



Los Angeles
World Airports



Comprehensive Annual Financial Report

FISCAL YEARS ENDED JUNE 30, 2015 AND 2014

Department of Airports Los Angeles, California





Los Angeles World Airports

(Department of Airports of the City of Los Angeles, California)

Comprehensive Annual Financial Report

Fiscal years ended June 30, 2015 and 2014

Prepared by Financial Reporting Division



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Prepared by: Financial Reporting Division of Los Angeles World Airports



2015 COMPREHENSIVE ANNUAL FINANCIAL REPORT

Introductory Section

Introductory Section Contents

- Transmittal Letter
- Organization Chart
- Board of Airport Commissioners, Elected City Officials,
and Los Angeles World Airports Executive Staff
- GFOA Certificate of Achievement for Excellence in Financial Reporting



November 5, 2015

To the Members of the Board of Airport Commissioners
Los Angeles, California

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) of the Los Angeles World Airports (Department of Airports of the City of Los Angeles, California) (LAWA) for the fiscal year ended June 30, 2015. The CAFR, which was prepared following the guidelines recommended by the Government Finance Officers Association of the United States and Canada (GFOA), contains financial statements and statistical data that fully disclose all material financial operations of LAWA. Responsibility for the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with LAWA’s management. We believe that the data presented is complete and reliable in all material respects. This transmittal letter presents a summary of LAWA’s background, economic condition and outlook, and major initiatives and developments.

Accounting principles generally accepted in the United States of America (GAAP) require management to provide a narrative introduction, overview, and analysis to accompany the financial statements in the form of Management’s Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A can be found immediately following the report of the independent auditor.

Profile of the Reporting Entity

LAWA is an independent, financially self-sufficient department of the City of Los Angeles (City) created pursuant to Article XXIV, Section 238 of the City Charter. LAWA is under the management and control of a seven-member Board of Airport Commissioners (Board) appointed by the Mayor and confirmed by the City Council.

Under the City Charter, the Board has the general power to, among other things: (a) acquire, develop and operate all property, plant and equipment as it may deem necessary or convenient for the promotion and accommodation of air commerce; (b) borrow money to finance the development of airports owned, operated or controlled by the City; and (c) fix, regulate and collect rates and charges for use of the airport system. An Executive Director administers LAWA and reports to the Board.

LAWA operates and maintains three airports in the Los Angeles Air Trade Area. The airports are Los Angeles International Airport (LAX), LA/ONT International Airport (ONT), and Van Nuys Airport (VNY). LAWA owns approximately 17,750 acres of land located east of United States Air Force Plant 42 in the City of Palmdale and retains the rights for future development of the Palmdale property. LAX, ONT and VNY are collectively known as the Airport System.

LAX

LA/Ontario

Van Nuys

City of Los Angeles

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Mayor

Board of Airport
Commissioners

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President

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Dr. Cynthia A. Telles

Deborah Flint
Executive Director





LAX is the major facility of the Airport System. It is located approximately 15 miles from downtown Los Angeles on the western boundary of the City. LAX occupies approximately 3,673 acres in an area generally bounded on the north by Manchester Avenue, on the east by Aviation Boulevard, on the south by Imperial Highway, and on the west by the Pacific Ocean. Commercial airline service started in December 1946, and the present terminal complex in LAX was constructed in 1961. In the early 1980s, LAX added domestic and international terminals, parking structures and a second level roadway. LAX is the largest airport in the five-county area (subsequently referred to as “*Air Trade Area*”) comprising Los Angeles, Orange, Ventura, Riverside and San Bernardino counties. The fifth busiest airport in the world and second in the United States, LAX served nearly 70.7 million passengers in calendar year 2014. As a large hub airport, LAX offers 692 daily nonstop flights to 85 cities in the U.S. and 928 weekly nonstop flights to 67 cities in 34 countries on 59 commercial air carriers. The airport also ranks 14th in the world and 5th in the U.S. in air cargo tonnage processed, with over two million tons of air cargo valued at nearly \$96.3 billion. Passenger traffic in LAX has shown encouraging growth of 4.8% and reached 72.1 million passengers in fiscal year 2015 as compared to the prior fiscal year.

ONT is a medium hub, full-service airport with commercial jet service to major United States cities and through service to international destinations. Located in the Inland Empire, approximately 35 miles east of downtown Los Angeles, ONT’s service area includes a population of six million people living in San Bernardino and Riverside counties and portions of north Orange County and east Los Angeles County. In 2015, 4.2 million passengers used the airport and 462,386 tons of airfreight was shipped. ONT’s more than 120 daily flights provide service to and from major cities in the United States and Mexico. Airlines serving ONT include AeroMexico, Alaska, American, Delta, Southwest, United/United Express, US Airways and Volaris. The facility includes two terminals at 265,000 square feet each for a total of 530,000 square feet, a ground transportation center and parking for the traveling public. ONT is also the center of a developing freight movement system that includes the airport, two railroads, four major freeways, and an expanding network of freight forwarders. ONT is served by airfreight carriers including, but not limited to, Ameriflight, Empire, FedEx, Kalitta, UPS, and West Air.

Located in the heart of the San Fernando Valley, VNY ranks as one of the world’s busiest general aviation airports. Dedicated to noncommercial air travel, VNY averages over 270,000 takeoffs and landings annually. It occupies approximately 730 acres and is located 20 miles northwest of downtown Los Angeles in the San Fernando Valley. More than 100 businesses located at the airport cater to a variety of private, government and corporate aviation needs.



Economic Condition and Outlook

The financial condition of LAWA is primarily dependent upon the demand for air transportation within the geographical area served by LAX, ONT and VNY. Passenger and cargo traffic at the airports depends upon the demographic characteristics and economic activity of the Air Trade Area.

According to the Los Angeles County Economic Development Corporation (LAEDC) 2015-2016 economic forecast, the Southern California economy will continue to experience employment gains and decline in local unemployment rates, with leading industries of healthcare and social assistance, construction, professional, scientific and technical services, and waste services. Transportation and infrastructure projects such as the multi-billion dollar capital investment program to upgrade passenger terminals and improve traffic flow at LAX and the expansion of Los Angeles' light rail system have made significant contributions to job growth and the economy in Southern California.

Los Angeles County has seen the largest job gains in health care and social assistance, followed by administrative, support, leisure, hospitality and waste services. Orange County's economy made significant headway this year in terms of economic growth and job creation, with the largest job gains expected in health care and social assistance, professional, scientific and technical services, construction, and leisure and hospitality.

The Inland Empire (Riverside and San Bernardino counties) showed the fastest job growth in 2014; and is expected to add jobs in nearly all industries, with the largest increases in health care, construction, retail trade, leisure hospitality, administrative, support and waste services. Ventura County's best performing industries in 2014 were leisure, hospitality, administrative and support services. Its economy is expected to expand broadly in nearly all private industry sectors with construction leading the way.

LAEDC forecasts that the U.S. economy as a whole will experience faster growth over the next two years because of the acceleration in housing and construction, together with improvement in the state and local government sector. The slowing economy of China, the struggles of Europe and Japan to ignite sustained growth within their economies, together with the political and security concerns in the Middle East have raised both economic and political uncertainty, which could stifle future economic growth.



The Airline Industry

LAWA's aviation revenue generation depends, in large part, upon the financial health of the aviation industry. The economic condition of the industry is volatile, and it has undergone significant changes, including mergers, acquisitions, and bankruptcies in recent years. Further, other than the general economic condition as previously discussed, the industry is sensitive to a variety of factors, including (a) cost and availability of labor, fuel, aircraft, and insurance, (b) currency values, (c) competitive considerations, including airline ticket pricing, (d) traffic and capacity constraints, (e) governmental regulations, including security, taxes, and environmental requirements, (f) labor actions such as strikes and other union activities, and (g) disruptions due to airline incidents, criminal incidents, and acts of war or terrorism.

The International Air Transport Association (IATA) raised their forecast for 2015 industry profits to \$29.3 billion in June 2015, up from \$16.4 billion in 2014 largely as a result of lower oil prices. However, the forecast increases may be offset by the rise in the value of the dollar and the effects of widespread airline fuel hedging.

Meanwhile, passenger traffic at LAX and ONT have shown encouraging growth of 4.8% and 4.0%, respectively, in fiscal year 2015 as compared to the prior fiscal year. Passenger and other traffic activity highlights during the last three fiscal years are discussed in the MD&A.

LAWA's airports are powerful economic engines for Southern California and vital to the economies of their surrounding communities. In 2012, LAEDC completed an economic impact analysis, which determined that there are 29,100 jobs on LAX property and 22,450 jobs in the LAX-adjacent area. These jobs are a result of the operational activity at LAX and do not include the current modernization program. LAEDC's 2011 economic impact analysis reported LAX operations generated 294,400 jobs in Los Angeles County and additional 19,400 jobs in neighboring counties, with labor income of \$13.6 billion and an economic output of more than \$39.7 billion. This activity is estimated to have added \$2.5 billion to local and state revenues. The LAEDC presented its "2011 Corporate Eddy Award" to LAWLA for this demonstration of exceptional contribution to positive economic development in the region.



Initiatives and Developments

LAWA's overall mission is to operate and develop first class, customer-friendly, safe and secure airport facilities that serve as the Los Angeles Region's travel and trade gateways to the world.

In order to fulfill this mission, LAWA is committed to operate the Airport System safely and securely, enhance organizational capability, foster employee ownership, implement the capital improvement program, create premier passenger and customer service, implement best airport business practices to build revenue and control expenses, and secure and maintain stakeholder support.

LAWA is in the midst of a multi-billion dollar capital improvements program at LAX, projected to last through 2019. The LAX modernization program consists of more than 20 individual projects and is considered to be the largest public works program in the history of the City of Los Angeles. Begun in 2006, the overall program is estimated to create nearly 40,000 construction-related jobs.

Below are LAWA's major modernization projects:

Bradley West

The architectural jewel of the LAX modernization program, this project provides greater capacity to Tom Bradley International Terminal (TBIT) with a total of 18 new gates, 9 of which will comfortably accommodate passenger loads for new-generation large aircraft, and a Great Hall for premier dining and shopping. The first phase of this project, which encompassed the gates on the west side of the terminal, the Great Hall, and expanded federal customs and immigration screening areas, was completed in fall 2013. Additional phases, including the opening of the east-side gates and expanded areas for federal passenger security screening, were completed during 2015, with other interior renovation elements scheduled for completion in early 2016.

Central Utility Plant Replacement

Completed in April 2015, the project replaced the 50-year old existing Central Utility Plant (CUP) with a modern, energy efficient facility including state-of-the-art computerized management and control systems. The new CUP provides additional capacity for heating and cooling of airline terminals and other buildings in the Central Terminal Area (CTA), significantly improving passenger comfort for the more than 70 million travelers who pass through LAX annually.

The new CUP is considered the first "sustainable" utility plant at a United States (U.S.) airport. Designed to achieve Gold certification in LEED (Leadership in Energy and Environmental Design) by the U.S. Green Building Council, the new facility is up to 25 percent more energy efficient and more environmentally friendly than the facility it replaced. State-of-the-art pollution-control equipment are expected to reduce carbon-dioxide emissions equivalent to removing 1,000 cars from road. The facility can generate its own electricity for operations that will result in reduced utility costs.



Escalator, Elevator, and Moving Walkway Modernization

LAX is replacing or refurbishing over 200 outdated systems with modern units throughout the airport. New escalators, elevators, and walkways will speed travelers to their gates and baggage-claim areas in a safe and efficient manner with energy-saving, sustainable technology. Replacement of all units is scheduled for completion in 2016.

In-line Baggage Handling and Screening System

Construction of new in-line baggage handling and screening systems will improve and automate the security screening of checked baggage at all LAX terminals and will make travel through LAX safer, faster and more convenient. LAWA has received commitments for up to \$481 million in reimbursement grants from the Transportation Security Administration (TSA) to support this initiative. These improvements are being delivered as individual projects in the terminals or as components of projects being acquired by LAWA. New systems in TBIT, Terminals 3, 5 and 6 have been completed to-date.

Terminal 1 Renovation

The renovation project will enhance passenger flow and experience with improvements to the passenger ticketing, screening, holdroom and baggage claim areas within the existing terminal, updates to aeronautical facilities on the surrounding ramp area, and improvements to traffic flow on the roadways in front of the building and around the CTA of LAX.

Terminal 2 Renovation

The Terminal 2 Improvement Program is designed to significantly improve the level of service and appearance of the building. The improvements include major upgrades to the ticketing lobby, baggage screening, baggage-claim area, and concourses, as well as construction of all new concessions and upgrades of building systems (electrical, mechanical, communication, etc.) that serve the terminal.

Terminal 4 Connector

Construction of this multi-use, multi-level facility will provide a secure connection between TBIT to Terminal 4. Connecting the two terminals will allow passengers easier access to those needing to reach connecting flights. The new space will include a checked baggage inspection system for Terminal 4, an interline baggage transfer facility, and a five-lane passenger security screening checkpoint. A south terminals passenger bus port is also being added for convenience of all travelers connecting from TBIT to flights in Terminals 5, 6, 7 and 8.

Terminal 5 Renovation

The renovation and modernization of Terminal 5 will improve passenger service and security with a new in-line baggage-screening system, as well as expansion and streamlining of the TSA passenger screening checkpoints and international passenger processing facilities. In addition, a new baggage claim facility, new elevators and escalators and new passenger amenities such as lounges and dining options reflecting Los Angeles culture and cuisine will be completed in 2015.



Curbside Appeal and Roadway Improvement

The curbside appeal and roadway improvement project will provide a new, dramatically upgraded look for LAX with the installation of modern light emitting diode (LED) street lighting, way finding components, and new canopies between Terminal 4 and TBIT. The project will also include traffic safety and roadway improvement measures including an upper/departures level retrofit and traffic improvements to World Way South and Center Way. Project components include: installation of custom made art deco LED light poles; a LED light band running the length of the CTA and covering a portion of the upper roadway edge. The program will enhance the appearance of LAX and improve vehicular movement and safety on the roadway.

