

**BURBANK-GLENDALE-PASADENA
AIRPORT AUTHORITY**

Schedule of Passenger Facility Charge
Revenues and Expenditures

Year ended June 30, 2017

(With Independent Auditor's Reports Thereon)



Certified
Public
Accountants

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**Independent Auditor's Report on Compliance with Applicable Requirements of
the Passenger Facility Charge Program, Internal Control over Compliance in
Accordance with the *Passenger Facility Charge Audit Guide for Public Agencies* and
Schedule of Passenger Facility Charge Revenues and Expenditures**

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

Compliance

We have audited the compliance of the Burbank-Glendale-Pasadena Airport Authority (Authority) with the compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies* (Guide), issued by the Federal Aviation Administration (FAA), applicable to its passenger facility charge program for the year ended June 30, 2017.

Management's Responsibility

Compliance with the requirements referred to above is the responsibility of the Authority's management.

Auditor's Responsibility

Our responsibility is to express an opinion on the Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the Guide. Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a material effect on the passenger facility charge program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Authority's compliance with those requirements.

Opinion

In our opinion, the Authority complied, in all material respects, with the compliance requirements referred to above that are applicable to its passenger facility charge program for the year ended June 30, 2017.

Internal Control over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit, we considered the Authority's internal control over compliance to determine the auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses in internal control over compliance. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the Guide. Accordingly, this report is not suitable for any other purpose.

Schedule of Passenger Facility Charge Revenues and Expenditures

We have audited the basic financial statements of the Authority as of and for the year ended June 30, 2017, and have issued our report thereon dated December 12, 2017, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the Authority as a whole. The accompanying Schedule of Passenger Facility Charge Revenues and Expenditures (Schedule) is presented for purposes of additional analysis as required by the Guide, issued by the FAA, and is not a required part of the Authority's basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule is fairly stated in all material respects in relation to the basic financial statements as a whole.



Los Angeles, California
December 12, 2017

**BURBANK-GLENDALE-PASADENA
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Schedule of Passenger Facility Charge Revenues and Expenditures

Year ended June 30, 2017 and each quarter during the
period from July 1, 2016 through June 30, 2017

(With cumulative total amounts at June 30, 2017 and 2016)

Revenues	Application number	Initial Date approved	Impose Amount approved	Use Amount approved	Cumulative total – June 30, 2016	Quarter ended				Year ended June 30, 2017	Cumulative total – October 1, 1994 to June 30, 2017
						September 30, 2016	December 31, 2016	March 31, 2017	June 30, 2017		
Passenger facility charge revenues					\$ 187,472,245	\$ 2,113,887	\$ 2,196,392	\$ 1,972,628	\$ 2,371,206	\$ 8,654,113	\$ 196,126,358
Interest earned (note 4)					11,135,272	54,280	125,479	83,970	46,828	310,557	11,445,829
Total passenger facility charge revenues					\$ 198,607,517	\$ 2,168,167	\$ 2,321,871	\$ 2,056,598	\$ 2,418,034	\$ 8,964,670	\$ 207,572,187
Expenditures											
Runway reconstruction/land acquisition – Plant C-1	94-01-C-03-BUR	06/17/94	\$ 33,330,107	\$ 5,500,929	\$ 5,500,929	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 5,500,929
Land acquisition – Plant B-6	96-02-U-02-BUR	02/05/97	—	27,829,178	27,829,178	—	—	—	—	—	27,829,178
Sound insulation/other miscellaneous airport projects	00-04-C-01-BUR	04/02/01	73,699,087	73,699,087	30,427,391	1,359	—	2,788	461	4,608	30,431,999
Terminal security enhancement project	03-05-C-02-BUR	04/11/03	22,648,756	22,648,756	22,648,756	—	—	—	—	—	22,648,756
Runway rehabilitation/other miscellaneous projects	04-06-C-01-BUR	05/27/04	9,077,000	9,077,000	7,862,275	—	—	—	—	—	7,862,275
Airport infrastructure/other miscellaneous projects	06-07-C-06-BUR	06/26/06	42,946,265	25,396,445	21,060,397	—	—	7,495	—	7,495	21,067,892
Airport infrastructure/other miscellaneous projects	09-09-C-01-BUR	09/28/09	24,965,000	29,229,805	23,007,048	50,620	—	—	—	50,620	23,057,668
Airport infrastructure/other miscellaneous projects	09-10-C-01-BUR	10/19/09	951,400	14,236,415	8,816,819	—	—	—	57,371	57,371	8,874,190
Regional Intermodal Transportation Center	11-11-C-00-BUR	06/27/11	19,931,292	19,931,292	19,376,522	—	—	—	—	—	19,376,522
Airport infrastructure/other miscellaneous projects	11-12-C-01-BUR	07/15/11	3,937,000	3,937,000	3,036,327	—	—	—	—	—	3,036,327
Airport infrastructure/other miscellaneous projects	15-13-C-00-BUR	08/13/15	7,734,489	7,734,489	7,065,840	55,985	—	69,110	16,560	141,655	7,207,495
Total expenditures on approved passenger facility charge project:			\$ 239,220,396	\$ 239,220,396	\$ 176,631,482	\$ 107,964	\$ —	\$ 79,393	\$ 74,392	\$ 261,749	\$ 176,893,231

