066
Other restricted cash and investments:			
Operating Reserve Fund		8,971,569	8,605,784
Authority Areas Reserve		2,477,286	2,393,358
Asset Forfeiture Fund		228,264	235,414
Passenger Facility Charge Fund		24,990,394	27,116,212
Customer Facility Charge Fund		3,540,924	292,894
Total other restricted cash and investments		40,208,437	38,643,662
Total restricted cash and investments		49,721,038	48,146,728
Passenger Facility Charge receivables		965,558	1,458,673
Customer Facility Charge receivables		296,510	360,390
Accrued interest receivable, restricted funds		219,484	215,803
Total current restricted assets		51,202,590	50,181,594
Noncurrent restricted assets – Trust Assets (note 4)		58,873,509	58,873,509
Total restricted assets		110,076,099	109,055,103
Bond issuance costs, net (note 6)		737,164	796,698
Cash and investments – Facility Development Reserve (note 3)		100,000,000	106,000,000
Capital assets (notes 5 and 9):			
Land		156,923,796	156,923,796
Other nondepreciable capital assets		589,966	589,966
Construction in progress		22,348,353	4,543,304
Buildings and improvements		130,779,287	129,619,952
Runways and improvements		85,078,552	83,702,945
Machinery and equipment		32,584,591	31,841,547
Less accumulated depreciation		(150,520,115)	(136,871,456)
Total capital assets, net		277,784,430	270,350,054
Total assets		519,934,742	517,185,829

(Continued)

BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

Statements of Net Assets

June 30, 2011 and 2010

Liabilities		**2011**	**2010**
Current liabilities:			
Accounts payable and accrued expenses	$	10,013,860	8,553,199
Salaries and benefits payable		467,652	408,320
Unearned revenue		473,161	317,870
Customer deposits		165,607	185,159
Total current liabilities		11,120,280	9,464,548
Liabilities payable from restricted assets:			
Current portion of long-term debt (note 6)		2,640,000	2,530,000
Accrued interest payable		1,390,219	1,444,930
Total liabilities payable from restricted assets		4,030,219	3,974,930
Long-term debt, net of current portion (note 6):			
Revenue bonds payable, less current portion		53,550,000	56,190,000
Original issue premium, net		2,058,186	2,207,418
Total long-term liabilities		55,608,186	58,397,418
Total liabilities		70,758,685	71,836,896
Net Assets			
Invested in capital assets, net of related debt		225,693,846	215,639,772
Restricted:			
Debt service		11,736,865	11,243,481
Capital projects		89,051,292	88,337,093
Unrestricted		122,694,054	130,128,587
Total net assets	$	449,176,057	445,348,933

See accompanying notes to basic financial statements.

BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

Statements of Revenues, Expenses, and Changes in Net Assets

Years ended June 30, 2011 and 2010

	2011	2010
Operating revenues:		
Charges for services:		
Parking	$ 19,825,325	20,331,286
Landing fees	2,808,867	2,996,230
Concessions	8,098,199	7,944,325
Tenant rent	13,620,630	14,072,543
Fuel flowage fees	533,820	541,732
Other operating revenues	478,170	491,301
Total operating revenues	45,365,011	46,377,417
Operating expenses:		
Contracted airport services	15,051,145	14,453,670
Salaries and benefits	3,340,203	2,953,126
Financial services	703,676	703,075
Rescue services	1,825,000	1,741,667
Materials and supplies	367,457	368,912
Repairs and maintenance	4,872,638	4,618,445
Utilities	1,728,285	1,609,350
Professional services	2,686,206	2,769,555
Insurance	1,496,860	1,433,007
Other operating expenses	3,011,980	3,012,593
Total operating expenses before depreciation	35,083,450	33,663,400
Operating income before depreciation	10,281,561	12,714,017
Depreciation (note 5)	14,689,703	15,679,876
Operating loss	(4,408,142)	(2,965,859)
Nonoperating revenues (expenses):		
Passenger Facility Charge revenue, including interest on the Passenger Facility Charge Fund of $404,103 and $649,043 in 2011 and 2010, respectively (note 10)	9,642,916	10,291,366
Customer Facility Charge revenue (note 11)	3,186,870	1,755,750
Investment income, net of $4,381 and $2,122 capitalized in 2011 and 2010, respectively	2,508,763	4,210,575
Interest expense, net of $46,393 and $24,281 capitalized in 2011 and 2010, respectively	(2,644,347)	(2,850,515)
Loss on retirement of capital assets	(2,606)	(92,496)
Sound insulation program (note 8)	(6,894,782)	(6,109,511)
Federal Aviation Administration grants, sound insulation program (note 8)	4,319,375	3,547,167
Other noncapital federal grants	127,044	281,548
Other expenses, net	(314,828)	(445,335)
Total nonoperating revenues, net	9,928,405	10,588,549
Income before capital contributions and special item	5,520,263	7,622,690
Capital contributions	657,273	5,445,828
Special item – environmental litigation settlement net of allocated parking increment revenue of $528,383 (note 17)	(2,350,412)	—
Changes in net assets	3,827,124	13,068,518
Total net assets – beginning of year	445,348,933	432,280,415
Total net assets – end of year	$ 449,176,057	445,348,933

See accompanying notes to basic financial statements.

BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

Statements of Cash Flows

Years ended June 30, 2011 and 2010

		2011	2010
Cash flows from operating activities:			
Cash received from airline carriers, tenants, and others	$	45,489,478	45,633,916
Cash paid to suppliers of goods and services		(29,403,834)	(28,587,929)
Cash paid for employees' services		(3,286,368)	(2,874,277)
Cash paid for parking taxes to the City of Burbank		(2,133,837)	(2,162,315)
Cash paid for other nonoperating expenses – Part 161 study and nighttime noise mitigation		(249,109)	(460,737)
Cash paid from settlement – hangar floors		(28,190)	(29,179)
Cash (paid for) received from Special Item (note 17):			
Cash paid for environmental litigation settlement		(1,878,521)	—
Cash received from $1 parking rate increment		591,789	—
Cash paid for parking taxes to the City of Burbank for parking increment		(23,830)	—
Net cash provided by operating activities		9,077,578	11,519,479
Cash flows from noncapital financing activities:			
Sound insulation program		(7,597,164)	(5,208,093)
FAA grants, sound insulation program		4,401,551	3,246,390
Ground access study		(58,220)	—
Other noncapital federal grants received		82,594	281,548
Net cash used in noncapital financing activities		(3,171,239)	(1,680,155)
Cash flows from capital and related financing activities:			
Acquisition of capital assets		(21,150,418)	(11,766,450)
Proceeds from sale of capital assets		—	6,285
Principal paid on revenue bonds		(2,530,000)	(2,420,000)
Interest paid on revenue bonds		(2,835,149)	(2,943,343)
Passenger Facility Charge program receipts		9,731,928	9,661,521
Customer Facility Charge program receipts		3,248,030	1,398,080
Capital contributions received		695,536	6,091,361
Net cash provided by (used in) capital and related financing activities		(12,840,073)	27,454
Cash flows from investing activities:			
Interest received on investments, including interest received in the Passenger Facility Charge Fund of $528,684 and $791,592 in 2011 and 2010, respectively		3,113,798	4,330,552
Purchases of investments not considered cash equivalents		(138,439,525)	(133,286,073)
Proceeds from the sale or maturity of investments not considered cash equivalents		145,709,291	116,817,292
Net cash provided by (used in) investing activities		10,383,564	(12,138,229)
Net increase (decrease) in cash and cash equivalents		3,449,830	(2,271,451)
Cash and cash equivalents, beginning of year		18,735,891	21,007,342
Cash and cash equivalents, end of year	$	22,185,721	18,735,891