Landside Access and Modernization Program

The LAX Landside Access and Modernization Program is in initial planning stages. The program's goal is to improve ground access to LAX's CTA and enhance the customer experience. While still subject to environmental study and review, program components may include an Automated People Mover System to connect passengers to airline terminals from new landside facilities including a Consolidated Rent-A-Car facility, multiple pick-up and drop-off locations for private passengers and commercial vehicles, and Metro's planned light rail station at 96th Street and Aviation Boulevard.

Midfield Satellite Concourse Program

The Midfield Satellite Concourse (MSC) includes a new passenger airline concourse facility with contact gates. The MSC facility will be located in the central area of LAX's airfield west of TBIT. The MSC program also includes new taxiways, taxilanes and airport aprons. The MSC program will permit greater flexibility to construct improvements at other facilities without disruption of day-to-day airline operations. Further, with reduced reliance on remote gates, LAX can provide improved levels of service for LAX passengers during modernization upgrades. The MSC program will be developed in two phases. Phase one of the MSC program is the construction of the northern portion of the multi-story MSC facility and associated improvements.

Airport Police Computer Aided Dispatch (CAD) System

This project will replace the existing CAD system at LAWA with a new CAD system that provides enhanced capabilities and functionality which can also be interfaced for interoperability with the existing City of Los Angeles Police Department CAD system.

Data Center

This project provides a centralized and state-of-the-art data center to consolidate the disparate data centers at different locations. It includes V-Block installation and configuration of new unified computing equipment including the servers, networking and storage.



VNY Runway 16R Rehabilitation

This project rehabilitates Runway 16R at VNY. Runway 16R/34L is 8,000 feet long and the primary runway of VNY. The second phase of pavement rehabilitation of Taxiway A2 at VNY was completed in 2013. Completion of the project brings the runway to FAA standards while mitigating operational impacts to tenants and other users of the airport. This project is in close-out process.

ONT Runway Safety Area Improvement

This project provides a FAA standard Runway Safety Area (RSA). The improvements consist of regrading portions of the RSA, relocating portions of the service roads at perimeter service area gates, and extending the concrete cover on top of the West Cucamonga Channel. Additionally, portions of impacted areas requires perimeter fencing realignment. This project is in close-out process.

Outlook for the Future

Operating revenues for fiscal year 2016 are projected to increase by 9.3%, driven primarily by cost recovery formulas used in calculation of airfield and terminal rates and charges. These aeronautical revenues are expected to be higher than FY 2015 due to increased operating expenses and debt service in the airfield and terminal cost centers as well as implementation of the Year 3 phased increase in cost recovery pursuant to the Terminal Rate Agreement (see Note 1 (j) of the notes to the financial statements). Recently implemented advertising, duty free and other concession agreements, along with increased levels of passenger traffic, are also expected to contribute to greater terminal concession and ground transportation revenues.

The largest portion of LAWA's operating expenses consists of salaries, fringe benefits and other related payroll expenses. Management does not anticipate a material change in the number of employees, however, expenses associated with cost-of-living adjustments, pension contributions, and healthcare costs are expected to increase in the ensuing years. Management continues to exercise fiscal prudence from each LAWA division in administering the operating budget. The unrestricted net position (without the recognition of the Governmental Accounting Standards Board (GASB) Statements 68¹ and 71² for financial reporting purpose), together with other fund sources such as operating revenue, debt proceeds, and grant receipts, will balance the subsequent fiscal year's budget as well as maintain projected reserves.

In July 2015, the Mayor of Los Angeles and the Mayor of the City of Ontario signed a letter of intent ("LOI") in which the parties agreed, among other things, to enter into a settlement agreement with the terms listed in the LOI. It is expected to take a number of months to complete the details of a formal settlement agreement, obtain approvals, and affect the actual transfer. As indicated in the letter of intent, no current LAWA employees are expected lose their employment due to the transfer.

¹ GASB Statement No. 68, Accounting and Financial Reporting for Pensions— an Amendment of GASB Statement No. 27, issued in June 2012

² GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68, issued in November 2013



Internal Control Framework

LAWA's internal control framework is designed to provide reasonable but not absolute assurance regarding: (a) safeguarding of assets against loss from unauthorized use or disposition; (b) execution of transactions in accordance with management's authorization; (c) reliability of financial records used in preparing financial statements and maintaining accountability for assets; (d) effectiveness and efficiency of operations; and (e) compliance with applicable laws and regulations. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived from it, and that the evaluation of costs and benefits requires estimates and judgments by management.

All internal control evaluations occur within the above structure. We believe that LAWA's internal control framework adequately safeguards assets and provides reasonable assurance of proper recording of financial transactions.

Budgetary Control

The annual operating budget is proposed by LAWA's management and adopted by the Board in a public meeting before the beginning of each fiscal year. The level of budgetary control (the level at which expenditures may not exceed appropriations) is by commitment item within each airport. The commitment items are salaries and benefits, contractual services, administrative services, materials and supplies, utilities, advertising and public relations, other operating expenses, and equipment and vehicles.

Independent Audit

Macias Gini & O'Connell LLP (MGO), a firm of independent certified public accountants, audited LAWA's financial statements. MGO concluded, based upon its audit, that there was a reasonable basis for rendering an unmodified opinion that LAWA's financial statements as of and for the fiscal years ended June 30, 2015 and 2014, were fairly presented in conformity with GAAP. MGO's report is on pages 1 and 2.

MGO conducted an additional audit to determine LAWA's compliance with the requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies* and concluded that LAWA complied in all material respects with the requirements that could have a material effect on its passenger facility charge program for the fiscal year ended June 30, 2015. MGO's report is on pages 135 and 136.

MGO also conducted a third audit to determine LAWA's compliance with the requirements described in the *California Civil Code Section 1936, as amended by Senate Bill 1192 and Assembly Bill 359*, and concluded that LAWA complied in all material respects with the requirements that could have a material effect on its customer facility charge program for the fiscal year ended June 30, 2015. MGO's report is on pages 141 and 142.

As a recipient of federal grants, LAWA is required to undergo an additional audit to meet the requirements of the Federal Single Audit Act of 1996 and related Office of Management and Budget Circular A-133. The results of the Single Audit performed by MGO is issued in a separate report.



Award

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to LAWA for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2014. This was the fourth consecutive year that LAWA has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement program requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

Acknowledgement

Publication of this CAFR is a reflection of the excellence and professionalism of LAWA's entire staff. The dedicated service and efforts of the Financial Reporting Division made the preparation of this report possible. We would like to express our appreciation to all team members who assisted in and contributed to its preparation.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read 'Deborah Flint'.

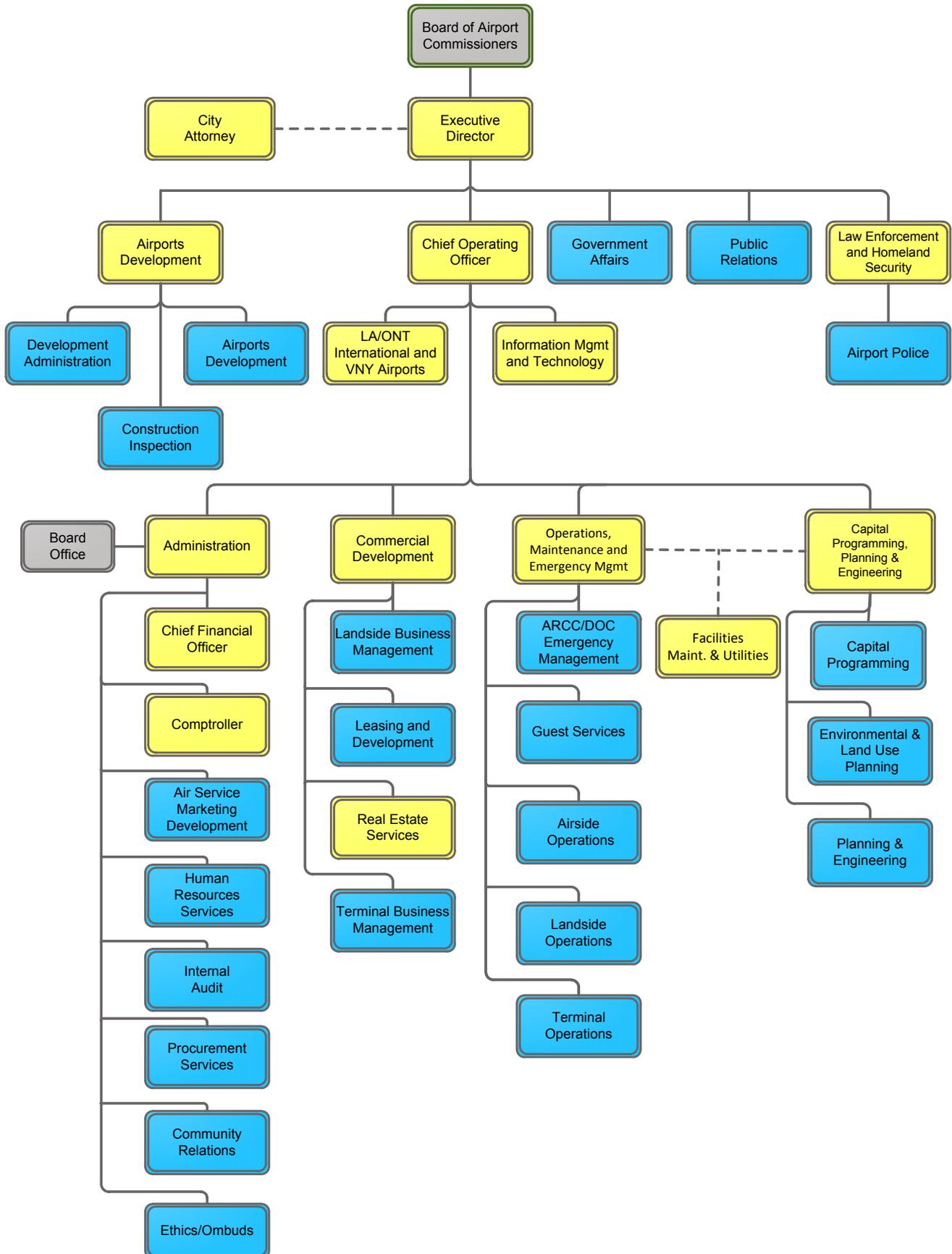
Deborah Flint
Executive Director

A handwritten signature in black ink, appearing to read 'Ryan P. Yakubik'.

Ryan P. Yakubik
Chief Financial Officer



Organization of the Los Angeles World Airports



**Board of Airport Commissioners, Elected City Officials, and Los Angeles World Airports
Executive Staff**



Sean O. Burton
President



Valeria C. Velasco
Vice President



Gabriel L. Eshaghian
Commissioner



Nolan V. Rollins
Commissioner



Beatrice C. Hsu
Commissioner



Jeffery J. Daar
Commissioner



Cynthia A. Telles
Commissioner



Deborah Flint
Executive Director

CITY OF LOS ANGELES ELECTED OFFICIALS

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Mike Feuer, City Attorney
Ron Galperin, City Controller

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Mitchell Englander, President Pro Tempore, District 12
Nury Martinez, Assistant President Pro Tempore, District 6

Gilbert A. Cedillo, District 1
Paul Krekorian, District 2
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Mike Bonin, District 11
Mitch O'Farrell, District 13
José Huizar, District 14
Joe Buscaino, District 15

LOS ANGELES WORLD AIRPORTS EXECUTIVE STAFF

Deborah Flint, Executive Director
Stephen Martin, Chief Operating Officer

Debbie Bowers, Deputy Executive Director, Commercial Development
Cynthia Guidry, Deputy Executive Director, Capital Programming, Planning and Engineering
Roger Johnson, Deputy Executive Director, Airports Development
Samson Mengistu, Deputy Executive Director, Administration
Dominic Nessi, Deputy Executive Director, Information Management and Technology
Patrick Gannon, Deputy Executive Director, Law Enforcement and Homeland Security
Wei Chi, Deputy Executive Director, Comptroller
David Shuter, Deputy Executive Director, Facilities Maintenance and Utilities
Jacqueline Yaft, Deputy Executive Director, Operations, Maintenance and Emergency Management
Ryan Yakubik, Chief Financial Officer
Raymond Ilgunas, General Counsel



Government Finance Officers Association

**Certificate of
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Presented to

**Los Angeles World Airports
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2014

Executive Director/CEO

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2015 COMPREHENSIVE ANNUAL FINANCIAL REPORT

Financial Section

Financial Section Contents

- INDEPENDENT AUDITOR'S REPORT
- MANAGEMENT'S DISCUSSION AND ANALYSIS
- FINANCIAL STATEMENTS
- REQUIRED SUPPLEMENTARY INFORMATION
- SUPPLEMENTAL INFORMATION



INDEPENDENT AUDITOR'S REPORT

To the Members of the Board of Airport Commissioners
City of Los Angeles, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Los Angeles World Airports (Department of Airports of the City of Los Angeles, California) (LAWA), an Enterprise Fund of the City of Los Angeles (City), as of and for the fiscal years ended June 30, 2015 and 2014, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of LAWA as of June 30, 2015 and 2014, and the changes in its financial position and its cash flows for the fiscal years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

Basis of Presentation

As discussed in Note 1, the financial statements of LAWA are intended to present the financial position, the changes in financial position, and cash flows of only that portion of the business-type activities and each major fund of the City that is attributable to the transactions of LAWA. They do not purport to, and do not, present fairly the financial position of the City as of June 30, 2015 and 2014, the changes in its financial position, or, where applicable, its cash flows for the fiscal years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Change in Accounting Principles

As described in Notes 1 and 2, effective July 1, 2014, LAWA adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68*. The implementation of these statements resulted in a restatement of net position as of July 1, 2014, in the amount of \$617.5 million. The net position as of July 1, 2013 was not restated because all of the information available to restate prior year amounts was not readily available. Our opinion is not modified with respect to this matter.



Independent Auditor's Report (continued)

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 to 31, the schedule of LAWA's proportionate share of the net pension liability on page 87, and the schedule of contributions – pension on pages 88 to 90 be presented to supplement the financial statements. Such information, although not part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audits of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements of LAWA. The accompanying introductory section, supplemental information, statistical section, and compliance section listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements.