See accompanying notes to schedule of passenger facility charge revenues and expenditures.

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Notes to Schedule of Passenger Facility Charge Revenues and Expenditures

For the Year ended June 30, 2017

(1) General

The Aviation Safety and Capacity Expansion Act of 1990 (Public Law 101-508, Title II, Subtitle B) authorized the local imposition of Passenger Facility Charges (PFC) and use of PFC revenue on Federal Aviation Administration (FAA) approved projects. On June 17, 1994, the FAA approved a \$3 Passenger Facility Charge collection at the Burbank-Glendale-Pasadena Airport Authority (Authority) effective September 1, 1994. Subsequently, in fiscal year 2003, the FAA approved an increase in the collection fee from \$3.00 to \$4.50 at the Authority effective April 1, 2003.

There are a total of eight active Applications (approved PFC projects) as of June 30, 2017. On May 31, 2017, the Authority submitted Application No. 17-14-C-00-BUR. The Final Agency Decision was issued by the FAA approving Application 14 on September 1, 2017 in the amount of \$6,105,679 for the following five approved projects:

- Rehabilitation of Runway 8/26 (\$2,251,560)
- Rehabilitation (Replacement) of Runway 8/26 Engineered Material Arresting System (EMAS) (\$659,940)
- Rehabilitation of Runway 15/33, Taxiway A and Taxiway D (\$2,329,200)
- Rehabilitation of Taxiway B and Shoulders (\$816,679)
- PFC Administrative Costs (\$48,300)

The total Impose Amount, or total FAA approved collection authority of PFC revenue and interest, was \$239,220,396 as of June 30, 2017, which does not include Application 14 that was approved in fiscal year 2018.

The Impose Amount represents the total collection authority for the application and the Use Amount represents the total use authority for the application. Differences between the Impose Amount and Use Amount for a specific application are because, in certain applications, an impose only amount was included in one application with a use amount in a different application(s). Use Authority of Application No. 96-02-U-02-BUR of \$27,829,178 is included in the Impose Authority of Application No. 94-01-C-03-BUR. Use Authority of Application No. 09-09-C-01-BUR of \$4,264,805 and Application No. 09-10-C-01-BUR of \$13,285,015 are included in the Impose Authority of Application No. 06-07-C-06-BUR.

These approved amounts are reflected on the accompanying Schedule of Passenger Facility Charge Revenues and Expenditures (Schedule) on page 3.

(2) Basis of Accounting

The accompanying Schedule is presented using the cash basis of accounting, whereby revenues and expenditures are recognized during the period in which they are received or disbursed.

