

**BURBANK-GLENDALE-PASADENA
AIRPORT AUTHORITY**

Single Audit Reports

Year ended June 30, 2015

(With Independent Auditor's Reports Thereon)



Certified
Public
Accountants

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BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

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**Independent Auditor’s Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance With *Government Auditing Standards***

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

We have audited, in accordance with the 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, the financial statements of the Burbank-Glendale-Pasadena Airport Authority (the Authority), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated December 4, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority’s internal control.

A *deficiency in internal control* 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, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control 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 material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority’s financial statements are free from material misstatement, we performed tests of its compliance with certain 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. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Macias Gini & O'Connell LLP

Los Angeles, California
December 4, 2015



Independent Auditor's Report on Compliance for the Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

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

Report on Compliance for the Major Federal Program

We have audited the Burbank-Glendale-Pasadena Airport Authority's (the Authority) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Authority's major federal program for the year ended June 30, 2015. The Authority's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Authority's major federal program based on our audit of the types of compliance requirements referred to above. 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 direct and material effect on a major federal 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 on compliance for the major federal program. However, our audit does not provide a legal determination of the Authority's compliance.

Opinion on the Major Federal Program

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2015.

Report on 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 of compliance, we considered the Authority's internal control over compliance with the types of

requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program 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 type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of 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 over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the Authority as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements. We issued our report thereon dated December 4, 2015, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the 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 basic 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 of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Macias Gini & O'Connell LLP

Los Angeles, California
December 4, 2015

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Schedule of Expenditures of Federal Awards

Year ended June 30, 2015

<u>Federal grantor/program title</u>	<u>Federal CFDA number</u>	<u>Pass-Through Identifying or Contract number</u>	<u>Project number</u>	<u>Award amount</u>	<u>Grant funds receivable (unspent revenue) July 1, 2014</u>	<u>Grant funds and interest received</u>	<u>Expenditures</u>	<u>Grant funds receivable (unspent revenue) June 30, 2015</u>
U.S. Department of Justice:								
Criminal Division, Asset Forfeiture and Money Laundering Section:								
Federal Equitable Sharing Program (Asset Forfeiture)	16.000	CA0190N00	N/A	\$ 604	\$ (599)	\$ 5	\$ —	\$ (604)
Total U.S. Department of Justice				<u>604</u>	<u>(599)</u>	<u>5</u>	<u>—</u>	<u>(604)</u>
U.S. Department of Transportation:								
Federal Aviation Administration:								
Airport Improvement Program	20.106	—	3-06-0031-47	7,000,000	206,480	1,912,838	2,010,316	303,958
Airport Improvement Program	20.106	—	3-06-0031-55	805,900	9,114	49,095	48,564	8,583
Airport Improvement Program	20.106	—	3-06-0031-56	1,289,440	24,970	241,094	216,124	—
Airport Improvement Program	20.106	—	3-06-0031-57	1,289,440	117,399	1,198,443	1,081,044	—
Airport Improvement Program	20.106	—	3-06-0031-58	4,720,572	—	587,383	840,967	253,584
Airport Improvement Program	20.106	—	3-06-0031-59	915,317	—	—	4,452	4,452
Total Federal Aviation Administration				<u>16,020,669</u>	<u>357,963</u>	<u>3,988,853</u>	<u>4,201,467</u>	<u>570,577</u>
Federal Highway Administration:								
Passed through the Los Angeles County Metropolitan Transportation Authority – Highway Planning and Construction								
	20.205	RQS-2660-070000001394	0700021029 07-6065R	1,778,142	204,228	276,568	176,956	104,616
Total Federal Highway Administration				<u>1,778,142</u>	<u>204,228</u>	<u>276,568</u>	<u>176,956</u>	<u>104,616</u>
Federal Transit Administration:								
Passed through the Los Angeles County Metropolitan Transportation Authority –								
Federal Transit – Capital Investment Grants	20.500	CA-03-0805	2004	728,156	—	—	—	—
Federal Transit – Capital Investment Grants	20.500	CA-04-0094	2006	47,589	—	—	—	—
Federal Transit – Capital Investment Grants	20.500	CA-04-0094	2007	50,160	—	—	—	—
Federal Transit – Capital Investment Grants	20.500	CA-04-0094	2008	54,340	—	—	—	—
Federal Transit – Capital Investment Grants	20.500	CA-04-0094	2009	56,430	—	—	—	—
Federal Transit – Capital Investment Grants	20.500	CA-03-0805	2010	550,000	535,723	535,723	—	—
Total Federal Transit Administration				<u>1,486,675</u>	<u>535,723</u>	<u>535,723</u>	<u>—</u>	<u>—</u>
Total U.S. Department of Transportation				<u>19,285,486</u>	<u>1,097,914</u>	<u>4,801,144</u>	<u>4,378,423</u>	<u>675,193</u>
Total federal awards				<u>\$ 19,286,090</u>	<u>\$ 1,097,315</u>	<u>\$ 4,801,149</u>	<u>\$ 4,378,423</u>	<u>\$ 674,589</u>

See accompanying notes to schedule of expenditures of federal awards.