The accompanying combining schedules on pages 94 to 99; Schedule of Passenger Facility Charge Revenues and Expenditures and accompanying notes on pages 137 to 140; and Schedule of Customer Facility Charge Revenues and Expenditures and accompanying notes on pages 143 to 145 (collectively Information) are the responsibility of management and were derived from, and relate 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 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Information is fairly stated in all material respects in relation to the financial statements as a whole.

The accompanying introductory section on pages i to xiii and statistical section on pages 101 to 134 have not been subjected to the auditing procedures applied in the audits of the financial statements and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2015, on our consideration of LAWA's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering LAWA's internal control over financial reporting and compliance.

Los Angeles, California
November 5, 2015



2015 COMPREHENSIVE ANNUAL FINANCIAL REPORT

Management's Discussion & Analysis

Management's Discussion and Analysis



Los Angeles World Airports

(Department of Airports of the City of Los Angeles, California)

Management's Discussion and Analysis (Unaudited)

June 30, 2015 and 2014

Los Angeles World Airports (LAWA) is an independent, fiscally self-sufficient department of the City of Los Angeles, California (City). LAWA is an enterprise fund that owns and operates Los Angeles International Airport (LAX), LA/Ontario International Airport (ONT), and Van Nuys Airport (VNY). LAWA owns approximately 17,750 acres of land located east of USAF Plant 42 in the City of Palmdale. LAWA retains the rights for future development of the Palmdale property.

The management of LAWA presents the following narrative overview of LAWA's financial activities for the fiscal years ended June 30, 2015 and 2014. This discussion and analysis should be read in conjunction with LAWA's financial statements that begin on page 33.

Using This Financial Report

LAWA's financial report consists of this management's discussion and analysis (MD&A), and the financial statements that follow after the MD&A. The financial statements include:

The *Statements of Net Position* present information on all of LAWA's assets, deferred outflows of resources, liabilities, and deferred inflows of resources at June 30, 2015 and 2014. The difference between (a) assets and deferred outflows of resources, and (b) liabilities and deferred inflows of resources was reported as net position. Over time, increases and decreases in net position may serve as a useful indicator about whether LAWA's financial condition is improving or deteriorating.

The *Statements of Revenues, Expenses and Changes in Net Position* present the results of LAWA's operations and information showing the changes in net position for the fiscal years ended June 30, 2015 and 2014. These statements can be useful indicators of how LAWA recovered its costs through rates and charges. All changes in net position were reported when the underlying events occurred, regardless of the timing of the related cash flows. Thus, revenues and expenses were recorded and reported in these statements for some items that will result in cash flows in future periods.

The *Statements of Cash Flows* relate to the inflows and outflows of cash and cash equivalents resulting from operating, noncapital financing, capital and related financing, and investing activities. Consequently, only transactions that affect LAWA's cash and cash equivalents accounts were recorded in these statements. At the end of the statements, a reconciliation is provided to assist in understanding the difference between operating income and cash flows from operating activities.

The *Notes to the Financial Statements* present information that is not displayed on the face of the financial statements. Such information is essential to a full understanding of LAWA's financial activities.



Management's Discussion and Analysis (Unaudited)
June 30, 2015 and 2014
 (continued)

Passenger and Other Traffic Activity Highlights

The following tables present a summary of passenger and other traffic at LAX and ONT for the last three fiscal years:

Los Angeles International Airport

	FY 2015	FY 2014	FY 2013	% Change	
				FY 2015	FY 2014
Total passengers	72,062,730	68,786,455	64,969,102	4.8%	5.9%
Domestic passengers	52,478,111	50,162,524	47,641,025	4.6%	5.3%
International passengers	19,584,619	18,623,931	17,328,077	5.2%	7.5%
Departing passengers	36,114,325	34,333,784	32,524,178	5.2%	5.6%
Arriving passengers	35,948,405	34,452,671	32,444,924	4.3%	6.2%
Passenger flight operations					
Departures	291,107	286,725	273,193	1.5%	5.0%
Arrivals	290,920	286,627	273,297	1.5%	4.9%
Landing weight (thousand lbs)	54,990,272	52,572,657	50,206,827	4.6%	4.7%
Air cargo (tons)					
Mail	87,791	76,784	81,953	14.3%	-6.3%
Freight	2,016,438	1,852,760	1,863,891	8.8%	-0.6%

LA/Ontario International Airport

	FY 2015	FY 2014	FY 2013	% Change	
				FY 2015	FY 2014
Total passengers	4,165,442	4,005,540	4,148,398	4.0%	-3.4%
Domestic passengers	4,048,118	3,932,996	4,095,109	2.9%	-4.0%
International passengers	117,324	72,544	53,289	61.7%	36.1%
Departing passengers	2,085,482	2,002,759	2,076,333	4.1%	-3.5%
Arriving passengers	2,079,960	2,002,781	2,072,065	3.9%	-3.3%
Passenger flight operations					
Departures	20,884	21,336	22,025	-2.1%	-3.1%
Arrivals	20,920	21,443	22,035	-2.4%	-2.7%
Landing weight (thousand lbs)	4,691,442	4,675,640	4,901,055	0.3%	-4.6%
Air cargo (tons)					
Mail	20,962	15,033	18,297	39.4%	-17.8%
Freight	462,386	449,369	436,788	2.9%	2.9%

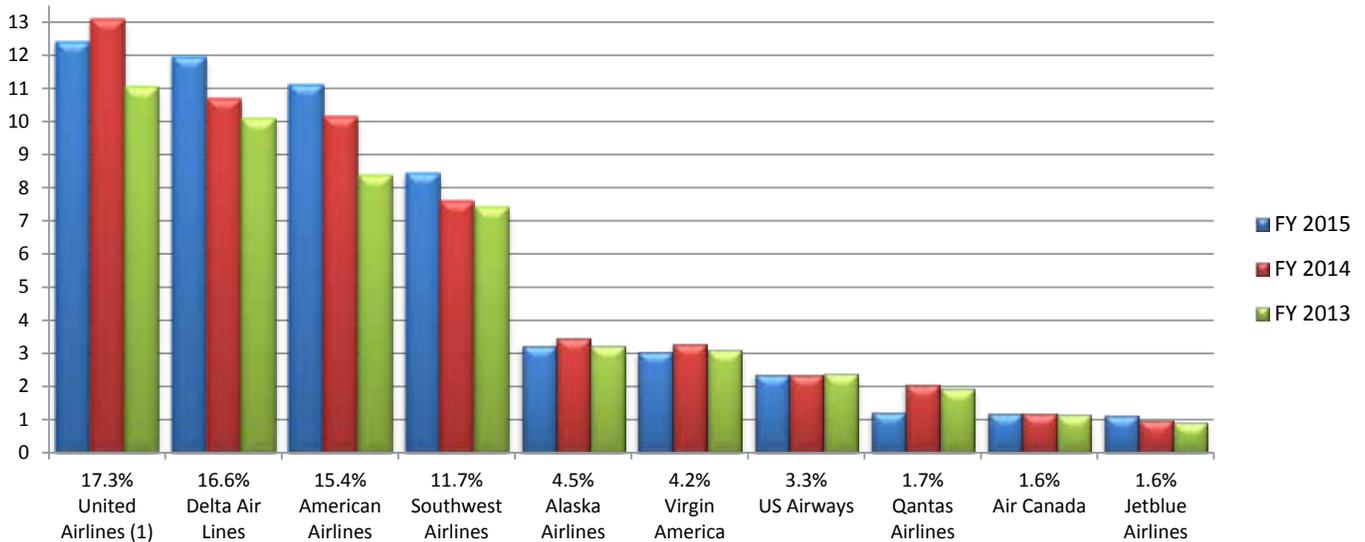
Note: Prior years' data may change because of the updated available information, however, in order to remain comparable and consistent with the published data, the passenger and other traffic numbers for prior fiscal years are not changed.



Passenger Traffic

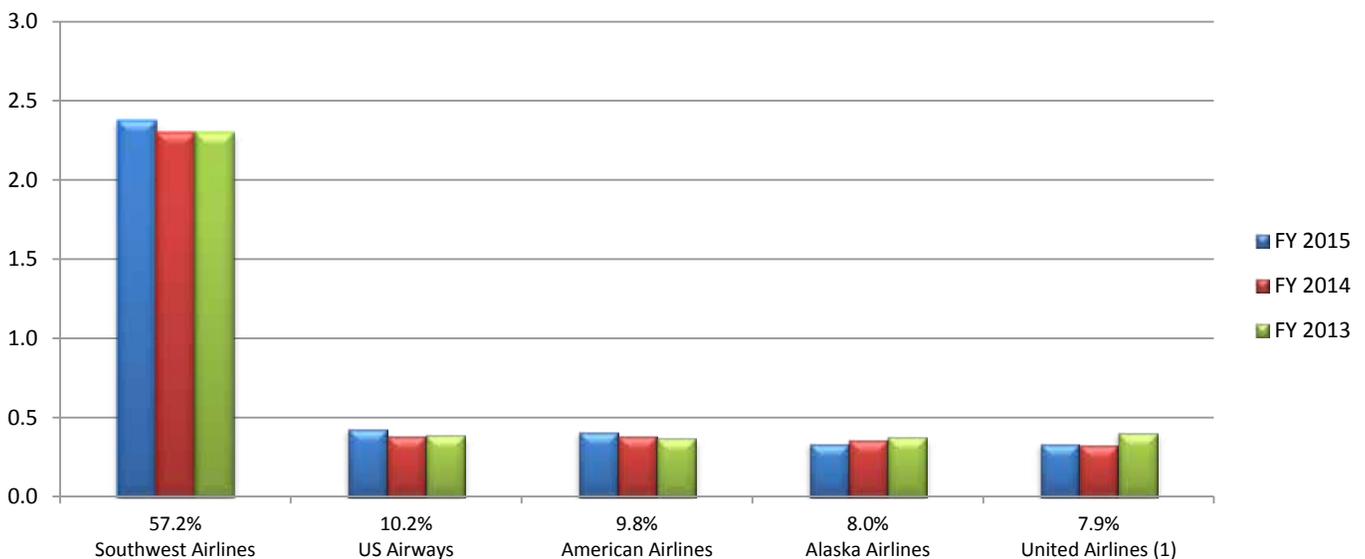
The following charts present the top ten airlines at LAX and top five airlines at ONT by number of passengers for fiscal year 2015 and the comparative passengers for fiscal years 2014 and 2013.

LAX- FY 2015 Top Ten Carriers and Percentage of Market Share (passengers in millions)



(1) Skywest activity was added into United Airlines effective FY2013 and Continental Airlines merged into United Airlines in early 2014.

ONT- FY 2015 Top Five Carriers and Percentage of Market Share (passengers in millions)



(1) Skywest activity was added into United Airlines effective FY2013 and Continental Airlines merged into United Airlines in early 2014.



Management's Discussion and Analysis (Unaudited)

June 30, 2015 and 2014

(continued)

Passenger Traffic, Fiscal Year 2015

Passenger traffic at LAX increased by 4.8% in fiscal year 2015 as compared to fiscal year 2014. Of the 72.1 million passengers that moved in and out of LAX, domestic passengers accounted for 72.8%, while international passengers accounted for 27.2%. United Airlines ferried the largest number of passengers at 12.4 million with a 5.2% decrease in passenger traffic. Delta Air Lines, ranked second with 12.0 million passengers posted a 17.8% increase in passenger traffic. American Airlines, ranked third with 11.1 million passengers posted a 3.8% increase in passenger traffic. Southwest Airlines (8.5 million) and Alaska Airlines (3.2 million) complete the top five air carriers operating at LAX. Qantas Airlines was the top foreign flag carrier with 1.2 million passengers and was ranked eighth overall.

Passenger traffic at ONT increased by 4.0% in fiscal year 2015 as compared to fiscal year 2014. Of the 4.2 million passengers, domestic passengers accounted for 97.2%, while international passengers accounted for 2.8%. International passengers increased by 61.7% in fiscal year 2015 as compared to fiscal year 2014. Southwest Airlines ferried the largest number of passengers at 2.4 million with a 3.3% increase in passenger traffic.

Passenger Traffic, Fiscal Year 2014

Passenger traffic at LAX increased by 5.9% in fiscal year 2014 as compared to fiscal year 2013. Of the 68.8 million passengers that moved in and out of LAX, domestic passengers accounted for 72.9%, while international passengers accounted for 27.1%. United Airlines ferried the largest number of passengers at 13.1 million with an increase of 18.7% from the prior fiscal year after merging with Continental Airlines in early 2014. American Airlines, ranked second with 10.7 million passengers posted a 5.9% increase in passenger traffic. Delta Air Lines, ranked third with 10.2 million passengers posted a 21.2% increase in passenger traffic. Southwest Airlines (7.6 million) and Alaska Airlines (3.5 million) complete the top five air carriers operating at LAX. Qantas Airlines was the top foreign flag carrier with 1.2 million passengers and was ranked ninth overall.

Passenger traffic at ONT declined at a slower pace than the prior year. In fiscal year 2014, there were 4.0 million passengers compared to 4.1 million in fiscal year 2013, a 3.4% decrease. Of the 4.0 million passengers, domestic passengers accounted for 98.2%, while international passengers accounted for 1.8%. International passengers increased by 36.1% in fiscal year 2014 as compared to fiscal year 2013. Southwest Airlines ferried the largest number of passengers at 2.3 million, which was at a similar passenger level to fiscal year 2013.



Flight Operations, Fiscal Year 2015

Departures and arrivals at LAX had an increase of 8,675 flights or 1.5% during fiscal year 2015 when compared to fiscal year 2014. Scheduled³ and charter were up 85,315 flights, while commuter flights were down 76,640. Revenue landing pounds were up 4.6%. The top three carriers in terms of landing pounds were Delta Air Lines, United Airlines, and American Airlines. In total, these three airlines contributed 40.2% of the total revenue pounds at LAX.

Departures and arrivals at ONT had a decrease of 975 flights or 2.3% during fiscal year 2015 when compared to fiscal year 2014. Revenue landing pounds were up 0.3%. United Parcel Service and Southwest Airlines were the top two carriers in terms of landing pounds. Together, these two airlines contributed 66.7% of the total revenue pounds at ONT.