(Continued)

BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

Statements of Cash Flows

Years ended June 30, 2011 and 2010

		2011	2010
Reconciliation of operating income to net cash provided by operating activities:			
Operating loss	$	(4,408,142)	(2,965,859)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation		14,689,703	15,679,876
Other noncash operating expenses, net		620	30,620
Other nonoperating expenses		(240,776)	(445,335)
Special item (note 17)		(2,350,412)	—
Changes in assets and liabilities:			
Accounts receivable		(15,852)	99,957
Prepaid expenses		(807)	8,364
Accounts payable and accrued expenses		168,323	(102,772)
Accounts payable and accrued expenses related to Special Item		1,039,850	—
Salaries and benefits payable		59,332	79,753
Unearned revenue		155,291	(884,686)
Customer deposits		(19,552)	19,561
Net cash provided by operating activities	$	9,077,578	11,519,479
Reconciliation of cash and cash equivalents to the statements of net assets:			
Operating fund	$	28,847,625	28,322,961
Restricted cash and investments		49,721,038	48,146,728
Facility Development Reserve		100,000,000	106,000,000
Cash, cash equivalents, and investments		178,568,663	182,469,689
Investments not considered cash equivalents		(156,382,942)	(163,733,798)
Cash and cash equivalents, end of year (note 3)	$	22,185,721	18,735,891
Summary of significant noncash investing and financing activities:			
Amortization of bond issuance costs, premiums, and deferred amounts on refunding	$	(89,698)	(15,065)
Change in fair value of investments		(74,229)	1,123,344
Change in capital assets acquired by accounts payable		941,760	(654,148)
Change in sound insulation program from accounts payable		(702,381)	901,419
Capitalized interest expense, net		42,012	22,159

See accompanying notes to basic financial statements.

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(1) Nature of Authority

The Burbank-Glendale-Pasadena Airport Authority (the Authority) is a separate governmental entity created by a Joint Exercise of Power Agreement (Agreement) executed in June 1977 among the Cities of Burbank, Glendale, and Pasadena, California (Cities). The purpose of the Agreement was to enable the Cities to acquire, operate, repair, maintain, improve, and administer the Bob Hope Airport (the Airport) as a public air terminal. The Authority is governed by a nine-member Board of Airport Commissioners, three of which are appointed by the City Council of each of the Cities. The members of the Airport Commission annually elect a President, Vice-President, and Secretary of the Commission. The Authority has contracted with TBI Airport Management, Inc. to perform certain airport administrative, maintenance, and operational services. These contracted services are included in the Authority's statements of revenues, expenses, and changes in net assets as "contracted airport services." The Authority directly employs airport peace 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 assets, financial position, and cash flows. Operating revenues include charges for services and tenant rent. Operating expenses include costs of services as well as materials, contracts, personnel, and depreciation. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

The Authority follows private-sector standards of accounting and financial reporting issued by the Financial Accounting Standards Board (FASB) and predecessor standard setters prior to November 30, 1989, unless those standards conflict with or contradict guidance of the GASB. The Authority also has the option of following subsequent private-sector guidance subject to the same limitation. The Authority has elected not to follow subsequent private-sector guidance.

(b) Description of Basic Financial Statements

Statements of Net Assets – The statements of net assets are designed to display the financial position of the Authority. The Authority's equity is reported as net assets which is classified into three categories defined as follows:

- *Invested in capital assets, net of related debt* – This component of net assets, totaling $225,693,846 and $215,639,772 at June 30, 2011 and 2010, 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 assets consists of constraints placed on net asset use 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 assets restricted for debt service totaled $11,736,865 and $11,243,481 at June 30, 2011 and 2010, respectively. Net assets restricted for capital projects totaled $89,051,292 and $88,337,093 at June 30, 2011 and 2010, respectively, including $26,112,085 and $28,574,885, respectively, restricted by enabling legislation for the passenger facility charge program and $3,837,434 and $653,284, respectively, restricted by enabling legislation for the customer facility charge program.
- *Unrestricted* – This component of net assets, totaling $122,694,054 and $130,128,587 at June 30, 2011 and 2010, respectively, consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt." Included in unrestricted net assets at June 30, 2011 and 2010 is net assets committed by Authority Resolution for engine repowerment of shuttle buses of $541,043 and $700,000, respectively.

Statements of Revenues, Expenses, and Changes in Net Assets – The statements of revenues, expenses, and changes in net assets 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, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

(d) Restricted Assets

Certain assets are restricted based on constraints placed on the assets use through external constraints imposed by creditors (such as through debt covenants), grantors, leases, trust agreements, contributors, law 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 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 equipment purchases. Finally, the Authority received a grant under the American Recovery and Reinvestment Act of 2009 (ARRA) through the FAA for certain taxiway reconstruction. Such grants related to capital acquisitions are recorded on the statements of revenues, expenses, and changes in net assets as capital contributions and for the sound insulation program as nonoperating revenue FAA grants – sound insulation program. Grant revenues are recognized when qualifying expenses under the grant are incurred.

(f) Passenger Facility Charge Revenues

The Authority imposes a Passenger Facility Charge (PFC) of $4.50 per enplaned passenger, as approved by the U.S. Department of Transportation – Federal Aviation Administration, 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 $10.00 per rental car transaction ($6 per rental car transaction day up to five days effective July 1, 2011), to finance the planning, design and construction of a consolidated rental car facility (CRCF), in accordance with California Civil Code Section 1936(m) et seq. Cash and receivables from such revenues are maintained in separate accounts and are restricted for the CRCF project. Revenues are recognized during the period earned.

(h) Revenues and Cash Accounts

All revenues, except Passenger Facility Charges and Customer Facility Charges, 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, 2011 and 2010, there was no balance in the Rebate Fund.
- **Debt Service Fund** – Bond interest currently payable is deposited to this account monthly prior to each semiannual payment. Currently payable bond principal is transferred to this account monthly prior to each annual payment. This cash fund is held by a trustee who pays the bond interest and principal when due.
- **Debt Service Reserve Fund** – 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, is to be held by the trustee in this fund to be used in the event that monies in the Debt Service Fund are insufficient to meet payments when due. During the years ended June 30, 2011 and 2010, the required balance in the Debt Service Reserve Fund, calculated using (ii) greatest annual debt service from the current period to the maturity of the Revenue Bonds, is $5,420,438 and $5,420,438, respectively. The balance in the Debt Service Reserve Fund at June 30, 2011 and 2010 is $5,482,381 and $5,528,135, 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, 2011 and 2010 is $8,971,569 and $8,605,784, 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, this fund will be established and used to pay principal, interest, and other allowable costs associated with the subordinated indebtedness. As of June 30, 2011 and 2010, 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 Fund 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, 2011 and 2010, 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, 2011 and 2010, there was no balance in the Surplus Fund to be transferred to any of the funds mentioned above.