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Notes to Schedule of Passenger Facility Charge Revenues and Expenditures

For the Year ended June 30, 2017

(3) Schedule of Passenger Facility Charge Revenues and Expenditures

The accompanying Schedule presents the PFC revenues received and expenditures disbursed on approved projects. The Schedule includes the application number of the latest amendment, the original application approval date, and the total application approval amount, as amended.

Revenues received and expenditures spent on approved projects in the accompanying Schedule agree with the amounts reported in the PFC Quarterly Status Reports submitted by the Authority to the FAA.

(4) Interest Earned

The excess of PFC revenues collected over expenditures incurred on qualifying PFC projects is invested by the Authority's investment manager in accordance with the Authority's Investment Policy. Permitted investments include U.S. Treasury securities, U.S. Agency securities, Medium-Term Corporate Notes and Money Market Funds invested in U.S. Treasury Securities. These investments, which are allowed for a maximum of five years, are generally held to maturity. The rate of return on these investments is dependent upon the market yield at the time they were purchased. Accordingly, when the coupon rate for such investments is different from the market yield on such investments, the investments are purchased at a premium or discount to par to reflect such market yield.

In addition, for investments purchased on a date other than the interest payment date for that investment, the interest from the beginning of that coupon period is paid together with the purchase price plus premium or minus discount. The next coupon payment on such investment will be for the whole coupon period.

On the accrual basis of accounting, such premiums or discounts are amortized over the life of the investment and purchased interest is treated as interest receivable. Because the attached Schedule reflects the cash basis of accounting, such premiums or discounts are only recognized when the investment matures or is sold, rather than over the life of the investment, and such purchased interest is deducted from interest revenue in the period purchased. When premiums on maturing investments and purchased interest exceed the sum of coupon payments received, discounts on maturing investments and gain (loss) on sale of investments, it will result in negative interest earned for that quarter.

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For the Year ended June 30, 2017

The components of interest received — coupon payments received; gain (loss) on sale of investments, net; interest purchased at investment purchase date, and impact of investments purchased at a discount (premium), net — for the year ended June 30, 2017 are as follows:

<u>Month</u>	<u>Coupon Payments Received</u>	<u>Gain (loss) on sale of investments, net</u>	<u>Interest purchased at investment purchase date</u>	<u>Impact of maturing investments purchased at a discount (premium), net</u>	<u>Total</u>
July 2016	\$ 31,521	\$ —	\$ (6,447)	\$ (11,096)	\$ 13,978
August 2016	31,432	(2,528)	(8,125)	(3,590)	17,189
September 2016	32,076	—	(1,821)	(7,142)	23,113
	<u>95,029</u>	<u>(2,528)</u>	<u>(16,393)</u>	<u>(21,828)</u>	<u>54,280</u>
October 2016	23,894	—	(3,489)	(2,871)	17,534
November 2016	70,312	—	(243)	40	70,109
December 2016	45,590	—	(7,754)	—	37,836
	<u>139,796</u>	<u>—</u>	<u>(11,486)</u>	<u>(2,831)</u>	<u>125,479</u>
January 2017	33,936	—	(830)	(17,191)	15,915
February 2017	36,495	—	(1,752)	(3,846)	30,897
March 2017	34,731	—	(6,408)	8,835	37,158
	<u>105,162</u>	<u>—</u>	<u>(8,990)</u>	<u>(12,202)</u>	<u>83,970</u>
April 2017	25,777	(1,803)	(2,827)	(12,121)	9,026
May 2017	86,873	—	(8,339)	(82,246)	(3,712)
June 2017	52,398	—	(6,068)	(4,816)	41,514
	<u>165,048</u>	<u>(1,803)</u>	<u>(17,234)</u>	<u>(99,183)</u>	<u>46,828</u>
Total	<u>\$ 505,035</u>	<u>\$ (4,331)</u>	<u>\$ (54,103)</u>	<u>\$ (136,044)</u>	<u>\$ 310,557</u>

(5) Cumulative Total

Cumulative total columns on the Schedule are presented for additional analytical data. Such information is not necessary for a fair presentation of the Schedule.