

**BURBANK-GLENDALE-PASADENA
AIRPORT AUTHORITY**

Schedule of Passenger Facility Charge
Revenues and Expenditures

Year ended June 30, 2018

(With Independent Auditor's Reports Thereon)

This page left blank intentionally

**BURBANK-GLENDALE-PASADENA
AIRPORT AUTHORITY**

Schedule of Passenger Facility Charge Revenues and Expenditures
Year ended June 30, 2018

Table of Contents

	Page
Independent Auditor's Report on Compliance for the Passenger Facility Charge Program; Report on Internal Control over Compliance; and Report on Schedule of Passenger Facility Charge Revenues and Expenditures	1
Schedule of Passenger Facility Charge Revenues and Expenditures	3
Notes to Schedule of Passenger Facility Charge Revenues and Expenditures	5

This page left blank intentionally



Independent Auditor's Report on Compliance for the Passenger Facility Charge Program; Report on Internal Control Over Compliance; and Report on Schedule of Passenger Facility Charge Revenues and Expenditures

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

Report on Compliance for the Passenger Facility Charge Program

We have audited Burbank-Glendale-Pasadena Airport Authority's (Authority) compliance with the types of compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies* (Guide), issued by the Federal Aviation Administration (FAA), that could have a direct and material effect on the Authority's Passenger Facility Charge program for the year ended June 30, 2018.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations and contracts applicable to the Passenger Facility Charge Program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Authority's Passenger Facility Charge 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 the requirements described in 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 direct and 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 on compliance for the Authority's Passenger Facility Charge program. However, 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 types of compliance requirements referred to above that could have a direct and material effect on the Passenger Facility Charge program for the year ended June 30, 2018.

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 Passenger Facility Charge program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the Passenger Facility Charge program and to test and report on internal control over compliance in accordance with the Guide, issued by the Federal Aviation Administration, 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 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 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, 2018, and have issued our report thereon dated November 29, 2018, 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, prepared on a cash basis, is presented for additional analysis as specified by the Guide, issued by the Federal Aviation Administration, and is not a required part of the Authority's basic financial statements. It provides relevant information that is not provided by the basic financial statement, and is not intended to be a presentation in conformity with accounting principles generally accepted in the United States of America or a complete presentation in accordance with the accounting basis used for cash basis purposes. Under the cash basis, Passenger Facility Charge revenues are recognized when received rather than when earned, and eligible expenditures are recognized when the related goods or services are paid. 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 Passenger Facility Charge Revenues and Expenditures 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
November 29, 2018

**BURBANK-GLENDALE-PASADENA
AIRPORT AUTHORITY**

Schedule of Passenger Facility Charge Revenues and Expenditures

Year ended June 30, 2018 and each quarter during the
period from July 1, 2017 through June 30, 2018

(With cumulative total amounts at June 30, 2018 and 2017)

Revenues	Application number	Initial Date approved	Impose Amount approved	Use Amount approved	Cumulative total – June 30, 2017	Quarter ended				Year ended June 30, 2018	Cumulative total – October 1, 1994 to June 30, 2018
						September 30, 2017	December 31, 2017	March 31, 2018	June 30, 2018		
Passenger facility charge revenues					\$ 196,126,358	\$ 2,136,576	\$ 1,639,148	\$ 2,255,229	\$ 2,593,187	\$ 8,624,140	\$ 204,750,498
Interest earned (Note 4)					11,445,829	135,608	—	136,378	64,703	336,689	11,782,518
Total passenger facility charge revenues					\$ 207,572,187	\$ 2,272,184	\$ 1,639,148	\$ 2,391,607	\$ 2,657,890	\$ 8,960,829	\$ 216,533,016
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	30,431,999	935	—	—	1,376	2,311	30,434,310
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	7,862,275	7,862,275	7,862,275	—	—	—	—	—	7,862,275
Airport infrastructure/other miscellaneous projects	06-07-C-06-BUR	06/26/06	21,067,892	21,067,892	21,067,892	—	—	—	—	—	21,067,892
Airport infrastructure/other miscellaneous projects	09-09-C-01-BUR	09/28/09	27,825,931	27,825,931	23,057,668	—	—	—	—	—	23,057,668
Airport infrastructure/other miscellaneous projects	09-10-C-01-BUR	10/19/09	9,200,219	9,200,219	8,874,190	11,893	—	—	—	11,893	8,886,083
Regional Intermodal Transportation Center	11-11-C-00-BUR	06/27/11	19,376,522	19,376,522	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	9,391,179	9,391,179	7,207,495	15,048	—	—	—	15,048	7,222,543
Airport infrastructure/other miscellaneous projects	17-14-C-00-BUR	09/01/17	6,105,679	6,105,679	—	3,373,570	177,242	1,834,074	180,128	5,565,014	5,565,014
Total expenditures on approved passenger facility charge projects			\$ 234,444,647	\$ 234,444,647	\$ 176,893,231	\$ 3,401,446	\$ 177,242	\$ 1,834,074	\$ 181,504	\$ 5,594,266	\$ 182,487,497