Flight Operations, Fiscal Year 2014

Departures and arrivals at LAX had an increase of 26,862 flights or 4.9% during fiscal year 2014 when compared to fiscal year 2013. Scheduled and charter were up 41,852 flights, while commuter flights were down 14,990. Revenue landing pounds were up 4.7%. The top three carriers in terms of landing pounds were American Airlines, Delta Air Lines, and United Airlines. In total, these three airlines contributed 38.5% of the total revenue pounds at LAX.

Departures and arrivals at ONT had a decrease of 1,281 flights or 2.9% during fiscal year 2014 when compared to fiscal year 2013. Revenue landing pounds were down 4.6%. United Parcel Service and Southwest Airlines were the top two carriers in terms of landing pounds. Together, these two airlines contributed 66.22% of the total revenue pounds at ONT.

³ The increase in scheduled and charter flights by 85,315 and the decrease in commuter flights by 76,640 in fiscal year 2015 was due to the grouping of the Skywest activity into United Airlines effective FY2015. Skywest is considered as a commuter airline while United Airlines is considered as a scheduled carrier. Prior year data is not restated as information is not available.



Management's Discussion and Analysis (Unaudited)

June 30, 2015 and 2014

(continued)

Air Cargo Operations, Fiscal Year 2015

Mail and freight cargo at LAX increased by 9.1% in fiscal year 2015 as compared to fiscal year 2014. Freight and mail were up by 11,007 tons and 163,678 tons, respectively. Domestic cargo was up by 32,670 tons or 4.1% and international cargo was up by 142,015 tons or 12.6%. Federal Express was the top air freight carrier accounting for 17.6% of total freight cargo, followed by Korean Airlines with 4.9%. United Airlines was the top mail carrier accounting for 31.8% of total mail cargo.

Mail and freight cargo at ONT had an increase of 4.1% in fiscal year 2015 as compared to fiscal year 2014. Mail was up 5,929 tons and freight was up 13,017 tons. United Parcel Service was the top mail and freight carrier accounting for 72.5% of total freight cargo, and 91.9% of total mail cargo.

Air Cargo Operations, Fiscal Year 2014

Mail and freight cargo at LAX decreased by 0.8% in fiscal year 2014 as compared to fiscal year 2013. Freight and mail were down by 11,131 tons and 5,169 tons, respectively. Domestic cargo was down by 8,972 tons or 1.1% and international cargo was down by 7,328 tons or 0.6%. Federal Express was the top air freight carrier accounting for 19.4% of total freight cargo, followed by American Airlines with 5.0%. United Airlines was the top mail carrier accounting for 31.5% of total mail cargo.

Mail and freight cargo at ONT had an increase of 2.0% in fiscal year 2014 as compared to fiscal year 2013. Mail was down 3,264 tons while freight was up 12,581 tons. United Parcel Service was the top mail and freight carrier accounting for 71.2% of total cargo.



Overview of LAWA's Financial Statements

Financial Highlights, Fiscal Year 2015

- LAWA's assets exceeded liabilities at June 30, 2015 by \$4.5 billion.
- Bonded debt of LAWA had a net increase of \$312.0 million.
- Operating revenue totaled \$1,121.6 million.
- Operating expenses (including depreciation and amortization of \$201.2 million) totaled \$913.3 million.
- Net non-operating revenue was \$24.8 million.
- Federal grants totaled \$34.8 million.
- LAWA's proportionate share of net pension liability (NPL) for the retirement benefits, based on the ratio of LAWA's contributions to the City's retirement plan's total contributions, was \$615.3 million as of measurement date June 30, 2014, and reporting date June 30, 2015. NPL, the difference between the total pension liability (TPL) and the retirement plan's net position, is an important measure required by Governmental Accounting Standards Board (GASB) Statements No. 68⁴ and 71⁵, to disclose in the financial statements (see Note 13 of the notes to the financial statements.) The data for prior year, fiscal year 2014, was not restated because all of the information available to restate prior year amounts was not readily available.
- Net position decreased by \$349.6 million (including restatement of net position of \$(617.5) million as a result of the implementation of GASB Statements No. 68 and 71).

Financial Highlights, Fiscal Year 2014

- LAWA's assets exceeded liabilities at June 30, 2014 by \$4.8 billion.
- Bonded debt of LAWA had a net increase of \$190.2 million.
- Operating revenue totaled \$1,038.5 million.
- Operating expenses (including depreciation and amortization of \$166.0 million) totaled \$845.8 million.

⁴ GASB Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27, issued in June 2012

⁵ GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68, issued in November 2013



Management's Discussion and Analysis (Unaudited)

June 30, 2015 and 2014

(continued)

- Net non-operating revenue was \$66.0 million.
- Federal grants totaled \$32.7 million.
- Net position increased by \$291.4 million.

Net Position Summary

A condensed summary of LAWA's net position for fiscal years 2015, 2014, and 2013 is presented below:

Condensed Net Position (amounts in thousands)

	FY 2015	FY 2014	FY 2013	FY 2015 increase (decrease)	FY 2014 increase (decrease)
Assets					
Unrestricted current assets	\$ 801,802	\$ 773,686	\$ 751,416	\$ 28,116	\$ 22,270
Restricted current assets	1,666,940	1,741,540	1,698,879	(74,600)	42,661
Capital assets, net	7,457,471	6,938,565	6,385,858	518,906	552,707
Other noncurrent assets	16,070	18,932	21,702	(2,862)	(2,770)
Total assets	9,942,283	9,472,723	8,857,855	469,560	614,868
Deferred outflows of resources					
Deferred charges on debt refunding	27,051	2,581	2,795	24,470	(214)
Changes of assumptions related to pension	89,130	--	--	89,130	--
Contribution after measurement date related to pension	53,261	--	--	53,261	--
Total deferred outflows of resources	169,442	2,581	2,795	166,861	(214)
Liabilities					
Current liabilities payable from unrestricted assets	319,941	414,285	274,859	(94,344)	139,426
Current liabilities payable from restricted assets	132,667	116,999	102,125	15,668	14,874
Noncurrent liabilities	4,401,545	4,102,171	3,933,194	299,374	168,977
Net pension liability	615,349	--	--	615,349	--
Total liabilities	5,469,502	4,633,455	4,310,178	836,047	323,277
Deferred inflows of resources					
Differences between expected and actual experience related to pension	18,368	--	--	18,368	--
Differences between projected and actual investment earnings related to pension	112,403	--	--	112,403	--
Changes in proportion and differences between employer contributions and proportionate share of contributions related to pension	19,248	--	--	19,248	--
Total deferred inflows of resources	150,019	--	--	150,019	--
Net Position					
Net investment in capital assets	3,359,104	3,089,235	2,691,560	269,869	397,675
Restricted for debt service	350,101	334,396	316,249	15,705	18,147
Restricted for capital projects	801,276	944,200	937,398	(142,924)	6,802
Restricted for operations and maintenance reserve	188,375	178,598	173,101	9,777	5,497
Restricted for federally forfeited property and protested funds	1,517	1,313	1,117	204	196
Unrestricted	(208,169)	294,107	431,047	(502,276)	(136,940)
Total net position	\$ 4,492,204	\$ 4,841,849	\$ 4,550,472	\$ (349,645)	\$ 291,377



A condensed summary of LAWA's net position, on a proforma basis without the financial impact of GASB Statements No. 68 and No. 71, for fiscal years 2015, 2014, and 2013 is presented below:

Proforma Condensed Net Position without the Financial Impact of GASB Statements No. 68 and No. 71
(amounts in thousands)

	FY 2015	FY 2014	FY 2013	FY 2015 increase (decrease)	FY 2014 increase (decrease)
Assets					
Unrestricted current assets	\$ 801,802	\$ 773,686	\$ 751,416	\$ 28,116	\$ 22,270
Restricted current assets	1,666,940	1,741,540	1,698,879	(74,600)	42,661
Capital assets, net	7,457,471	6,938,565	6,385,858	518,906	552,707
Other noncurrent assets	16,070	18,932	21,702	(2,862)	(2,770)
Total assets	9,942,283	9,472,723	8,857,855	469,560	614,868
Deferred outflows of resources					
Deferred charges on debt refunding	27,051	2,581	2,795	24,470	(214)
Liabilities					
Current liabilities payable from unrestricted assets	319,941	414,285	274,859	(94,344)	139,426
Current liabilities payable from restricted assets	132,667	116,999	102,125	15,668	14,874
Noncurrent liabilities	4,410,607	4,102,171	3,933,194	308,436	168,977
Total liabilities	4,863,215	4,633,455	4,310,178	229,760	323,277
Net Position					
Net investment in capital assets	3,359,104	3,089,235	2,691,560	269,869	397,675
Restricted for debt service	350,101	334,396	316,249	15,705	18,147
Restricted for capital projects	801,276	944,200	937,398	(142,924)	6,802
Restricted for operations and maintenance reserve	188,375	178,598	173,101	9,777	5,497
Restricted for federally forfeited property and protested funds	1,517	1,313	1,117	204	196
Unrestricted	405,746	294,107	431,047	111,639	(136,940)
Total net position	\$ 5,106,119	\$ 4,841,849	\$ 4,550,472	\$ 264,270	\$ 291,377



Management's Discussion and Analysis (Unaudited)

June 30, 2015 and 2014

(continued)

Net Position, Fiscal Year 2015

As noted earlier, net position may serve as a useful indicator of LAWA's financial condition. At the close of fiscal years 2015 and 2014, LAWA's assets exceeded liabilities by \$4.5 billion and \$4.8 billion, respectively, representing a 7.2% decrease or \$349.6 million. The decrease in net position is a result of LAWA's adoption of the provisions of GASB Statements No. 68 and 71.

The largest portion of LAWA's net position (\$3.4 billion or 74.8%) reflects its investment in capital assets (e.g. land, air easements, buildings, improvements, equipment and vehicles) less depreciation and any related outstanding debt used to acquire those assets. An additional portion of LAWA's net position (\$1.3 billion or 29.8%) represents resources that are subject to various restrictions on how they may be used. The unrestricted net position (-\$208.2 million or -4.6%) reflects the recognition of the reduction of net position due to GASB Statements No. 68 and 71 as stated above. As reflected in the Proforma Condensed Net Position, without the adoption of GASB Statements No. 68 and 71, the unrestricted net position would be \$405.7 million.

Unrestricted current assets increased by 3.6%, from \$773.7 million at June 30, 2014 to \$801.8 million at June 30, 2015. Unrestricted current assets consist primarily of cash and pooled investments (including reinvested cash collateral in 2015) held in the City Treasury. Cash outflows were less than inflows during the fiscal year. Unrestricted cash inflows were from operating activities, investment activities, non-capital grants, and federal grant reimbursements for eligible capital projects. Unrestricted cash outflows were for capital acquisitions and transfers to fiscal agents for debt service.

Restricted current assets include cash and investments (including reinvested cash collateral in 2015) held in the City Treasury for capital projects funded by passenger facility charges (PFCs) and customer facility charges (CFCs). Also included are bond proceeds to be used for capital expenditures as well as bond debt service funds held by fiscal agents. Drawdowns from the amounts held by fiscal agents were used for LAWA capital expenditures incurred at LAX and for bond principal and interest payments. The year-end investment portfolio held by fiscal agents increased by 9.0% from \$599.8 million in fiscal year 2014 to \$653.9 million in fiscal year 2015 mainly due to unspent proceeds of newly issued 2015 series bonds as of June 30, 2015.

LAWA's capital assets additions are financed through issuance of revenue bonds, grants from federal agencies, PFCs, CFCs, and existing resources. Interim financing of such acquisition may be provided through the issuance of commercial paper notes. Capital assets, net of depreciation, increased by 7.5%. Ongoing construction and improvements to modernize LAX terminals and facilities were the primary reasons for the increase.

The recognition of the current portion of the receivable from the City General Fund of \$2.7 million was the primary reason for the decrease in other noncurrent assets.



Current liabilities payable from unrestricted assets had a net decrease of \$94.3 million or 22.8%. This was mainly due to the decrease of \$109.9 million, or 33.7% in contracts and accounts payable as a result of the final closeout payment of \$83.3 million and \$62.0 million for the Bradley West Core project and Bradley West Gates project, respectively, in fiscal year 2014. The decrease was offset by increase in obligations under securities lending transactions and increase in other current liabilities. The increase in other current liabilities was mainly due to the increase in the negative accounts receivable balance of \$6.0 million resulting from the unapplied credits issued to the airlines, increase in negative unbilled receivables of \$2.8 million arising from the landing fees and building rentals reconciliation and increase in LAWA's share of the City Treasury's year-end pending investment trade of \$1.6 million.

Current liabilities payable from restricted assets had a net increase of \$15.7 million or 13.4%. The increase was mainly due to the increase of \$9.5 million, or 12.5% in current maturities of bonded debt and the increase of \$1.4 million in accrued interest payable, increase of \$5.1 million in obligations under securities lending transactions and \$2.0 million in LAWA's allocated share of the City Treasury's fiscal year-end pending investment trades, in fiscal year 2015, offset by the decrease of \$2.4 million, or 54.6% in contracts and accounts payable. The net increase in noncurrent liabilities was \$914.7 million or 22.3%, as a result of additional bond issuances of \$497.3 million and the recognition of LAWA's proportionate share of net pension liability of \$615.3 million during fiscal year 2015.

In addition to the net pension liability, LAWA has also recognized the proportionate share of deferred outflows of resources for changes of assumptions related to pension of \$89.1 million, deferred outflows of resources for contribution after measurement date related to pension of \$53.3 million, deferred inflows of resources for differences between projected and actual investment earnings related to pension of \$112.4 million, deferred inflows of resources for changes in proportion and differences between employer contributions and proportionate share of contributions related to pension of \$19.2 million, and deferred inflows of resources for differences between expected and actual actuarial experience related to pension of \$18.4 million. LAWA has also recognized the reversal of the net pension obligation of \$9.0 million during fiscal year 2015. As a result, the net financial impact of the implementation of GASB Statements No. 68 and 71 is decrease in the net position by \$613.9 million. Implementation of GASB Statements No. 68 and 71 is solely for financial reporting purpose, and it does not represent an immediate funding requirement. Accordingly, without the recognition of the decrease of net position due to GASB Statements No. 68 and 71, LAWA's net position, would be \$5.1 billion.