- **Cost of Issuance Fund** – The balance in this fund provides for the payment of costs to issue the 2005 Bonds not paid directly from escrow at the closing of the sale of the 2005 Bonds. This fund is held by a trustee and is subject to the terms and conditions as set forth in the bond indenture. As of June 30, 2011 and 2010, there was no balance in the Cost of Issuance Fund.

- **Construction Fund –** 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. This fund is held by a trustee and is subject to the terms and conditions as set forth in the bond indenture. As of June 30, 2011 and 2010, there is no balance in the Construction Fund.

(i) Other Reserves

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 Bob Hope Airport.
- **Passenger Facility Charge Fund –** Cash and receivables from the Passenger Facility Charge program are maintained in a separate account and are restricted for approved airport improvement projects.
- **Customer Facility Charge Fund –** Cash and receivables from the Customer Facility Charge 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.

(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, 2011, interest cost of $46,392 less interest income of $4,381 was capitalized. During the year ended June 30, 2010, interest cost of $24,281 less interest income of $2,122 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 20 years
Machinery and equipment	3 to 20 years

(k) Vacation and Sick Leave

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

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

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

Vacation and personal leave are accrued as earned by employees.

(l) Investments and Invested Cash

In accordance with California Government Code (Code) Section 53600 et seq., the Authority adopts an investment policy annually for the Operating, PFC and CFC portfolios that, among other things, authorizes types of allowable investments, maximum maturities, maximum concentration of investments by type of investment and issuer, minimum ratings for certain types of investments, and how the investments may be held. These criteria on investments and invested cash related to the Authority's bonded debt are governed by the related Master Indenture of Trust. The Authority further limits all investments to be more restrictive than the Code. Authorized investments and invested cash include U.S. Treasury securities, corporate notes, federal agency securities, money market mutual funds, bankers' acceptances, commercial paper, negotiable and non-negotiable certificates of deposit, repurchase agreements, guaranteed investment contracts and funds deposited in the State Treasurer's Local Agency Investment Fund. 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, State Treasurer's Local Agency Investment Fund), (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, government-sponsored investment pools, and other similar investments is stated at share value. Certain money market mutual fund investments with initial maturities at the time of the purchase of less than one year are recorded at cost. The calculation of realized gains and losses on investments that had been held more than one fiscal year and sold during the current year may have been recognized as an increase or decrease in fair value of investments reported in the prior year.

(m) Statements of Cash Flows

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

(n) Prepaid Expenses

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

(o) Use of Estimates

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

(p) Income Taxes

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

(q) Pollution Remediation Liabilities

The Authority implemented GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, for the FY 2009 basic financial statements and currently does not believe it has any pollution remediation liabilities at June 30, 2011, 2010 or 2009 (see note 17).

(r) Recent Accounting Pronouncements

In June 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, and Deferred Inflows of Resources, and Net Position*. This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities.

Concepts Statement No. 4 also identifies net position as the residual of all other elements presented in a statement of financial position. Statement No. 63 amends the net asset reporting requirements in Statement No. 34, Basic *Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

The requirements of Statement No. 63 will improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position. It alleviates uncertainty about reporting those financial statement elements by providing guidance where none previously existed. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2011. The Authority currently has no transactions that result in deferred outflows of resources or deferred inflows of resources as defined in the Statement; accordingly, the Statement is expected to have minimal or no impact on the Authority's financial reporting.

In June 2011, GASB issued Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions*. The objective of this Statement is to clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2011. The Authority currently does not engage in derivative or swap agreements; accordingly, the Statement is expected to have minimal or no impact on the Authority's financial reporting.

(s) Reclassifications

Certain reclassifications have been made to the amounts reported in 2010 in order to conform to the 2011 presentation. Such reclassifications had no effect on the previously reported change in net assets.

(3) Cash and Investments

(a) Cash and Investments

(i) Cash and investments at June 30, 2011 and 2010 are classified in the accompanying statements of net assets as follows:

		2011	2010
Cash and investments – current assets:			
Operating fund	$	28,847,625	28,322,961
Cash and investments – restricted assets:			
Cash and investments held by bond trustee:			
Debt service fund – 2005 Bonds		4,030,220	3,974,931
Debt service reserve fund – 2005 Bonds		5,482,381	5,528,135
Total cash and investments held by bond trustee		9,512,601	9,503,066
Other restricted cash and investments:			
Operating Reserve fund		8,971,569	8,605,784
Authority Areas Reserve fund		2,477,286	2,393,358
Asset Forfeiture fund		228,264	235,414
Passenger Facility Charge fund		24,990,394	27,116,212
Customer Facility Charge fund		3,540,924	292,894
Total other restricted cash and investments		40,208,437	38,643,662
Total cash and investments – restricted assets		49,721,038	48,146,728
Cash and investments – Facility Development Reserve		100,000,000	106,000,000
Total cash and investments	$	178,568,663	182,469,689

(ii) Cash and investments as of June 30, 2011 and 2010 consist of the following:

		2011	2010
Operating portfolio cash and investments:			
Cash and cash equivalents:			
Cash on hand	$	800	800
Deposits with financial institutions		536,263	510,659
Money market mutual funds		2,372,313	1,252,699
State Treasurer's Local Agency Investment Fund		12,438,897	16,125,590
Total cash and cash equivalents		15,348,273	17,889,748
Investments:			
U.S. Treasury securities		58,889,419	56,206,085
U.S. Agency securities		35,151,229	42,051,232
Medium-term corporate notes		31,135,823	29,410,452
Total investments		125,176,471	127,667,769
Total cash and cash equivalents and investments		140,524,744	145,557,517
Less restricted portion		(11,677,119)	(11,234,556)
Less Facility Development Reserve		(100,000,000)	(106,000,000)
Current and unrestricted cash and investments	$	28,847,625	28,322,961
Passenger Facility Charge Fund:			
Cash and cash equivalents:			
Deposits with financial institutions	$	495,315	65,886
Money market mutual funds		2,801,209	487,363
Total cash and cash equivalents		3,296,524	553,249
Investments:			
U.S. Treasury securities		8,382,069	11,526,155
U.S. Agency securities		6,508,634	8,421,784
Medium-term corporate notes		6,803,167	6,615,024
Total investments		21,693,870	26,562,963
Total cash and cash equivalents and investments	$	24,990,394	27,116,212
Customer Facility Charge Fund:			
Deposits with financial institutions	$	3,540,924	292,894
Investments held by bond trustee:			
Money market mutual funds	$	4,092,173	4,082,960
U.S. Agency securities		5,420,428	5,420,106
Total investments	$	9,512,601	9,503,066

		2011	2010
Summary of cash and investments:			
Cash and cash equivalents:			
Cash on hand	$	800	800
Deposits with financial institutions		4,572,502	869,439
Money market mutual funds		5,173,522	1,740,062
State Treasurer's Local Agency Investment Fund		12,438,897	16,125,590
Total cash and cash equivalents		22,185,721	18,735,891
Investments:			
U.S. Treasury securities		67,271,488	67,732,240
U.S. Agency securities		47,080,291	55,893,122
Medium-term corporate notes		37,938,990	36,025,476
Money market mutual funds held by bond trustee		4,092,173	4,082,960
Total investments		156,382,942	163,733,798
Total cash and cash equivalents and investments	$	178,568,663	182,469,689

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 California Government Code and the Authority's Investment Policy