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

This page left blank intentionally

**BURBANK-GLENDALE-PASADENA
AIRPORT AUTHORITY**

Notes to Schedule of Passenger Facility Charge Revenues and Expenditures

Year ended June 30, 2018

(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 \$3.00 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 six active Applications (approved PFC projects) as of June 30, 2018. Projects within Application No. 04-06-C-01-BUR and Application No. 06-07-C-07-BUR were completed in accordance to the PFC program, and all applicable regulations under 14 CFR Part 158 were met. The FAA approved the closeouts of these PFC applications on February 13, 2018.

The total Impose Amount, or total FAA approved collection authority of PFC revenue and interest, was \$234,444,647 as of June 30, 2018. Use Authority of Application No. 09-09-C-01-BUR and Application No. 09-10-C-01-BUR were amended by the FAA, reducing the total amounts by \$1,403,874 and \$5,036,196, respectively, as reflected in the Schedule of Passenger Facility Charge Revenues and Expenditures.

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.

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.

**BURBANK-GLENDALE-PASADENA
AIRPORT AUTHORITY**

Notes to Schedule of Passenger Facility Charge Revenues and Expenditures

Year ended June 30, 2018

(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.

**BURBANK-GLENDALE-PASADENA
AIRPORT AUTHORITY**

Notes to Schedule of Passenger Facility Charge Revenues and Expenditures

Year ended June 30, 2018

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, 2018 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 2017	\$ 42,913	\$ —	\$ —	\$ 5,991	\$ 48,904
August 2017	40,723	—	—	2,140	42,863
September 2017	50,306	—	(2,621)	(3,844)	43,841
	<u>133,942</u>	<u>—</u>	<u>(2,621)</u>	<u>4,287</u>	<u>135,608</u>
October 2017	20,744	—	(18,279)	7,736	10,201
November 2017	89,021	—	(344)	(149,450)	(60,773)
December 2017	51,235	—	—	(663)	50,572
	<u>161,000</u>	<u>—</u>	<u>(18,623)</u>	<u>(142,377)</u>	<u>—</u>
January 2018	41,468	—	(8,136)	1,086	34,418
February 2018	51,207	—	—	14,371	65,578
March 2018	52,223	—	(15,068)	(773)	36,382
	<u>144,898</u>	<u>—</u>	<u>(23,204)</u>	<u>14,684</u>	<u>136,378</u>
April 2018	31,114	—	(10,735)	(7,108)	13,271
May 2018	81,631	—	(10,010)	1,542	73,163
June 2018	69,148	—	(4,076)	(86,803)	(21,731)
	<u>181,893</u>	<u>—</u>	<u>(24,821)</u>	<u>(92,369)</u>	<u>64,703</u>
Total	<u>\$ 621,733</u>	<u>\$ —</u>	<u>\$ (69,269)</u>	<u>\$ (215,775)</u>	<u>\$ 336,689</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.

This page left blank intentionally