Net Position, Fiscal Year 2014

As noted earlier, net position may serve as a useful indicator of LAWA's financial condition. At the close of fiscal years 2014 and 2013, LAWA's assets exceeded liabilities by \$4.8 billion and \$4.6 billion, respectively, representing a 6.4% increase or \$291.4 million.

The largest portion of LAWA's net position (\$3.1 billion or 63.8%) reflects its investment in capital assets (e.g. land, air easements, buildings, improvements, equipment and vehicles) less depreciation and any related outstanding debt used to acquire those assets. An additional portion of LAWA's net position (\$1.5 billion or 30.1%) represents resources that are subject to various restrictions on how they may be used. The remaining balance of \$294.1 million (6.1%) may be used to meet LAWA's ongoing obligations.



Management's Discussion and Analysis (Unaudited)

June 30, 2015 and 2014

(continued)

Unrestricted current assets increased by 3.0%, from \$751.4 million at June 30, 2013 to \$773.7 million at June 30, 2014. Unrestricted current assets consist primarily of cash and pooled investments (including reinvested cash collateral in 2014) held in the City Treasury. Cash inflows were more than outflows during the fiscal year. Unrestricted cash inflows were from operating activities, investment activities, non-capital grants, and federal grant reimbursements for eligible capital projects. Unrestricted cash outflows were for capital acquisitions and transfers to fiscal agents for debt service.

Restricted current assets include cash and investments (including reinvested cash collateral in 2014) held in the City Treasury for capital projects funded by passenger facility charges (PFCs) and customer facility charges (CFCs). Also included are bond proceeds to be used for capital expenditures as well as bond debt service funds held by fiscal agents. Drawdowns from the amounts held by fiscal agents were used for LAWA capital expenditures incurred at LAX and for bond principal and interest payments. The year-end investment portfolio held by fiscal agents increased by 6.9% from \$561.0 million in fiscal year 2013 to \$599.8 million in fiscal year 2014.

LAWA's capital assets additions are financed through issuance of revenue bonds, grants from federal agencies, PFCs, CFCs, and existing resources. Interim financing of such acquisition may be provided through the issuance of commercial paper notes. Capital assets, net of depreciation, increased by 8.7%. Ongoing construction and improvements to modernize LAX terminals and facilities were the primary reasons for the increase.

The recognition of the current portion of the receivable from the City General Fund of \$2.6 million was the primary reason for the decrease in other noncurrent assets.

Current liabilities payable from unrestricted assets had a net increase of \$139.4 million or 50.7%. This was mainly due to the increase of \$164.5 million, or 102.1% in contracts and accounts payable as a result of the final closeout payment of \$83.3 million and \$62.0 million for the Bradley West Core project and Bradley West Gates project, respectively. The increase was offset by the \$15.9 million decrease in commercial paper and \$9.5 million in unearned revenue recognized during fiscal year 2014.

Current liabilities payable from restricted assets had a net increase of \$14.9 million or 14.6%. The net increase was mainly due to the increase of \$19.4 million, or 34.0% in current maturities of bonded debt and the increase of \$1.2 million in accrued interest payable, offset by the decrease of \$3.1 million in obligations under securities lending transactions and \$3.1 million in LAWA's allocated share of the City Treasury's fiscal year-end pending investment trades, in fiscal year 2014.

The net increase in noncurrent liabilities was \$169.0 million or 4.3%, as a result of additional bond issuances during fiscal year 2014.



Changes in Net Position Summary

A condensed summary of LAWA's changes in net position for fiscal years ended 2015, 2014, and 2013 is presented below:

Condensed Changes in Net Position (amounts in thousands)

	FY 2015	FY 2014	FY 2013	FY 2015 increase (decrease)	FY 2014 increase (decrease)
Operating revenue	\$ 1,121,584	\$ 1,038,506	\$ 946,793	\$ 83,078	\$ 91,713
Less- Operating expenses	712,060	679,861	665,033	32,199	14,828
Operating income before depreciation and amortization	409,524	358,645	281,760	50,879	76,885
Less- Depreciation and amortization	201,214	165,960	159,719	35,254	6,241
Operating income	208,310	192,685	122,041	15,625	70,644
Other nonoperating revenue, net	24,803	66,015	77,344	(41,212)	(11,329)
Federal grants	34,761	32,677	17,972	2,084	14,705
Changes in net position	267,874	291,377	217,357	(23,503)	74,020
Net position, beginning of year, as previously reported	4,841,849	4,550,472	4,355,882	291,377	194,590
Change in accounting principle	(617,519)	--	(22,767)	(617,519)	22,767
Net position, beginning of year, as restated	4,224,330	4,550,472	4,333,115	(326,142)	217,357
Net position, end of year	<u>\$ 4,492,204</u>	<u>\$ 4,841,849</u>	<u>\$ 4,550,472</u>	<u>\$ (349,645)</u>	<u>\$ 291,377</u>



Management's Discussion and Analysis (Unaudited)
June 30, 2015 and 2014
 (continued)

Operating Revenue

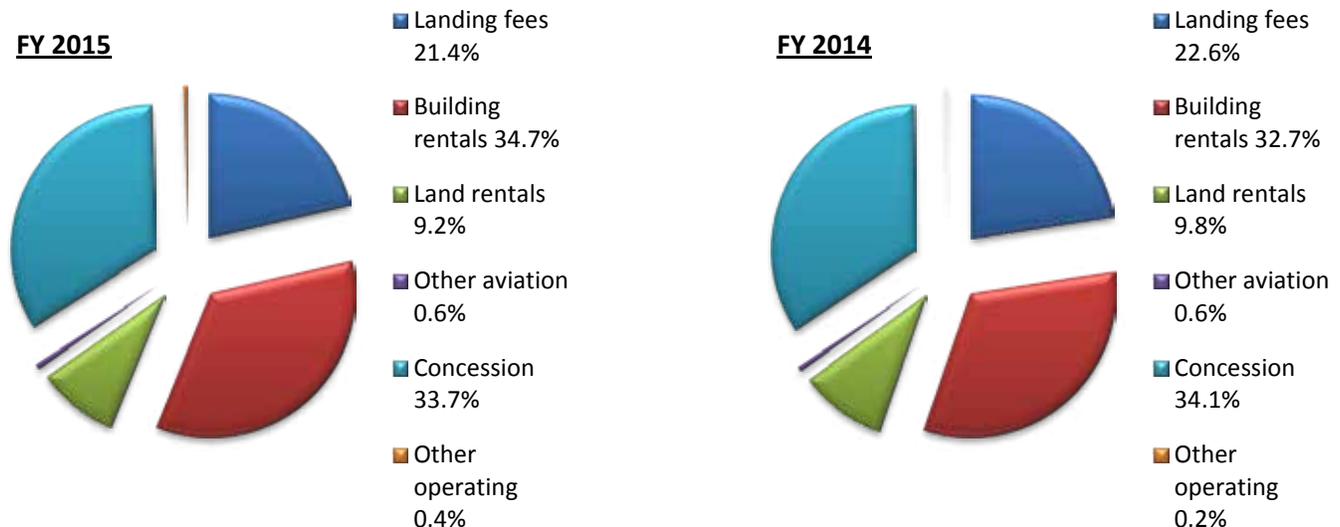
LAWA derives its operating revenue from several major airports business activities. The following table presents a summary of these business activities during fiscal years 2015, 2014, and 2013:

Summary of Operating Revenue
 (amounts in thousands)

	<u>FY 2015</u>	<u>FY 2014</u>	<u>FY 2013</u>	<u>FY 2015</u> increase (decrease)	<u>FY 2014</u> increase (decrease)
Aviation revenue					
Landing fees	\$ 239,659	\$ 234,394	\$ 227,683	\$ 5,265	\$ 6,711
Building rentals	389,796	339,420	285,873	50,376	53,547
Land rentals	102,746	101,369	94,694	1,377	6,675
Other aviation revenue	7,126	5,899	6,336	1,227	(437)
Total aviation revenue	739,327	681,082	614,586	58,245	66,496
Concession revenue	377,617	354,847	328,636	22,770	26,211
Other operating revenue	4,640	2,577	3,571	2,063	(994)
Total operating revenue	<u>\$ 1,121,584</u>	<u>\$ 1,038,506</u>	<u>\$ 946,793</u>	<u>\$ 83,078</u>	<u>\$ 91,713</u>

Operating Revenue, Fiscal Year 2015

The following chart illustrates the proportion of sources of operating revenue for fiscal years ended June 30, 2015 and 2014.





For the fiscal year ended June 30, 2015, total operating revenue was \$1,121.6 million, a \$83.1 million or 8.0% increase from the prior fiscal year. The growth in aviation related revenue was \$58.2 million. Non-aviation revenue had a net increase of \$24.8 million mostly from concessions.

As described in the notes to the financial statements (see page 44), landing fees assessed to air carriers at LAX and ONT are based on cost recovery methodologies. Rates are set using budgeted expenses and estimates of landed weight. The fees are reconciled at the end of the fiscal year using actual net expenses and actual landed weight, with differences credited or billed to the airlines accordingly. Landing fees increased by \$5.3 million or 2.2%, from \$234.4 million in fiscal year 2014 to \$239.7 million in fiscal year 2015. At LAX, landing fees were up by \$4.9 million, or 2.2%. At ONT, landing fees were up by \$0.4 million, or 3.1%. The increase in landing fees was due to the increase in actual expenses.

Terminal rental rates at LAX are calculated using a compensatory methodology. Rates are set based on operating and capital costs allocated to the terminal area and charged to users by leased space or activity in common-use areas. Terminal rental rates calculated for ONT follow a residual fee methodology. Rates are set initially during the fiscal year based on budgeted operating revenue and expenses. Reconciliation between actual revenue and expenses and amounts estimated in the initial calculation result in a fiscal year-end adjustment. The resulting net overcharges or undercharges are recorded as a reduction or addition to unbilled receivables.

At LAX, total building rental revenue posted a growth of \$49.5 million, or 15.7%. The increase was primarily attributable to the improvements and refurbishments in the terminals, scheduled rate increases associated with the Terminal Rate Agreement, as well as new and renegotiated leases signed with the airlines and other tenants. At ONT, building rental decreased by \$0.4 million, or 2.4%, due to decreases in operating expenses.

Land rental revenue was up by \$1.3 million from \$101.4 million in fiscal year 2014 to \$102.7 million in fiscal year 2015. Land rental revenue increased by \$3.9 million at LAX and \$0.2 million at ONT, and decreased by \$2.8 million at VNY. The increase land rental revenue at LAX was mainly due to the increase in leased areas.

Total revenue from concessions was \$377.6 million in fiscal year 2015, an 6.4% growth from \$354.8 million in fiscal year 2014. In-terminal concession revenue are rentals collected from commercial management concessionaires, food and beverage concessionaires; duty free and retail merchants (gifts, news, and novelty items); and concessionaires for advertising, foreign exchange booths, telecommunications, automated teller machines, and luggage cart rental. Off-terminal concession revenue is derived from auto parking, rent-a-car, bus, limousine, taxi services and other commercial ground transportation operations.

At LAX, in-terminal concession revenue during fiscal year 2015 had a net increase of \$12.4 million or 8.0% as compared to fiscal year 2014. The concessions benefited from the increased passenger traffic. Duty free revenues increased by \$8.3 million, or 14.8%. Advertising revenue increased by \$4.7 million, or 26.8% as a result of the new advertising contract. Foreign exchange and telecommunications increased by \$1.1 million, or 14.8%. As discussed in Note 8 of the notes to the financial statements, LAWA entered into Terminal Commercial Management Concession Agreements with Westfield Concession Management, LLC to develop, lease, and manage retail, food and beverage in specific locations at the TBIT, Terminals 1, 2, 3 and 6. As a result, commercial management concession showed an increase of \$19.6 million or 215.4% while the concession revenue from food and beverage, gifts and news showed a decrease of \$21.2 million or 36.6% during fiscal year 2015. Overall, the total revenue from food and beverage concessionaires, gifts and news and commercial management concessionaires showed a slight decrease of \$1.6 million, or 2.4% mainly caused by the closure of some retail locations due to the on-going terminal modernization projects.



Management's Discussion and Analysis (Unaudited)

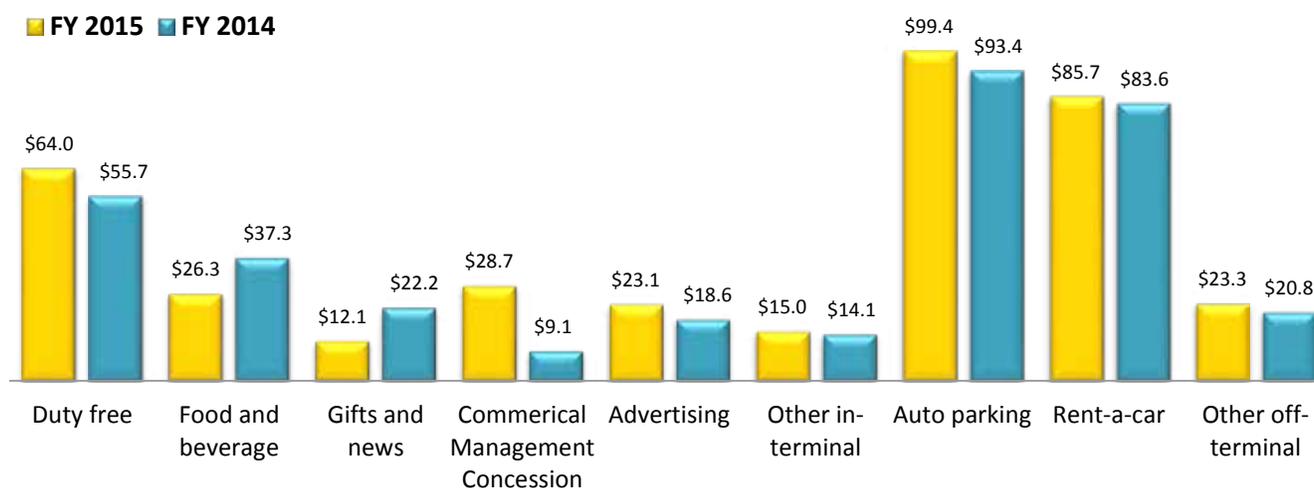
June 30, 2015 and 2014

(continued)

Off-terminal concession revenue at LAX in fiscal year 2015 was \$187.4 million as compared to \$177.0 million in fiscal year 2014, an increase of \$10.4 million, or 5.9%. Of the \$10.4 million increase, \$5.9 million was from auto parking, \$2.1 million from rent-a-car (RAC), \$1.3 million from bus, limousine and taxi services, and \$1.1 million from flyaway bus service.