The table below identifies the investment types that are authorized for the Authority by the California Government Code (or the Authority's investment policy, where more restrictive). The table also identifies certain provisions of the California Government 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 California Government 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%
State Treasurer's Local Agency Investment Fund (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 California Government 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 1.5 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, 2011 and 2010 are as follows:

	June 30, 2011		June 30, 2010	
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	$ 58,889,419	1.54	$ 56,206,085	1.36
U.S. Agency securities	35,151,229	1.33	42,051,232	1.58
Medium-term corporate notes	31,135,823	2.13	29,410,452	2.60
Total operating portfolio Investments	125,176,471	1.63	127,667,769	1.72
Operating portfolio cash equivalents:				
Money market mutual funds	2,372,313	0.05	1,252,699	0.05
State Treasurer’s Local Agency Investment Fund	12,438,897	0.66	16,125,590	0.56
Total operating portfolio cash equivalents	14,811,210	0.56	17,378,289	0.53
Total operating portfolio cash equivalents and investments	139,987,681	1.52	145,046,058	1.58
Passenger Facility Charge (PFC) Fund cash equivalents and investments:				
PFC Fund investments:				
U.S. Treasury securities	8,382,069	1.60	11,526,155	1.39
U.S. Agency securities	6,508,634	1.42	8,421,784	1.65
Medium-term corporate notes	6,803,167	2.09	6,615,024	2.67
Total PFC Fund investments	21,693,870	1.70	26,562,963	1.79
PFC Fund cash equivalents – money market mutual funds	2,801,209	0.05	487,363	0.05
Total PFC Fund cash equivalents and investments	24,495,079	1.51	27,050,326	1.76
Investments held by bond trustee:				
Money market mutual funds	4,092,173	—	4,082,959	—
U.S. Agency securities	5,420,428	<0.01	5,420,106	<0.01
Total investments held by bond trustee	9,512,601	<0.01	9,503,065	<0.01
Total cash equivalents and investments	$ 173,995,361	1.43	$ 181,599,449	1.52

(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 California Government Code, the Authority's investment policy or the Master Indenture of Trust, as amended, and the actual rating as of June 30, 2011 and 2010 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 State Treasurer's Local Agency Investment Fund investments in U.S. Treasury securities and U.S. Agency securities.

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, 2011:						
Operating portfolio cash equivalents and investments:						
Operating portfolio investments:						
U.S. Treasury securities	$ 58,889,419	N/A	$ 58,889,419	—	—	—
U.S. Agency securities:						
Fed. Farm Credit Bank	7,624,096	N/A	—	7,624,096	—	—
Fed. Home Loan Bank	13,876,299	N/A	—	13,876,299	—	—
Fed. Home Loan Mort. Corp.	9,641,798	N/A	—	9,641,798	—	—
Fed. National Mort. Assn.	4,009,036	N/A	—	4,009,036	—	—
Total U.S. Agency securities	35,151,229		—	35,151,229	—	—
Medium-term corporate notes	31,135,823	A	—	—	22,035,701	9,100,122
Total Operating portfolio Investments	125,176,471		58,889,419	35,151,229	22,035,701	9,100,122
Operating portfolio cash equivalents:						
Money market mutual funds	2,372,313	AAA	—	2,372,313	—	—
State Treasurer's Local Agency Investment Fund	12,438,897	N/A	12,438,897	—	—	—
Total Operating portfolio cash equivalents	14,811,210		12,438,897	2,372,313	—	—
Total Operating portfolio cash equivalents and investments	139,987,681		71,328,316	37,523,542	22,035,701	9,100,122
Passenger Facility Charge (PFC) Fund cash equivalents and investments:						
PFC Fund investments:						
U.S. Treasury securities	8,382,069	N/A	8,382,069	—	—	—
U.S. Agency securities:						
Fed. Farm Credit Bank	927,303	N/A	—	927,303	—	—
Fed. Home Loan Bank	2,251,010	N/A	—	2,251,010	—	—
Fed. Home Loan Mort. Corp.	1,648,719	N/A	—	1,648,719	—	—
Fed. National Mort. Assn.	1,681,602	N/A	—	1,681,602	—	—
Total U.S. Agency securities	6,508,634		—	6,508,634	—	—
Medium-term corporate notes	6,803,167	A	—	—	4,810,342	1,992,825
Total PFC Fund investments	21,693,870		8,382,069	6,508,634	4,810,342	1,992,825
PFC Fund cash equivalents – money market mutual funds	2,801,209	AAA	—	2,801,209	—	—
Total PFC Fund cash equivalents and investments	24,495,079		8,382,069	9,309,843	4,810,342	1,992,825
Investments held by bond trustee:						
U.S. Agency securities – Fed. Home Loan Bank	5,420,429	AAA	—	5,420,429	—	—
Money market mutual funds	4,092,172	AAA	—	4,092,172	—	—
Total investments bond trustee	9,512,601		—	9,512,601	—	—
Total cash equivalents and investments	$ 173,995,361		$ 79,710,385	56,345,986	26,846,043	11,092,947

Authorized investment type	Amount	Minimum legal rating	Not required to be rated or not rated	Rating as of year-end: AAA	AA	A	NR*
As of June 30, 2010:							
Operating portfolio cash equivalents and investments:							
Operating portfolio investments:							
U.S. Treasury securities	$ 56,206,085	N/A	$ 56,206,085	—	—	—	—
U.S. Agency securities:							
Fed. Farm Credit Bank	5,095,682	N/A	—	5,095,682	—	—	—
Fed. Home Loan Bank	15,239,347	N/A	—	15,239,347	—	—	—
Fed. Home Loan Mort. Corp.	15,884,360	N/A	—	15,884,360	—	—	—
Fed. National Mort. Assn.	5,831,843	N/A	—	5,831,843	—	—	—
Total U.S. Agency securities	42,051,232		—	42,051,232	—	—	—
Medium-term corporate notes	29,410,452	A	—	—	11,845,728	17,441,286	123,438
Total Operating portfolio Investments	127,667,769		56,206,085	42,051,232	11,845,728	17,441,286	123,438
Operating portfolio cash equivalents:							
Money market mutual funds	1,252,699	AAA	—	1,252,699	—	—	—
State Treasurer's Local Agency Investment Fund	16,125,590	N/A	16,125,590	—	—	—	—
Total Operating portfolio cash equivalents	17,378,289		16,125,590	1,252,699	—	—	—
Total Operating portfolio cash equivalents and investments	145,046,058		72,331,675	43,303,931	11,845,728	17,441,286	123,438
Passenger Facility Charge (PFC) Fund cash equivalents and investments:							
PFC Fund investments:							
U.S. Treasury securities	11,526,155	N/A	11,526,155	—	—	—	—
U.S. Agency securities:							
Fed. Farm Credit Bank	1,374,121	N/A	—	1,374,121	—	—	—
Fed. Home Loan Bank	2,591,869	N/A	—	2,591,869	—	—	—
Fed. Home Loan Mort. Corp.	3,856,051	N/A	—	3,856,051	—	—	—
Fed. National Mort. Assn.	599,743	N/A	—	599,743	—	—	—
Total U.S. Agency securities	8,421,784		—	8,421,784	—	—	—
Medium-term corporate notes	6,615,024	A	—	—	2,537,209	4,048,190	29,625
Total PFC Fund investments	26,562,963		11,526,155	8,421,784	2,537,209	4,048,190	29,625
PFC Fund cash equivalents – money market mutual funds	487,363	AAA	—	487,363	—	—	—
Total PFC Fund cash equivalents and investments	27,050,326		11,526,155	8,909,147	2,537,209	4,048,190	29,625
Investments held by bond trustee:							
U.S. Agency securities – Fed. Home Loan Bank	5,420,106	AAA	—	5,420,106	—	—	—
Money market mutual funds	4,082,960	AAA	—	4,082,960	—	—	—
Total investments bond trustee	9,503,066		—	9,503,066	—	—	—
Total cash equivalents and investments	$ 181,599,450		$ 83,857,830	61,716,144	14,382,937	21,489,476	153,063

* Lehman Brothers Holdings is not rated and, based on the recommendation of the Authority's Investment Manager, is being held for bankruptcy liquidation value.