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Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2015

(1) General

The accompanying schedule of expenditures of federal awards (the Schedule) presents the activity of federal award programs of the Burbank-Glendale-Pasadena Airport Authority (the Authority), which owns and operates the Bob Hope Airport (Airport). The Authority's reporting entity is defined in note 1 to the Authority's basic financial statements. All federal awards to the Authority, whether received directly from the federal agency or passed through other local governments, are included in the Schedule.

(2) Basis of Accounting

The accompanying Schedule is presented using the accrual basis of accounting, whereby revenues and expenses are recognized during the period in which they are earned or incurred. The information in this Schedule is presented in accordance with the requirements of the U.S. Office of Management and Budget (OMB) Circular A-133, *Audit of States, Local Governments, and Non-Profit Organizations*.

(3) U.S. Department of Transportation – Federal Aviation Administration – Airport Improvement Program Grants

The Authority has entered into agreements with the U.S. Department of Transportation (DOT), Federal Aviation Administration (FAA) to provide funding assistance for several facility improvement projects including:

- Runway 33 safety area improvements for \$1,289,440 (Project No. 3-06-0031-56),
- Runway 8/26 and Runway 15/33 shoulder rehabilitation (\$811,048) and acquisition of a replacement Aircraft Rescue and Firefighting (ARFF) vehicle acquisition (\$478,392) in the total amount of \$1,289,440 (Project No 3-06-0031-57), and
- Shoulder and swale rehabilitation of Runway 8/26 and Runway 15/33 (\$1,329,735) and Taxiway B reconstruction (\$3,390,837) in the total amount of \$4,720,572 (Project No. 3-06-0031-58).

On August 11, 2015, the FAA awarded the Authority a grant in the total amount of \$915,317 for design for Runway 8/26 and Runway 15/33 repaving (Project No. 3-06-0031-59), which permitted reimbursement of certain costs incurred by the Authority prior to issuance of the grant.

(4) Sound Insulation Program

In fiscal year 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 had been completed. In November 2000, the FAA approved the Authority's revised acoustical treatment program that added four schools. As of June 30, 2015, two of these additional schools have been completed; the other two schools are now outside the approved noise exposure map boundary. The Authority's school sound insulation program is funded through a combination of federal grant funds and Passenger Facility Charges (PFC) funds.

As part of the Authority's efforts to achieve noise compatibility within Airport adjacent communities, the Authority initiated a residential home sound insulation program. During fiscal year (FY) 2015, the Authority continued with the residential home sound insulation program. The Authority's residential sound

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Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2015

insulation program is funded through a combination of federal grant funds, PFC funds, and Authority funds. The Authority has entered into agreements with the FAA to provide funding assistance.

The following sound insulation grant award agreement was outstanding during FY 2015:

<u>Date accepted</u>	<u>AIP grant number</u>	<u>Project description</u>
Awards with activity during the year ended June 30, 2015:		
February 2009	3-06-0031-47	Sound insulation of residences

During the year ended June 30, 2015, the Authority expended \$2,527,131 on this project, of which \$2,010,316 was funded through FAA grants. The Authority acoustically treated 59 residences during FY 2015.

In addition, the Authority is required to periodically conduct a 14 Code of Federal Regulations Part 150 noise compatibility study update as part of its noise mitigation program. The Authority has entered into an agreement with the FAA to provide funding assistance totaling \$805,900 to conduct this study update (Project No. 3-06-0031-55). Effective October 10, 2013, the FAA accepted an updated noise exposure map (NEM), which depicts the boundaries of the 65 community noise equivalent level (CNEL) noise exposure area. The NEM, which reflects a decrease in the size of the area surrounding the airport exposed to 65 CNEL, was updated as part of a Part 150 Noise Compatibility Study. This study is still in process, the results of which may deem as eligible multi-family and an additional number of single family residences to the sound insulation program in the revised noise contour area.

(5) U.S. Department of Justice

Federal Equitable Sharing Program

During FY 2015, the Authority continued to participate in the Federal Equitable Sharing Program. Total expenditures reported for the year ended June 30, 2015 are \$0 and there are unspent funds totaling \$604 at June 30, 2015.

(6) U.S. Department of Transportation – Federal Highway Administration – Highway Planning and Construction Grant

The Authority has entered into an agreement with the Los Angeles County Metropolitan Transportation Authority (Metro), as pass-through agent for the California Department of Transportation (Caltrans) and the DOT – Federal Highway Administration, for a ground access study to be conducted to identify alternative transportations options to the Airport. Grant funds totaling \$4,387,000 were originally awarded to the Authority from a \$5,000,000 Surface Transportation and Uniform Relocation Assistance Act of 1987 (STURAA) grant.