At ONT, in-terminal concession revenue was down \$0.2 million, or 5.9% from fiscal year 2014, mainly due to the decrease of 0.2 million, or 21.5% in advertising revenue, and decrease of \$0.1 million, or 11.4% from food and beverage, offset by an increase of \$0.1 million, or 12.2% in gifts and news. Off-terminal concession revenue showed an increase of \$0.2 million, or 0.7% from fiscal year 2014 mainly due to increase in auto parking revenue as a result of the increase in passenger traffic.

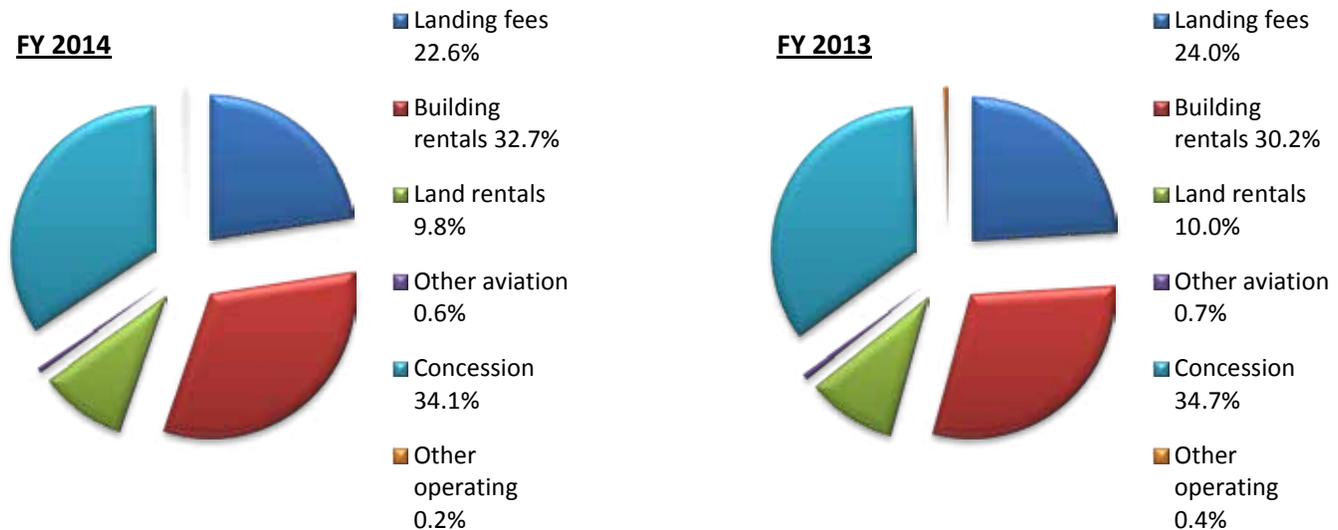
Comparative concession revenue by type for fiscal years 2015 and 2014 are presented in the following chart (amounts in millions).





Operating Revenue, Fiscal Year 2014

The following chart illustrates the proportion of sources of operating revenue for fiscal years ended June 30, 2014 and 2013.



For the fiscal year ended June 30, 2014, total operating revenue was \$1,038.5 million, a \$91.7 million or 9.7% increase from the prior fiscal year. The growth in aviation related revenue was \$66.5 million. Non-aviation revenue had a net increase of \$25.2 million mostly from concessions.

As described in the notes to the financial statements (see page 44), landing fees assessed to air carriers at LAX and ONT are based on cost recovery methodologies. Rates are set using budgeted expenses and estimates of landed weight. The fees are reconciled at the end of the fiscal year using actual net expenses and actual landed weight, with differences credited or billed to the airlines accordingly. Landing fees increased by \$6.7 million or 2.9%, from \$227.7 million in fiscal year 2013 to \$234.4 million in fiscal year 2014. At LAX, landing fees were up by \$6.2 million, or 2.9%. At ONT, landing fees were up by \$0.5 million, or 4.2%. The increase in landing fees was due to the increase in actual expenses.

Terminal rental rates at LAX are calculated using a compensatory methodology. Rates are set based on operating and capital costs allocated to the terminal area and charged to users by leased space or activity in common-use areas. Terminal rental rates calculated for ONT follow a residual fee methodology. Rates are set initially during the fiscal year based on budgeted operating revenue and expenses. Reconciliation between actual revenue and expenses and amounts estimated in the initial calculation result in a fiscal year-end adjustment. The resulting net overcharges or undercharges are recorded as a reduction or addition to unbilled receivables.

At LAX, total building rental revenue posted a growth of \$58.5 million, or 22.7%. The increase was primarily attributable to the improvements and refurbishments in the terminals, the adoption of the new rates and charges, as well as new and renegotiated leases signed with the airlines and other tenants. Building rental revenue from Skyview Center, which was acquired on June 25, 2013, represented \$5.2 million of the increase. At ONT, building rental decreased by \$5.5 million, or 23.7%, due to decreases in operating expenses.



Management's Discussion and Analysis (Unaudited)

June 30, 2015 and 2014

(continued)

Land rental revenue was up by \$6.7 million from \$94.7 million in fiscal year 2013 to \$101.4 million in fiscal year 2014. At LAX, land rental revenue increased by \$5.5 million, including \$3.2 million land rental revenue from Skyview Center. ONT posted a decrease of \$0.9 million and VNY showed an increase of \$2.1 million in land rental revenue.

Total revenue from concessions was \$354.8 million in fiscal year 2014, an 8.0% growth from \$328.6 million in fiscal year 2013. In-terminal concession revenue are rentals collected from commercial management concessionaires, food and beverage concessionaires; duty free and retail merchants (gifts, news, and novelty items); and concessionaires for advertising, foreign exchange booths, telecommunications, automated teller machines, and luggage cart rental. Off-terminal concession revenue is derived from auto parking, rent-a-car, bus, limousine, taxi services and other commercial ground transportation operations.

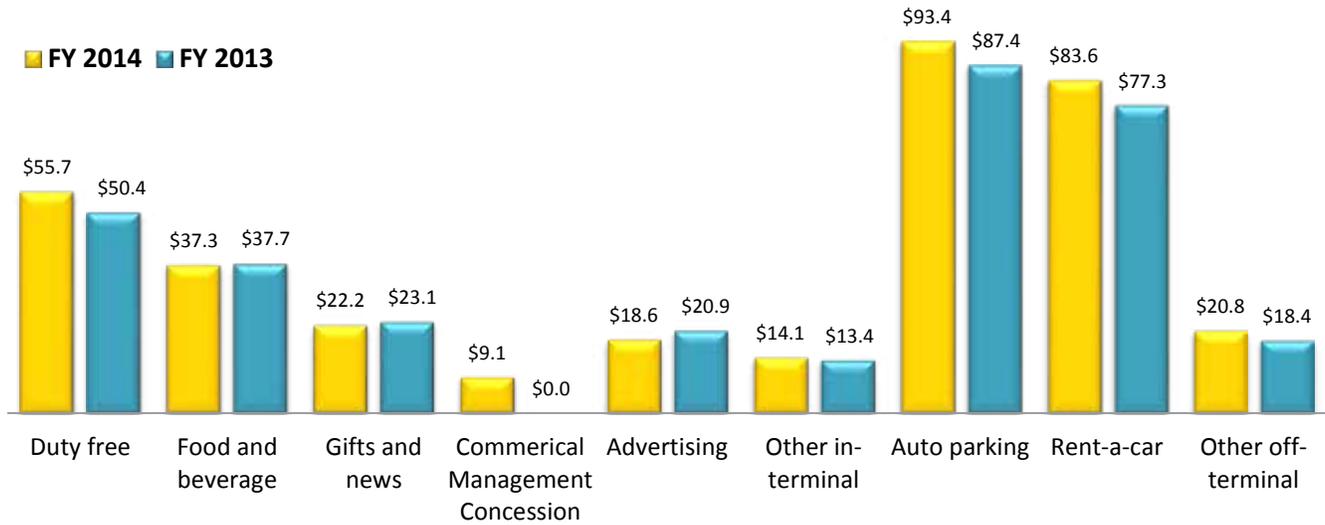
At LAX, in-terminal concession revenue during fiscal year 2014 had a net increase of \$12.7 million or 9.0% as compared to fiscal year 2013. The concessions benefited from the increased passenger traffic and new offerings such that revenue from sales over the minimum annual guarantee (MAG) posted a notable improvement. Duty Free revenues increased by \$5.3 million, or 10.5%. The total revenue from food and beverage concessionaires, retail merchants and commercial management concessionaires showed an increase of \$8.6 million, or 14.7%. Advertising revenue decreased by \$2.1 million, or 10.5% as a result of the loss of some advertising locations due to the closure of the old south concourse in Tom Bradley International Terminal (TBIT) and impacts of construction of new escalators, elevators, and walkways in the Terminal 4.

Off-terminal concession revenue at LAX in fiscal year 2014 was \$177.0 million as compared to \$162.5 million in fiscal year 2013, an increase of \$14.5 million, or 8.9%. Of the \$14.5 million increase, \$6.0 million was from auto parking, \$6.0 million from rent-a-car (RAC), \$1.5 million from bus, limousine and taxi services, and \$1.0 million from flyaway bus service.

At ONT, in-terminal concession revenue was down \$1.2 million, or 31.8% from fiscal year 2013 due to the decrease in passenger traffic while off-terminal concession revenue showed an increase of \$0.3 million, or 1.3% from fiscal year 2013 mainly due to increase in RAC revenue.



Comparative concession revenue by type for fiscal years 2014 and 2013 are presented in the following chart (amounts in millions).





Management's Discussion and Analysis (Unaudited)

June 30, 2015 and 2014

(continued)

Operating Expenses

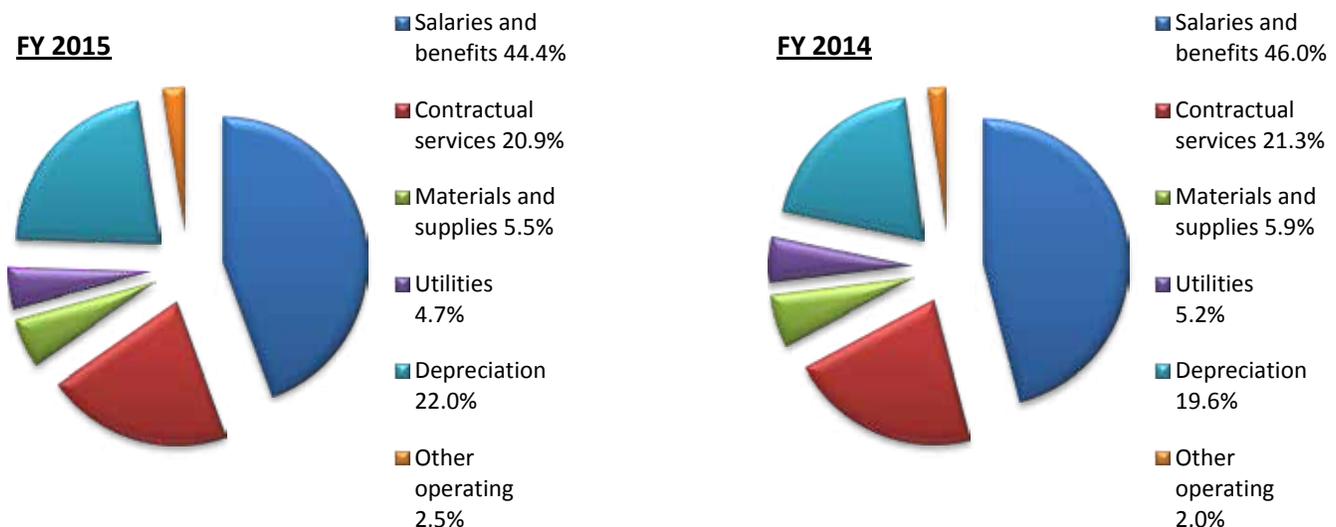
The following table presents a summary of LAWA operating expenses for the fiscal years ended June 30, 2015, 2014, and 2013. Included in other operating expenses are expenses for advertising and public relations, training and travel, insurance, lease, and other miscellaneous items.

Summary of Operating Expenses (amounts in thousands)

	FY 2015	FY 2014	FY 2013	FY 2015 increase (decrease)	FY 2014 increase (decrease)
Salaries and benefits	\$ 405,923	\$ 388,677	\$ 371,708	\$ 17,246	\$ 16,969
Contractual services	190,445	179,988	184,139	10,457	(4,151)
Materials and supplies	49,810	49,604	52,158	206	(2,554)
Utilities	43,247	44,037	37,089	(790)	6,948
Other operating expenses	22,635	17,555	19,939	5,080	(2,384)
Operating expenses before depreciation	712,060	679,861	665,033	32,199	14,828
Depreciation	201,214	165,960	159,719	35,254	6,241
Total operating expenses	<u>\$ 913,274</u>	<u>\$ 845,821</u>	<u>\$ 824,752</u>	<u>\$ 67,453</u>	<u>\$ 21,069</u>

Operating Expenses, Fiscal Year 2015

The following chart illustrates the proportion of categories of operating expenses for fiscal years ended June 30, 2015 and 2014.





For the fiscal year ended June 30, 2015, operating expenses were \$913.3 million, a \$67.5 million or 8.0% increase from the prior fiscal year. Expense categories that experienced notable changes were salaries and benefits, up by \$17.2 million, contractual services, up by \$10.5 million, and depreciation, up by \$35.3 million, offset by the decrease in utilities of \$0.8 million.