(g) Concentration of Credit Risk

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

Issuer	Authorized investment type	Reported amount at June 30 2011 Amount	2011 Fund%	2010 Amount	2010 Fund%
Operating portfolio investments:					
Federal Home Loan Bank	U.S. Agency securities	$ 13,876,299	9.91%	$ 15,239,347	10.51%
Federal Home Loan Mortgage Corp.	U.S. Agency securities	9,641,798	6.89	15,884,360	10.95
Federal Farm Credit Bank	U.S. Agency securities	7,624,096	5.45	—	—
Passenger Facility Charge Fund investments:					
Federal Home Loan Bank	U.S. Agency securities	2,251,010	9.19	2,591,869	9.58
Federal National Mortgage Association	U.S. Agency securities	1,681,602	6.87	—	—
Federal Home Loan Mortgage Corp.	U.S. Agency securities	1,648,719	6.73	3,856,051	14.26
Federal Farm Credit Bank	U.S. Agency securities	—	—	1,374,121	5.08
Held by bond trustee:					
Federal National Mortgage Association	U.S. Agency securities	5,420,429	56.98	—	—
Federal Home Loan Bank	U.S. Agency securities	—	—	5,420,106	57.04

(h) Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposit or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the Authority's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provisions for deposits: the California Government 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, 2010 and 2009, a portion of the Authority's deposits with financial institutions were uninsured and the collateral was held in accordance with the California Government Code by the pledging financial institution in the Authority's name, as follows:

		2011	2010
Cash deposits:			
Insured (under Dodd-Frank beginning December 31, 2010 and under TAG program through December 31, 2009)	$	6,377,767	250,000
Uninsured, collateral held in the Authority's name		—	2,464,717
Total cash deposits		6,377,767	2,714,717
Plus deposits in transit		132,624	339,033
Less outstanding checks		(1,937,889)	(2,184,311)
Carrying amount of cash deposits	$	4,572,502	869,439

On July 21, 2010, the Dodd-Frank financial regulatory reform legislation was signed into law making all noninterest-bearing transaction accounts fully insured without limit effective December 31, 2010 until January 1, 2013. During the two-year period, all noninterest-bearing accounts of all banks are covered.

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

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

The Authority is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government 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, 2011 and 2010, the total amount invested by all California local governments and special districts in LAIF was $24.0 billion and $23.3 billion, respectively. LAIF is part of the State of California's Pooled Money Investment Account (PMIA), which as of June 30, 2011 and 2010 had a balance of $66.5 billion and $69.6 billion, respectively. The PMIA is not SEC-registered, but is required to invest according to the California Government Code. Included in PMIA's investment portfolio are certain derivative securities or similar products in the form of structured notes totaling $1.1 billion and $0.6 billion, respectively, and asset-backed securities totaling $2.2 billion and $3.1 billion, respectively.

(4) Trust Assets

Since shortly after the Authority was formed in June 1977, the Authority and the FAA have had on-going concerns and discussions about ways to relocate the terminal complex to improve runway safety at Bob Hope Airport. 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 subsequently began condemnation proceedings to take possession of the B-6 Property. During that condemnation process, the City of Burbank and a number of citizen groups took various actions seeking to prevent the acquisition of property and construction of a replacement terminal facility. Those actions included litigation and voter initiatives.

The condemnation process coupled with the City of Burbank litigation was completed in fiscal year 2000, and resulted in the Authority acquisition of fee-simple restricted title to a 49.2-acre portion of the B-6 Property, subject to agreements which limit the use of that property. Acquisition costs of that portion of the B-6 Property were transferred to the land capital asset account. Costs associated with the balance of the remaining 80.92 acres of the B-6 Property amounting to $80,372,618 were placed in a trust, with title granted to a third-party trustee, and with restrictions placed on the Authority's ability to use the trust property, principally limiting use of the property to non-aviation purposes (B-6 Trust Property). The B-6 Trust Property was classified as restricted trust assets on the Authority's fiscal year 2000 financial statements (see note 14).

In October 2001, the Authority entered into a concurrent agreement to obtain title and then sell 21.65 acres of the Los Angeles portion of the B-6 Trust Property to a third party for $16,954,121. The 21.65 acres of property were considered excess to the requirements for a potential replacement terminal facility. The sale did not materialize, and in fiscal year 2002, the Authority entered into a new agreement to sell the aforementioned 21.65 acres of property for $16,250,000, which closed in July 2003, with net proceeds of $15,428,133 (after brokers and closing fees). The Authority recorded cumulative losses in FY 2001, FY 2002, and FY 2003 totaling $8.3 million reducing the property to its estimated net realizable value each year. Based on the adjustments recorded to reduce the property's carrying value in the previous years and the final sale amount known in fiscal 2003, there was no gain or loss recorded in FY 2004 in conjunction with the completion of the property sale.

Under the terms of the March 15, 2005 Development Agreement (see note 14), the remaining approximate 59 acres of B-6 Trust Property will be retained in a trust for a ten-year period. During this period, the Authority may use approximately 33 acres of the B-6 Trust Property for purposes that do not involve the expansion or enlargement of the Airport. The ultimate disposition of the B-6 Trust Property is to be determined upon the expiration of the ten-year term.

(5) Capital Assets

Changes in capital assets for the year ended June 30, 2011 were as follows:

	July 1, 2010	Additions	Deletions	June 30, 2011
Capital assets not being depreciated:				
Land	$ 156,923,796	—	—	156,923,796
Other non-depreciable assets	589,966	—	—	589,966
Construction in progress	4,543,304	22,126,685	(4,321,636)	22,348,353
Total capital assets not being depreciated	162,057,066	22,126,685	(4,321,636)	179,862,115
Capital assets being depreciated/amortized:				
Building and improvements	129,619,952	1,535,097	(375,762)	130,779,287
Runways and improvements	83,702,945	1,857,723	(482,116)	85,078,552
Machinery and equipment	31,841,547	928,816	(185,772)	32,584,591
Total capital assets being depreciated/ amortized	245,164,444	4,321,636	(1,043,650)	248,442,430
Less accumulated depreciation/amortization for:				
Building structures	(67,933,415)	(7,271,745)	375,762	(74,829,398)
Runway/airfield improvements	(46,885,304)	(4,284,673)	482,116	(50,687,861)
Equipment	(22,052,737)	(3,133,285)	183,166	(25,002,856)
Total accumulated depreciation/ amortization	(136,871,456)	(14,689,703)	1,041,044	(150,520,115)
Total capital assets being depreciated/ amortized, net	108,292,988	(10,368,067)	(2,606)	97,922,315
Total capital assets, net	$ 270,350,054	11,758,618	(4,324,242)	277,784,430