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Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2015

In May 2014, the award was reduced by Metro to \$1,778,142. The decrease of \$2,608,858 consists of \$1,750,000 relinquished by the Authority for development and implementation of the Hollywood Way/Bob Hope Airport Metrolink Station, and an additional \$858,858 for the Station Development in exchange for \$294,536 in Measure R (County of Los Angeles) grant funds for match to the STURAA grant for the ground access project, \$371,669 of Measure R grant funds for match to the Federal Transit Administration (FTA) grant for certain Regional Intermodal Transportation Center (RITC) project costs (see note 7) and \$229,331 in Measure R grant funds for upgrades to the Transit Center portion of the RITC project.

(7) U.S. Department of Transportation – Federal Transit Administration – Federal Transit Capital Investment Grants

The Authority has entered into an agreement with Metro, as pass-through agent for Caltrans and the DOT – FTA, for grants to partially fund 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. This transportation center is part of the larger RITC project which includes a consolidated rental car facility, an elevated covered moving sidewalk to accommodate pedestrian travel between the RITC and the terminal, City of Burbank Water and Power Department installation of solar power panels on the roof of the RITC to provide an alternate energy source for the community, and a publicly accessible consolidated natural gas fueling facility to be developed and operated under a ground development lease to promote use of alternative fuel vehicles.

The Federal Transit Capital Investment Grants received for the RITC project include a \$550,000 grant (grant no. CA-03-0805, Project 2010) and five grants totaling \$936,675, which were originally awarded to the City of Burbank for a regional bus service center. The five grants totaling \$936,675 include grant no. CA-03-0805 for Project 2004 (\$728,156) and grant no. CA-04-0094 for Project 2006 (\$47,589), Project 2007 (\$50,160), Project 2008 (\$54,340), and Project 2009 (\$56,430).

(8) Relationship to Federal Financial Reports

Amounts reported in the accompanying Schedule agree with the amounts reported in the related federal financial reports filed by the Authority.

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BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

Section I—Summary of Auditor’s Results

(a) Financial Statements

Type of auditor’s report issued: Unmodified.

Internal control over financial reporting:

- a) Material weakness(es) identified yes no
- b) Significant deficiency(ies) identified yes none reported
- Noncompliance material to financial statements noted yes no

(b) Federal Awards

Internal control over major program:

- a) Material weakness(es) identified yes no
- b) Significant deficiency(ies) yes none reported

Type of auditor’s report issued on compliance for major program: Unmodified.

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 yes no

Identification of major program:

<u>CFDA number</u>	<u>Name of federal program or cluster</u>
20.106	U.S. Department of Transportation, Federal Aviation Administration – Airport Improvement Program

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as a low-risk auditee yes no

Section II—Financial Statement Findings

None Noted.

Section III— Federal Awards Findings and Questioned Costs

None Noted.

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BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

Summary Schedule of Prior Audit Findings

Year ended June 30, 2015

Reference Number: 2014-001
Federal Program Title: Federal Transit – Capital Investment Grants
Federal Catalog Number: 20.500
Federal Agency: U.S. Department of Transportation, Federal Transit Administration
Pass-Through Entity: Los Angeles County Metropolitan Transportation Authority
Federal Award Number and Year: CA-03-0805 – 2003 and CA-04-0094 – 2004
Category of Finding: Davis-Bacon Act

Condition:

Contractors and subcontractors are required to submit weekly certified payrolls for review to the Department of Transportation to document employees are being paid the prevailing wage rates as required by the Davis-Bacon Act. The Burbank-Glendale-Pasadena Airport Authority (Authority) obtained and maintained weekly payroll data from the primary contractor who was contracting with the Authority for work greater than \$2,000. However, several samples did not contain “Statement of Compliance” forms attached to the weekly payroll submissions. Subsequently, the Authority received the missing “Statement of Compliance” forms from the contractor.

Recommendation:

We recommend the Authority establish policies and procedures to ensure that weekly certified payroll reports received by the project management company are reviewed to ensure its compliance with Davis-Bacon Act.

Management Response and Corrective Action:

The Authority agrees that the project management company did not adequately review the weekly certified payroll reports and has revised its procedures to ensure compliance with the Davis-Bacon Act.

The Authority has since reviewed 100% of payrolls submitted by the prime contractor and subcontractors on this project and determined that such payrolls represented prevailing wages as determined by the California State Department of Labor.

The Authority will require the project manager on future projects to include specific documentation of its reporting procedures including certificates of compliance supported by detail checklists of all compliance procedures performed. These procedures include that Statements of Compliance are included with weekly certified payrolls and that such payrolls are in compliance with prevailing wage requirements. In addition, the Authority will perform spot checks on a random basis of certified payrolls to ensure compliance. If any errors or omissions are found, the Authority will direct the project manager to re-review 100% of project payrolls. The Authority will require corrections by the contractor or subcontractor for any deficiencies noted prior to processing future pay applications.

Because of these changes in procedures and documentation, the Authority believes that there will be no repetition of deficiencies in prevailing wage compliance.

Status of Corrective Action:

The Authority has fully implemented the corrective action.

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