Salaries and overtime before capitalized charges had an increase of \$13.5 million or 4.6% due mainly to bargaining agreements with employee unions. The combined increase in retirement contributions, healthcare subsidy, and accrued sick and vacation was \$1.3 million, or 1.2%. The increase in provision for workers' compensation liability was mainly due to the increase in number of cases as well as the increase in some high value cases during fiscal year 2015. The increase in contractual services was mainly due to the surge in legal services expenses of \$6.7 million for lawsuit relating to local control of the LA/ONT International Airport. Please see Note 15 (f) of the notes to the financial statement. The increase in depreciation charges from \$166.0 million in fiscal year 2014 to \$201.2 million was due to the completion of major projects including the Bradley West North and South Gates, and the core area improvements at LAX. During fiscal year 2015, \$168.9 million was reclassified from construction work in progress to depreciable capital asset categories. The decrease in utilities from \$44.0 million to \$43.2 million in fiscal year 2015 was due to the decrease of electricity of \$1.3 million, or 3.8%, decrease of gas and telephone of \$0.9 million, or 15.8%, offset by the increase of \$1.2 million, or 21.7% of water charges. The decrease was a result of the replacement of the Central Utility Plant (CUP) with an energy efficient facility which saved electrical and natural gas usage in fiscal year 2015.

Materials and supplies, and other operating expenses increased by \$0.2 million, or 0.4% and \$5.1 million, or 28.9%, respectively. The increase in other operating expenses was mainly caused by a reduction in the reversal of bad debts allowance from \$4.7 million in fiscal year 2014 to \$0.5 million in fiscal year 2015. In accordance to LAWA's policy, the allowance for bad debt is calculated based on 2% of outstanding month-end receivables plus 80% of all bankruptcy accounts and aged accounts over 120 days that are referred to the City Attorney.



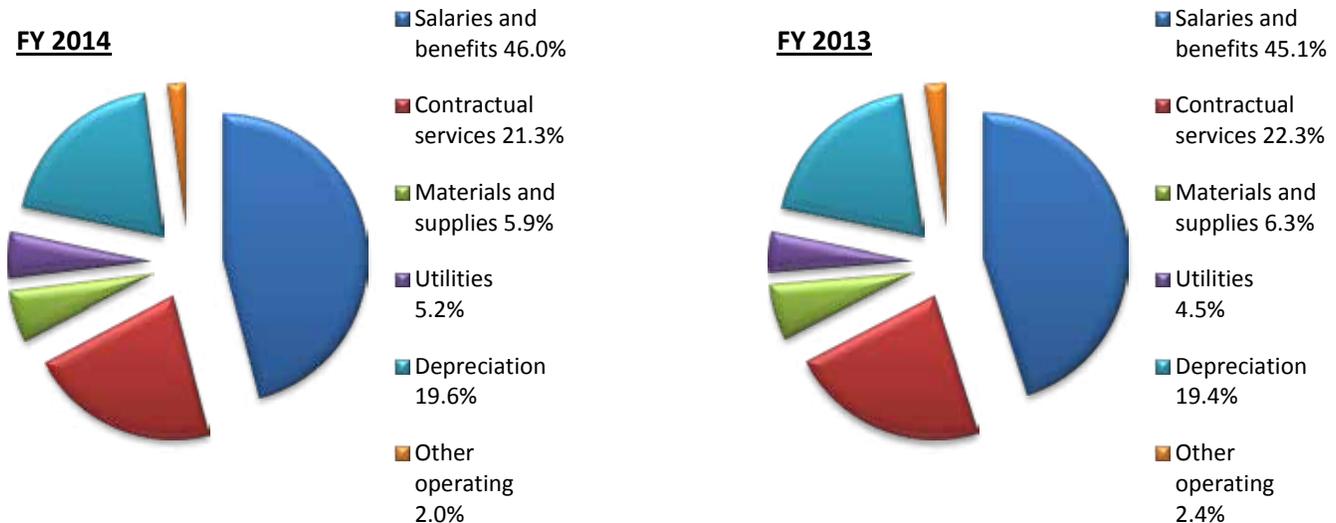
Management's Discussion and Analysis (Unaudited)

June 30, 2015 and 2014

(continued)

Operating Expenses, Fiscal Year 2014

The following chart illustrates the proportion of categories of operating expenses for fiscal years ended June 30, 2014 and 2013.



For the fiscal year ended June 30, 2014, operating expenses were \$845.8 million, a \$21.1 million or 2.6% increase from the prior fiscal year. Expense categories that experienced notable changes were salaries and benefits, up by \$17.0 million, utilities, up by \$6.9 million, and depreciation, up by \$6.2 million. The remaining expense accounts had an aggregate net decrease of \$9.1 million.

Salaries and overtime before capitalized charges had an increase of \$15.3 million or 5.5% due mainly to bargaining agreements with employee unions. The combined increase in retirement contributions, healthcare subsidy, and accrued sick and vacation was \$3.6 million while workers' compensation decreased by \$1.9 million. The increase in utilities was attributable to a combination of higher electricity rates and consumption as a result of the new Bradley West Project in TBIT, which was opened in September 2013. The increase in depreciation charges from \$159.7 million in fiscal year 2013 to \$166.0 million was due to the completion of certain major projects at LAX terminals and airfield. During fiscal year 2014, \$1,621.9 million was reclassified from construction work in progress to depreciable capital asset categories.

Contractual services, materials and supplies, and other operating expenses were decreased by \$4.2 million, \$2.6 million and \$2.4 million, respectively. Lower environmental consultant expenses and equipment maintenance and operations expenses explained the decrease in contractual services. The costs for field paint, materials, supplies and services for the airfield marking was significantly lower in fiscal year 2014 following a significant airfield-marking project in fiscal year 2013. The decline in other operating expenses was mainly driven by the continued decrease in provision for bad debts as lesser customer accounts were in bankruptcy. In accordance to LAWA's policy, the allowance for bad debt is calculated based on 2% of outstanding month-end receivables plus 80% of all bankruptcy accounts and aged accounts over 120 days that are referred to the City Attorney.



Non-operating Transactions

Non-operating transactions are activities that do not result from providing services as well as producing and delivering goods in connection with LAWA's ongoing operations. The following table presents a summary of these activities during fiscal years 2015, 2014, and 2013.

Summary of Non-operating Transactions (amounts in thousands)

	FY 2015	FY 2014	FY 2013	FY 2015 increase (decrease)	FY 2014 increase (decrease)
Nonoperating revenue					
Passenger facility charges	\$ 141,466	\$ 136,280	\$ 130,512	\$ 5,186	\$ 5,768
Customer facility charges	33,185	32,345	30,896	840	1,449
Interest income	22,240	22,482	27,749	(242)	(5,267)
Net change in fair value of investments	(2,074)	1,940	(24,764)	(4,014)	26,704
Other non-operating revenue	9,175	11,901	12,098	(2,726)	(197)
	<u>\$ 203,992</u>	<u>\$ 204,948</u>	<u>\$ 176,491</u>	<u>\$ (956)</u>	<u>\$ 28,457</u>
Nonoperating expenses					
Interest expense	\$ 169,630	\$ 137,005	\$ 97,089	\$ 32,625	\$ 39,916
Other non-operating expenses	9,559	1,928	2,058	7,631	(130)
	<u>\$ 179,189</u>	<u>\$ 138,933</u>	<u>\$ 99,147</u>	<u>\$ 40,256</u>	<u>\$ 39,786</u>
Federal capital grants	<u>\$ 34,761</u>	<u>\$ 32,677</u>	<u>\$ 17,972</u>	<u>\$ 2,084</u>	<u>\$ 14,705</u>

Non-operating Transactions, Fiscal Year 2015

As a result of the increase in passenger traffic in fiscal year 2015, PFCs increased by \$5.0 million, or 3.8%, at LAX, and increased by \$0.1 million, or 4.0%, at ONT.

CFCs, which are imposed on each car rental transaction collected by car rental concessionaires and remitted to LAWA, posted an increase of \$0.8 million, or 2.6% in fiscal year 2015. CFCs increased by \$0.7 million, or 2.3%, at LAX, and increased by \$0.2 million, or 4.6%, at ONT.

Interest income decreased slightly by \$0.2 million, or 1.1% due to slightly lower average balance of cash and pooled investments held in City Treasury. The net change in fair value of investments reflects the decrease driven by the downward year-end net adjustment to the fair value of investment securities. A component of other non-operating revenue related to reimbursements for certain Transportation Security Administration (TSA) programs was \$2.3 million less in fiscal year 2015. Interest expenses increased with additional issuances of revenue bonds in the amount of \$497.3 million in fiscal year 2015 to finance capital improvement projects. The increase in other non-operating expenses was mainly due to correction of prior years' expenses of \$6.9 million, together with \$0.8 million bond issuance expenses.



Management's Discussion and Analysis (Unaudited)

June 30, 2015 and 2014

(continued)

Non-operating Transactions, Fiscal Year 2014

At LAX, the increase of \$8.2 million in PFCs from fiscal year 2013 represents a 6.6% improvement aligned with the encouraging gain in passenger traffic. At ONT, PFCs decreased by \$2.4 million due to the reduction in the PFC rates from \$4.50 to \$2.00 effective January 1, 2013, and decline in passenger traffic. CFCs posted an increase, mostly from LAX rental car business buoyed by passenger traffic. CFCs are imposed on each car rental transaction collected by car rental concessionaires and remitted to LAWA.

Interest income decreased due to lower average balance of cash and pooled investments held in City Treasury and the lower annualized rate of return for the Treasury Pool core portfolio from 0.23% in fiscal year 2013 to 0.16% in fiscal year 2014. Within the other non-operating revenue, the increase of \$4.5 million reimbursements for certain TSA programs in fiscal year 2014 was offset by the \$3.1 million loss on demolition of the South Concourse in TBIT and the reduction of \$1.6 million in miscellaneous revenue. Interest expenses increased with additional issuances of revenue bonds in the amount of \$241.9 million to finance capital improvement projects.

Long-Term Debt

As of June 30, 2015, LAWA's outstanding long-term debt before unamortized premium and discount was \$4.2 billion. Issuances during the year amounted to \$497.3 million, redemption and advance refunding totaled \$190.6 million, and payments for scheduled maturities were \$76.2 million. Together with the unamortized premium and discount, bonded debt of LAWA increased by \$312.0 million to \$4,360.6 million.

As of June 30, 2014, LAWA's outstanding long-term debt before unamortized premium and discount was \$4.0 billion. Issuances during the year amounted to \$241.9 million, and payments for scheduled maturities were \$56.9 million. Together with the unamortized premium and discount, bonded debt of LAWA increased by \$190.2 million to \$4,048.6 million.

As of June 30, 2015 and 2014, LAWA had \$375.1 million and \$357.5 million investments, respectively, held by fiscal agents that are pledged for the payment or security of the outstanding bonds.

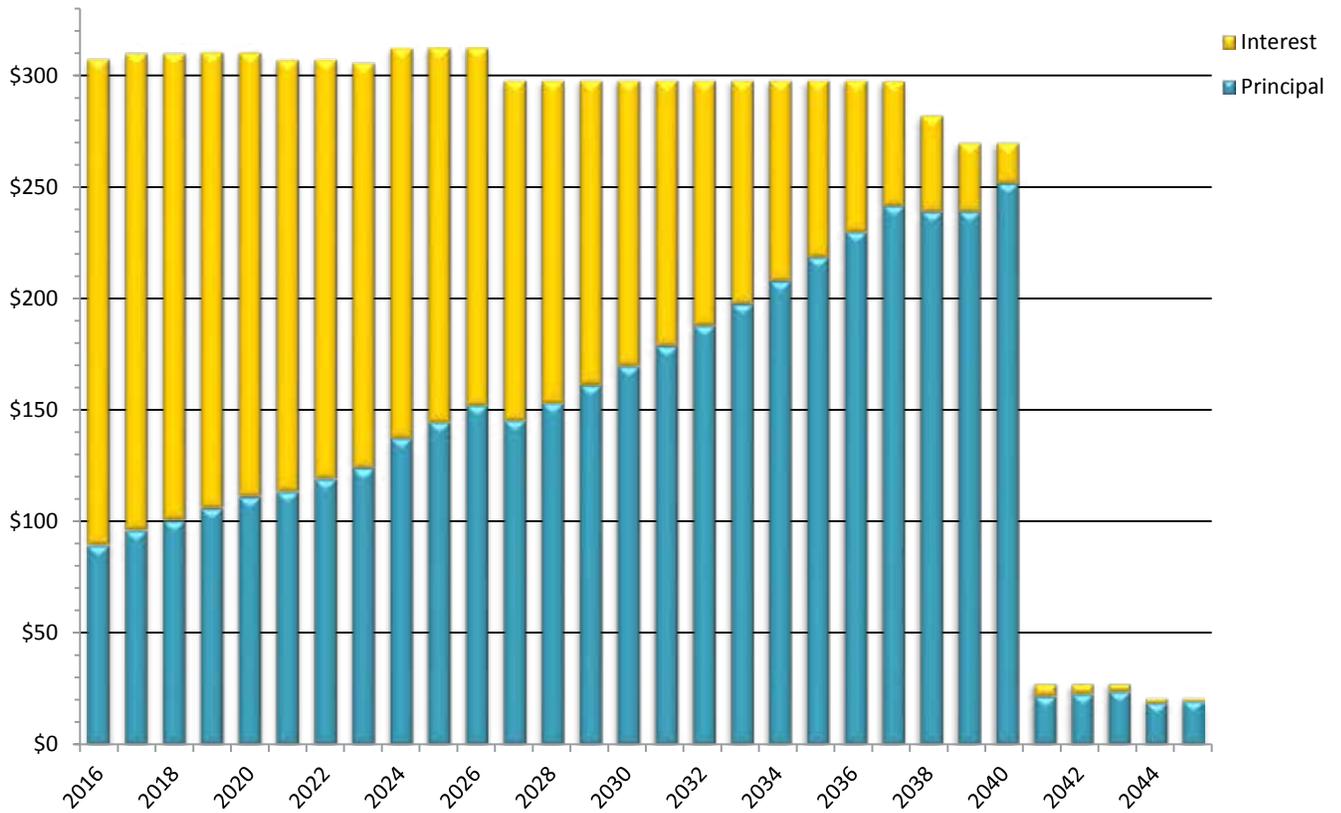
As of June 30, 2015 and 2014, the ratings of LAX's outstanding bonds by Standard & Poor's Rating Services, Moody's Investors Service, and Fitch Ratings were as follows: AA, Aa3, and AA respectively for LAX Senior Bonds; AA-, A1, and AA- respectively for LAX Subordinate Bonds.