(Continued)

Changes in capital assets for the year ended June 30, 2010 were as follows:

	July 1, 2009	Additions	Deletions	June 30, 2010
Capital assets not being depreciated:				
Land	$ 156,923,796	—	—	156,923,796
Other non-depreciable assets	589,966	—	—	589,966
Construction in progress	3,461,223	11,132,475	(10,050,394)	4,543,304
Total capital assets not being depreciated	160,974,985	11,132,475	(10,050,394)	162,057,066
Capital assets being depreciated/amortized:				
Building and improvements	129,322,739	1,175,663	(878,450)	129,619,952
Runways and improvements	79,467,528	7,113,203	(2,877,786)	83,702,945
Machinery and equipment	30,470,943	1,761,528	(390,924)	31,841,547
Total capital assets being depreciated/ amortized	239,261,210	10,050,394	(4,147,160)	245,164,444
Less accumulated depreciation/amortization for:				
Building structures	(61,397,544)	(7,414,321)	878,450	(67,933,415)
Runway/airfield improvements	(45,776,595)	(3,986,495)	2,877,786	(46,885,304)
Equipment	(18,065,820)	(4,279,060)	292,143	(22,052,737)
Total accumulated depreciation/ amortization	(125,239,959)	(15,679,876)	4,048,379	(136,871,456)
Total capital assets being depreciated/ amortized, net	114,021,251	(5,629,482)	(98,781)	108,292,988
Total capital assets, net	$ 274,996,236	5,502,993	(10,149,175)	270,350,054

(6) Long–Term Debt

The following is a summary of changes in long—term debt for the years ended June 30, 2011 and 2010:

	Beginning balance	Additions	Deductions	Ending balance	Due within one year
Year ended June 30, 2011:					
Revenue bonds payable:					
2005 Series A	$ 7,750,000	—	(855,000)	6,895,000	880,000
2005 Series B	50,765,000	—	(1,470,000)	49,295,000	1,760,000
2005 Taxable Series C	205,000	—	(205,000)	—	—
Plus (less) deferred amounts for:					
Original issue premium	2,207,418	—	(149,232)	2,058,186	—
Total long–term debt payable	$ 60,927,418	—	(2,679,232)	58,248,186	2,640,000
Year ended June 30, 2010:					
Revenue bonds payable:					
2005 Series A	$ 7,750,000	—	—	7,750,000	855,000
2005 Series B	50,765,000	—	—	50,765,000	1,470,000
2005 Taxable Series C	2,625,000	—	(2,420,000)	205,000	205,000
Plus (less) deferred amounts for:					
Original issue premium	2,356,651	—	(149,233)	2,207,418	—
Deferred amount on refunding	(41,351)	—	41,351	—	—
Total long–term debt payable	$ 63,455,300	—	(2,527,882)	60,927,418	2,530,000

(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 and the Debt Service Reserve Fund.

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 are due in annual installments ranging from $855,000 to $1,100,000 from July 1, 2010 to July 1, 2017 with interest rates ranging from 3.125% to 4.000% payable semiannually on July 1 and January 1. The 2005 Series A Bonds maturing on or after July 1, 2016 are 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 A Bonds outstanding at June 30, 2011 and 2010 is $6,895,000 and $7,750,000, respectively, plus unamortized original issue premium of $23,300 and $27,183, respectively. At June 30, 2011 and 2010, the current portion of the 2005 Series A Bonds, paid July 1, 2011 and 2010, are $880,000 and $855,000, respectively. Bond issuance costs of $145,647 were capitalized and are being amortized using the straight-line method over the life of the 2005 Series A Bonds. Unamortized bond issue costs of $72,238 and $84,277 at June 30, 2011 and 2010, respectively, are reported in the accompanying statement of net assets.

The $50,765,000 Airport Revenue Bonds 2005 Series B (AMT) (2005 Series B Bonds), at an effective interest rate of 4.738%, and the $9,020,000 Airport Revenue Bonds 2005 Taxable Series C

(2005 Taxable Series C Bonds), at an effective interest rate of 5.067%, were issued to finance the acquisition and improvement of certain land adjacent to the Bob Hope Airport to be used for Airport parking, fund the Debt Service Reserve Fund, and pay the cost of issuance of the 2005 Bonds. The 2005 Series B Bonds are due in annual installments ranging from $1,470,000 to $5,160,000 from July 1, 2010 to July 1, 2025 with interest rates ranging from 5.000% to 5.250% payable semiannually on July 1 and January 1. The 2005 Taxable Series C Bonds are due in annual installments ranging from $205,000 to $2,420,000 from July 1, 2006 to July 1, 2010 with interest rates ranging from 3.810% to 4.490% payable semiannually on July 1 and January 1. The 2005 Series B Bonds maturing on or after July 1, 2016 are 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, 2011 and 2010 is $49,295,000 and $50,765,000, respectively, plus unamortized original issue premium of $2,034,886 and $2,180,235, respectively. At June 30, 2011 and 2010, the current portion of the 2005 Series B Bonds, paid July 1, 2011 and 2010, are $1,760,000 and $1,470,000, respectively. The balance of 2005 Taxable Series C Bonds outstanding at June 30, 2010 is $205,000. The 2005 Taxable Series C Bonds were paid in full July 1, 2010. Bond issuance costs of $954,512 for the 2005 Series B Bonds and $169,646 for the 2005 Taxable Series C Bonds were capitalized and are being amortized using the straight-line method over the life of the respective bonds. Unamortized bond issue costs at June 30, 2011 and 2010 for 2005 Series B Bonds of $664,926 and $712,421, respectively, are reported in the accompanying statement of net assets. The bond issue costs for 2005 Taxable Series C Bonds were fully amortized at June 30, 2010.

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 various bond indentures. Authority management believes that the Authority has complied with such requirements.

(b) Annual Debt Service Requirements to Maturity

Revenue bond debt service requirements to maturity are as follows:

	2005 Series A		2005 Series B		Total		Total debt
	Principal	Interest	Principal	Interest	Principal	Interest	service
Payable in year ending June 30:							
2012	$ 880,000	244,687	1,760,000	2,476,350	2,640,000	2,721,037	5,361,037
2013	915,000	213,275	1,840,000	2,386,350	2,755,000	2,599,625	5,354,625
2014	945,000	179,544	1,935,000	2,289,556	2,880,000	2,469,100	5,349,100
2015	980,000	143,138	2,035,000	2,185,344	3,015,000	2,328,482	5,343,482
2016	1,020,000	105,325	2,140,000	2,075,750	3,160,000	2,181,075	5,341,075
2017 – 2021	2,155,000	87,100	16,130,000	8,244,363	18,285,000	8,331,463	26,616,463
2022 – 2026	—	—	23,455,000	3,046,375	23,455,000	3,046,375	26,501,375
Total principal and interest to maturity	6,895,000	$ 973,069	49,295,000	22,704,088	56,190,000	23,677,157	79,867,157
Unamortized portion of:							
Original issue premium	23,300		2,034,886		2,058,186		2,058,186
Less current portion of principal	(880,000)		(1,760,000)		(2,640,000)		(2,640,000)
Total long-term portion of revenue bonds payable	$ 6,038,300		49,569,886		55,608,186		79,285,343

(c) Pledged Revenues

The 2005 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. Net revenues and accrued debt service on the 2005 Bonds for the years ended June 30, 2011 and 2010 are as follows:

	2011	2010
Net Revenues	$ 12,790,324	16,924,592
Accrued debt service on 2005 Bonds	5,420,438	5,419,861
Ratio of Net Revenues to accrued debt service on 2005 Bonds	2.36	3.12

The estimated aggregate total amount of pledged net revenues and amounts in the funds established under the Master Indenture of Trust related to the 2005 Bonds is equal to the remaining debt service on the 2005 Bonds at June 30, 2011 of $79,867,157. The pledged revenues are in force during the term of the 2005 Bonds with final maturity on July 1, 2025.

(7) Retirement Plan

The Authority previously provided pension benefits for all of its full-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. In April 2002, as part of an employment contract negotiated with the Authority, the employees elected to terminate their participation in the existing pension plan to participate in a SEP

IRA program. The Authority terminated the existing plan effective June 30, 2002. The Authority continued to contribute 5% of the employee's eligible base salary each year to individual SEP IRA accounts to be managed at the employee's discretion.

Effective February 1, 2006, the Authority entered into a new employment contract which, among other things, called for the implementation of a 401(k) program sponsored by the Burbank-Glendale-Pasadena Airport Police Officers Association ("BGPAPOA") into which the Authority would contribute 6% of eligible base salaries as a retirement contribution. Employees may also contribute to their 401(k) account, but there is no additional Authority match. The BGPAPOA established its 401k Plan effective January 1, 2007. For periods prior to January 1, 2007, the Authority continued to contribute to individual SEP IRA accounts managed at the employee's discretion on an annual basis. Beginning January 1, 2007, the Authority contributed 6% of eligible base salary to the BGPAPOA 401k Plan as part of weekly payroll. Effective February 1, 2011, the Authority entered into a new employment contract with the same terms related to the 401(k) program and Authority retirement contribution.

The Authority's total salaries and benefits were $3,340,203 in FY 2011 and $2,953,126 in FY 2010. The Authority's contributions have been calculated using the base salary amount of $2,482,440 in FY 2011 and $2,236,015 in FY 2010. The Authority made the required accruals and contributions, amounting to $148,946 and $134,161 in fiscal years 2011 and 2010, respectively.

(8) Sound Insulation Programs

(a) School Sound Insulation Program

In FY 1989, the Authority adopted a FAA-approved multiyear school sound insulation program. Four schools were initially identified for the insulation program: Luther Burbank Middle School, Glenwood Elementary School, St. Patrick's School, and Mingay School. As of June 30, 2005, the sound insulation of these schools has been completed. In November 2000, the FAA approved the Authority's revised acoustical treatment program that added four additional schools. As of June 30, 2011, two of these additional schools have been completed. The Authority has applied for grant assistance to be supplemented with Passenger Facility Charge (PFC) funds.

(b) Residential Home Sound Insulation Program

As part of th e 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, Passenger Facility Charge funds, and Authority funds.

The Authority has entered into agreements with the FAA to provide funding assistance. The following sound insulation grant award agreements were outstanding during the years ended June 30, 2011 and 2010:

Date accepted	AIP grant number	Award Amount	Project description
August 2006	3-06-0031-41	$ 12,000,000	Sound insulation of residences
August 2007	3-06-0031-44	7,000,000	Sound insulation of residences
June 2008	3-06-0031-45	3,000,000	Sound insulation of residences
February 2009	3-06-0031-47	7,000,000	Sound insulation of residences

During the year ended June 30, 2011, the Authority expended $6,894,782 on these projects, of which $4,319,375 was funded through FAA grants, $2,317,859 through PFC funds and $257,548 through

Authority funds. The Authority acoustically treated approximately 207 residences during FY 2011 and an additional 203 are in progress at June 30, 2011. During the year ended June 30, 2010, the Authority expended $6,109,511 on these projects, of which $3,547,167 was funded through FAA grants, $2,445,063 through PFC funds and $117,281 through Authority funds. The Authority acoustically treated approximately 135 residences during FY 2010 and an additional 112 are in progress at June 30, 2010.

(9) 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, 2011 as follows:

	Cost	Accumulated depreciation
Land	$ 28,773,504	—
Buildings and improvements	31,006,790	22,733,089
Runways and improvements	647,000	647,000
	$ 60,427,294	23,380,089

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 $8,098,199 and $7,944,325 for the years ended June 30, 2011 and 2010, respectively, consisting of MAG revenues of $7,561,737 and $7,367,142, respectively, and over-MAG revenues of $536,462 and $577,183, respectively.

Minimum future rental revenue on noncancelable leases in effect at June 30, 2011 is as follows:

	Lease revenue
Fiscal year ending June 30:	
2012	$ 23,864,506
2013	14,409,592
2014	10,752,142
2015	6,519,559
2016	5,672,173
2017 – 2021	18,173,535
2022 – 2026	12,714,067
2027 – 2031	1,895,266
	$ 94,000,840

(10) Passenger Facility Charges

In June 1994, the FAA approved the Authority's application to collect a $3.00 Passenger Facility Charge (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, 2011 and 2010 totaled $9,642,916 and $10,291,365, respectively, including investment income on the PFC investment portfolio of $404,103 and $649,043, respectively. During the year ended June 30, 2011, funds totaling $12,305,329 for eligible costs expended on PFC projects were reimbursed to the Current Operating Fund from the PFC Fund. Of this amount, $2,946,776 was for sound insulation program expenditures, $8,177,263 was for the Ramp Renovation project and $1,181,290 was for other Airport facility development projects. During the year ended June 30, 2010, funds totaling $15,168,837 for eligible costs expended on PFC projects were reimbursed to the Current Operating Fund from the PFC Fund. Of this amount, $1,715,544 was for sound insulation program expenditures, $4,108,344 was for the Engineered Material Arresting System (EMAS) Extension project, $3,000,000 for the Terminal A Baggage Claim project, $2,860,931 was for the Taxiway D Extension project, and $3,484,018 was for other Airport facility development projects.

(11) Customer Facility Charges

Effective December 1, 2009, the Authority adopted a $10 Customer Facility Charge (CFC) per rental car transaction to provide for the planning, design, construction and financing of a consolidated rental car facility (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, 2011 and 2010 totaled $3,186,870 and $1,755,750, respectively. During the year ended June 30, 2011 and 2010, funds totaling $0 and $1,105,186, respectively, for eligible costs expended on the CRCF project were reimbursed to the Current Operating Fund from the CFC Fund.

(12) 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 and a City parking tax.

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 $2,157,963 and $2,149,576 during the years ended June 30, 2011 and 2010, respectively, of which $63,406 and $0 related to the $1 incremental parking revenue, respectively (see note 17). The Authority incurred utility expense for electricity, water and wastewater utilities from Burbank Water and Power during the years ended June 30, 2011 and 2010 totaling $1,900,310 and $1,807,754 (including amounts charged back to tenants of $278,876 and $273,030), respectively.

(13) Commitments and Contingencies

(a) Litigation and Claims

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

Several lawsuits and claims, arising in the normal course of Authority operations, and the items described below, were pending against the Authority at June 30, 2011. In the opinion of the Authority's management and legal counsel, there are adequate defenses to these actions, and the Authority's management and legal counsel do not anticipate material adverse effects on the financial position of the Authority from the disposition of these lawsuits and claims.

EPA Superfund Site Cleanup (North Hollywood Operable Unit)

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

Clybourn Complex Hangar Floors

The hangar floors of eight hangars constructed between 1997 and 1999 located in the Clybourn Complex in the northwest corner of the Airport have experienced surface deterioration through blisters or "pop outs" caused by reactive aggregate. While this damage is superficial, not structural, it results in an unsightly appearance. The Authority, its insurer, the construction contractor of the hangars and other parties reached a settlement to claims filed by the Authority on this matter totaling $2,223,219; such accumulated receipts, less payments of $29,179 and $38,997 during the years ended June 30, 2010 and 2011, respectively, 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 have begun in August 2011 and are expected to be completed during FY 2012.

(b) Contracted Services

The Authority has contracted with TBI Airport Management, Inc. (TBI) to perform certain airport administrative, maintenance, and operational 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 year ended June 30, 2011 and 2010 total $9,110,863 and $8,209,888, as follows:

	2011	2010
Contracted airport services	$ 8,189,473	7,783,502
Capitalized to constructed capital assets	629,081	154,351
Sound insulation program	218,946	232,103
Other expenses	73,363	39,932
Total airport management contract costs	$ 9,110,863	8,209,888

The Authority contracts with Pro-Tec Fire Services for aircraft rescue and firefighting services. The agreement expires October 31, 2013 with two one-year options. Minimum future commitments under this agreement are as follows:

Fiscal year ending June 30:	
2012	$ 1,900,000
2013	1,975,000
2014	666,667
	$ 4,541,667

The Authority contracts with Central Parking System for self-park management services, valet parking services and employee and customer busing service, which runs through June 30, 2011. This agreement has been extended on a month-to-month basis while the Authority seeks responses to a request for proposals for this service. 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, 2011 and 2010 total $6,861,672 and $6,670,168, respectively.

(c) Construction Contracts

The Authority has contract commitments outstanding at June 30, 2011 for various construction contracts totaling $5,754,385. Subsequent to June 30, 2011, the Authority entered additional construction contracts totaling $1,726,711, primarily related to the Clybourn Complex hangar floor rehabilitation project, Terminal A carpet replacement project and Building 9 infrastructure improvement project.

(d) Federal Grants

As of June 30, 2011, the Authority had nonexpended, noncancelable grant commitments of $19,912,194 in federal funds of which $11,942,703 related to the sound insulation program, $618,381 related to an Aircraft Rescue and Firefighting vehicle, $949,479 related to the runway safety area improvements – phase 1 project, $450,000 related to the fiber optic ring project, $4,327,760 related to the transit access study project, $1,486,675 related to Regional Intermodal Transportation Center project and $137,196 in asset forfeiture funds.

The Authority has been awarded various federal 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, 2011 and 2010, are as follows:

Award Date	Award Amount	Project description	Expenditures charged to grant 2011	Expenditures charged to grant 2010
August 2006	$ 12,000,000	Noise mitigation measures	$ —	$ 2,989,069
August 2007	7,000,000	Noise mitigation measures	4,019,805	314,858
June 2008	3,000,000	Noise mitigation measures	116,944	103,865
October 2008	3,778	Bulletproof vest	3,778	—
February 2009	7,000,000	Noise mitigation measures	182,626	139,376
February 2009	1,674,842	Runway guard lights	—	1,476,196
May 2009	3,985,000	Taxiway C, D & G rehabilitation	—	3,317,221
July 2009	641,410	Runway guard lights	—	641,410
July 2009	632,191	ARFF vehicle	10,770	3,040
July 2009	450,000	Fiberoptic ring/perimeter security	—	—
March 2010	604,425	Runway shoulder rehabilitation	596,465	7,960
June 2010	275,000	Fiberoptic ring/perimeter security	—	—
July 2010	115,244	Runway shoulder rehabilitation	31,469	—
July 2010	4,387,000	Transit access study	59,240	—
March 2011	964,270	Runway 15 safety areas	14,791	—
March 2011	550,000	RITC	—	—
May 2011	936,675	RITC (five grants transferred from City of Burbank)	—	—
Various	431,454	Asset forfeiture funds	132,721	232,333

On September 7, 2011, the FAA awarded the Authority a grant in the amount of $728,120 for phase 2 funding to complete the improvements of the Runway 15 safety areas and $483,550 for rehabilitation of the ARFF Station. On September 13, 2011, the FAA awarded the Authority a grant in the amount of $805,900 for a 14 CFR Part 150 noise compatibility study update.

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.

(14) Airport Development Agreement

The Authority and the City of Burbank have entered into a multiyear agreement (the 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.

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

Based on a recommendation of the Airport Land Use Working Group, on August 1, 2011 the Authority sought and on September 8, 2011 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 new or relocated passenger terminal.

(15) Part 161 Application

On November 2, 2009, the Federal Aviation Administration disapproved the Authority's FAR Part 161 application to impose a full night-time curfew at Bob Hope Airport. The Authority continues to work with the City of Burbank and surrounding communities to seek meaningful nighttime noise protection.

(16) Regional Intermodal Transportation Center

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

On May 25, 2011, the Authority opened bids from eight prequalified contractors for construction of the RITC. Those bids, ranging from $159 million to $187 million, significantly exceeded the $112 million construction budget for the RITC included in the Plan of Finance. On June 20, 2011, the Authority rejected all of the bids and the Board of Commissioners directed Authority Staff to look at redesigning and re-programming the RITC to reduce its cost to meet the construction budget while still achieving all of the goals and objectives of the Authority for this facility. On August 1, 2011, the Authority approved redesign services with the expectation of going back out to bid for the redesigned project in November 2011.

(17) Special Item – Environmental Litigation and Settlement

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

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

Purchase Agreement executed by it and by Lockheed. Lockheed answered the complaint, denying the material allegations thereof and asserting various affirmative defenses.

The Authority settled its lawsuit with Lockheed Martin Corporation by written agreement on February 22, 2011. The written settlement agreement provides that the Authority will pay to Lockheed Martin Corporation the sum of $2,000,000 over two years, with the second installment due in January 2012. In exchange, Lockheed Martin Corporation agreed to defend and indemnify the Authority for certain settled matters, including all response costs (estimated by EPA to be $108 million) in connection with the second interim remedy for the North Hollywood Operable Unit asserted by EPA or by any other PRP against either or both Lockheed Martin Corporation and the Authority.

Included in the Special Item are the costs of the settlement totaling $2 million and legal costs related to the EPA and Lockheed matters for the year ended June 30, 2011 totaling $878,795. Legal costs related to the EPA and Lockheed matters for the year ended June 30, 2010 total $514,854 and were included in Professional Services for the year then ended.

Effective February 1, 2011, the Authority implemented a rate increase of $1 per day to all parking charges, the proceeds of which are to be used to fund the EPA and Lockheed legal and settlement costs, including those costs incurred in FY 2010. Incremental parking revenues totaling $591,789 for the year ended June 30, 2011, net of the related 12% City of Burbank parking tax on such incremental parking revenues totaling $63,406, are not included in parking revenues but, rather, are included as an offset to the legal and settlement costs noted above.