As of June 30, 2015 and 2014, the ratings of ONT's outstanding bonds by Standard & Poor's Rating Services, Moody's Investors Service, and Fitch Ratings were A-, Baa1 and A-, respectively.

Additional information regarding LAWA's bonded debt can be found in Note 6 of the notes to the financial statements beginning on page 58.



Outstanding principal, plus scheduled interest as of June 30, 2015, is scheduled to mature as shown in the following chart (amounts in millions).





Management's Discussion and Analysis (Unaudited)

June 30, 2015 and 2014

(continued)

Capital Assets

LAWA's investment in capital assets, net of accumulated depreciation, as of June 30, 2015 and 2014 were \$7.5 billion and \$6.9 billion, respectively. This investment, which accounts for 75.0% and 73.2% of LAWA's total assets as of June 30, 2015 and 2014, respectively, includes land, air easements, buildings, improvements, equipment and vehicles, emission reduction credits, and construction work in progress.

LAWA's policy affecting capital assets can be found in Note 1(f) of the notes to the financial statements on pages 42-43. Additional information can be found in Note 4 on pages 55-56.

Capital Assets, Fiscal Year 2015

Major capital expenditure activities during fiscal year 2015 included:

- LAX - \$228.3 million interior improvements and security upgrades at TBIT and Bradley West
- LAX - \$118.2 million renovations at Terminals 1 to 8
- LAX - \$55.0 million residential acquisition, soundproofing and noise mitigation
- LAX - \$63.5 million replacement of CUP and cogeneration facilities
- LAX - \$49.2 million Central Terminal Area (CTA) curbside development project and Second Level Roadway Joint and Deck replacement
- LAX - \$31.7 million replacement and improvements of elevators and escalators
- LAX - \$26.7 million design and preconstruction services of Midfield Satellite Concourse
- LAX - \$23.5 million in costs related to various Information Technology network and systems projects
- LAX - \$21.1 million construction of runways and taxiways
- LAX - \$17.2 million in costs related to construction of West Maintenance Facility
- ONT - \$2.8 million runway safety area improvement
- VNY - \$0.6 million taxiway and runway rehabilitation

At June 30, 2015, the amounts committed for capital expenditures included \$5.9 million for airfield and runways, \$7.1 million for noise mitigation program, \$75.4 million for terminals and facilities, and \$30.9 million for various other projects.



Capital Assets, Fiscal Year 2014

Major capital expenditure activities during fiscal year 2014 included:

- LAX- \$325.1 million improvements and security upgrades at the TBIT
- LAX- \$73.6 million renovations at Terminals 1 to 8
- LAX- \$55.9 million replacement of CUP and cogeneration facilities
- LAX- \$38.4 million replacement and improvements of elevators and escalators
- LAX- \$26.5 million residential acquisition, soundproofing and noise mitigation
- LAX- \$17.9 million CTA curbside development project and Second Level Roadway Joint and Deck replacement.
- LAX- \$12.8 million in costs related to various Information Technology network and systems projects
- LAX- \$13.7 million in costs related to various other projects
- VNY- \$8.8 million taxiway and runway rehabilitation
- ONT- \$1.2 million runway safety area improvement

At June 30, 2014, the amounts committed for capital expenditures included \$9.3 million for airfield and runways, \$6.7 million for noise mitigation program, \$93.3 million for terminals and facilities, and \$32.8 million for various other projects.



Management’s Discussion and Analysis (Unaudited)
June 30, 2015 and 2014
 (continued)

Landing Fees, Fiscal Year 2016

The airline landing fees for fiscal year 2016, which became effective as of July 1, 2015 are as follows:

Los Angeles International Airport

<u>Permitted air carriers</u>	<u>Non-permitted air carriers</u>	
\$ 57.00	\$ 71.00	For each landing of aircraft having a maximum gross landing weight of 12,500 pounds or less
110.00	138.00	For each landing of aircraft having a maximum gross landing weight of more than 12,500 pounds up to and including 25,000 pounds
3.46	4.33	Per 1,000 pounds of maximum gross landing weight for each landing by an air carrier cargo having a maximum gross landing weight of more than 25,000 pounds
4.38	5.48	Per 1,000 pounds of maximum gross landing weight for each landing by an air carrier passenger having a maximum gross landing weight of more than 25,000 pounds

LA/Ontario International Airport

<u>Signatory airlines</u>	<u>Non-signatory airlines</u>	
\$ 35.00	\$ 44.00	For each landing of aircraft having a maximum gross landing weight of 12,500 pounds or less
67.00	84.00	For each landing of aircraft having a maximum gross landing weight of more than 12,500 pounds up to and including 25,000 pounds
2.68	3.35	Per 1,000 pounds of maximum gross landing weight for each landing of aircraft having a maximum gross landing weight of more than 25,000 pounds

Landing fee rates were based on budgeted operating expenses and revenues. Reconciliation between actual revenues and expenses and amounts estimated in the initial calculation result in a fiscal year-end adjustment. The resulting net overcharges or undercharges are recorded as a reduction or addition to unbilled receivables.



Request for Information

This report is designed to provide a general overview of the Los Angeles World Airports' finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Ryan P. Yakubik, Chief Financial Officer, Los Angeles World Airports, 1 World Way, Los Angeles, CA 90045.

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2015 COMPREHENSIVE ANNUAL FINANCIAL REPORT

Financial Statements

Financial Statements



Los Angeles World Airports

(Department of Airports of the City of Los Angeles)

Statements of Net Position

June 30, 2015 and 2014

(amounts in thousands)

	<u>2015</u>	<u>2014</u>
ASSETS		
Current Assets		
Unrestricted current assets		
Cash and pooled investments held in City Treasury	\$ 644,352	\$ 690,525
Investments with fiscal agents	100,913	6,752
Accounts receivable, net of allowance for uncollectible accounts: 2015 - \$785; 2014 - \$1,675	1,596	21,203
Unbilled receivables	28,868	27,518
Accrued interest receivable	2,827	2,642
Grants receivable	14,065	15,221
Loans receivable	177	164
Receivable from City General Fund	2,684	2,606
Prepaid expenses	4,552	5,285
Inventories	1,768	1,770
Total unrestricted current assets	<u>801,802</u>	<u>773,686</u>
Restricted current assets		
Cash and pooled investments held in City Treasury	987,687	1,113,848
Investments with fiscal agents	653,904	599,765
Accrued interest receivable	1,546	1,878
Passenger facility charges receivable	20,779	22,718
Customer facility charges receivable	3,024	3,331
Total restricted current assets	<u>1,666,940</u>	<u>1,741,540</u>
Total current assets	<u>2,468,742</u>	<u>2,515,226</u>
Noncurrent Assets		
Capital assets		
Not depreciated	3,497,687	2,956,705
Depreciated, net	3,959,784	3,981,860
Total capital assets	<u>7,457,471</u>	<u>6,938,565</u>
Other noncurrent assets		
Restricted investments with fiscal agents	6,843	6,843
Loans receivable, net of current portion	677	854
Receivable from City General Fund, net of current portion	8,550	11,235
Total other noncurrent assets	<u>16,070</u>	<u>18,932</u>
Total noncurrent assets	<u>7,473,541</u>	<u>6,957,497</u>
TOTAL ASSETS	<u>9,942,283</u>	<u>9,472,723</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charges on debt refunding	27,051	2,581
Changes of assumptions related to pension	89,130	--
Contribution after measurement date related to pension	53,261	--
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>169,442</u>	<u>2,581</u>



Statements of Net Position (continued)
June 30, 2015 and 2014
(amounts in thousands)

	<u>2015</u>	<u>2014</u>
LIABILITIES		
Current Liabilities		
Current liabilities payable from unrestricted assets		
Contracts and accounts payable	\$ 215,822	\$ 325,679
Accrued salaries	13,828	12,450
Accrued employee benefits	5,082	4,988
Estimated claims payable	9,039	8,125
Commercial paper	50,123	52,160
Obligations under securities lending transactions	4,416	1,008
Other current liabilities	21,631	9,875
Total current liabilities payable from unrestricted assets	<u>319,941</u>	<u>414,285</u>
Current liabilities payable from restricted assets		
Contracts and accounts payable	1,987	4,379
Current maturities of bonded debt	85,770	76,240
Accrued interest payable	26,810	25,404
Obligations under securities lending transactions	6,694	1,598
Other current liabilities	11,406	9,378
Total current liabilities payable from restricted assets	<u>132,667</u>	<u>116,999</u>
Total current liabilities	<u>452,608</u>	<u>531,284</u>
Noncurrent Liabilities		
Bonded debt, net of current portion	4,274,819	3,972,369
Accrued employee benefits, net of current portion	41,118	40,360
Estimated claims payable, net of current portion	71,939	66,711
Liability for environmental/hazardous materials cleanup	12,783	12,783
Net pension obligation	--	9,062
Net pension liability	615,349	--
Other long-term liabilities	886	886
Total noncurrent liabilities	<u>5,016,894</u>	<u>4,102,171</u>
TOTAL LIABILITIES	<u>5,469,502</u>	<u>4,633,455</u>
DEFERRED INFLOWS OF RESOURCES		
Differences between expected and actual experience related to pension	18,368	--
Differences between projected and actual investment earnings related to pension	112,403	--
Changes in proportion and differences between employer contributions and proportionate share of contributions related to pension	19,248	--
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>150,019</u>	<u>--</u>
NET POSITION		
Net investment in capital assets	3,359,104	3,089,235
Restricted for:		
Debt service	350,101	334,396
Passenger facility charges funded projects	573,805	749,031
Customer facility charges funded projects	218,059	185,990
Capital projects reserve	9,412	9,179
Operations and maintenance reserve	188,375	178,598
Federally forfeited property and protested funds	1,517	1,313
Unrestricted	(208,169)	294,107
TOTAL NET POSITION	<u>\$ 4,492,204</u>	<u>\$ 4,841,849</u>

See accompanying notes to the financial statements.



Los Angeles World Airports
(Department of Airports of the City of Los Angeles)

Statements of Revenues, Expenses and Changes in Net Position
For the Fiscal Years Ended June 30, 2015 and 2014
(amounts in thousands)

	<u>2015</u>	<u>2014</u>
OPERATING REVENUE		
Aviation revenue		
Landing fees	\$ 239,659	\$ 234,394
Building rentals	389,796	339,420
Land rentals	102,746	101,369
Other aviation revenue	7,126	5,899
Total aviation revenue	<u>739,327</u>	<u>681,082</u>
Concession revenue	377,617	354,847
Other operating revenue	4,640	2,577
Total operating revenue	<u>1,121,584</u>	<u>1,038,506</u>
OPERATING EXPENSES		
Salaries and benefits	405,923	388,677
Contractual services	190,445	179,988
Materials and supplies	49,810	49,604
Utilities	43,247	44,037
Other operating expenses	22,635	17,555
Total operating expenses before depreciation and amortization	<u>712,060</u>	<u>679,861</u>
Operating income before depreciation and amortization	409,524	358,645
Depreciation and amortization	201,214	165,960
OPERATING INCOME	<u>208,310</u>	<u>192,685</u>
NONOPERATING REVENUE (EXPENSES)		
Passenger facility charges	141,466	136,280
Customer facility charges	33,185	32,345
Interest income	22,240	22,482
Net change in fair value of investments	(2,074)	1,940
Interest expense	(169,630)	(137,005)
Other nonoperating revenue	9,175	11,901
Other nonoperating expenses	(9,559)	(1,928)
Total nonoperating revenue, net	<u>24,803</u>	<u>66,015</u>
INCOME BEFORE CAPITAL GRANTS	233,113	258,700
Federal and other government grants	34,761	32,677
CHANGE IN NET POSITION	<u>267,874</u>	<u>291,377</u>
NET POSITION, BEGINNING OF YEAR, AS PREVIOUSLY REPORTED	4,841,849	4,550,472
Change in accounting principle	(617,519)	--
NET POSITION, BEGINNING OF YEAR, AS RESTATED	<u>4,224,330</u>	<u>4,550,472</u>
NET POSITION, END OF YEAR	<u>\$ 4,492,204</u>	<u>\$ 4,841,849</u>

See accompanying notes to the financial statements.



Los Angeles World Airports
(Department of Airports of the City of Los Angeles)

Statements of Cash Flows
For the Fiscal Years Ended June 30, 2015 and 2014
(amounts in thousands)

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 1,137,750	\$ 1,043,737
Payments to suppliers	(200,779)	(147,197)
Payments for employee salaries and benefits	(401,155)	(384,790)
Payments for City services	(90,216)	(97,553)
Net cash provided by operating activities	<u>445,600</u>	<u>414,197</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Noncapital grants received	<u>11,359</u>	<u>13,840</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from sale of revenue bonds and commercial paper notes	784,228	253,413
Principal paid on revenue bonds and commercial paper notes	(468,897)	(72,975)
Interest paid on revenue bonds and commercial paper notes	(207,930)	(199,402)
Revenue bonds and commercial paper notes issuance costs	(26,385)	(1,703)
Acquisition and construction of capital assets	(806,881)	(546,266)
Proceeds from passenger facility charges	143,405	136,468
Proceeds from customer facility charges	33,492	32,146
Capital contributed by federal agencies	35,917	37,283
Net cash used for capital and related financing activities	<u>(513,051)</u>	<u>(361,036)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	21,991	23,737
Net change in fair value of investments	(2,074)	1,940
Cash collateral received (paid) under securities lending transactions	8,504	(4,696)
Sales (purchases) of investments	3,637	(4,159)
Net cash provided by investing activities	<u>32,058</u>	<u>16,822</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(24,034)</u>	<u>83,823</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>2,410,890</u>	<u>2,327,067</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 2,386,856</u>	<u>\$ 2,410,890</u>
CASH AND CASH EQUIVALENTS COMPONENTS		
Cash and pooled investments held in City Treasury- unrestricted	\$ 644,352	\$ 690,525
Investments with fiscal agents- unrestricted	100,913	6,752
Cash and pooled investments held in City Treasury- restricted	987,687	1,113,848
Investments with fiscal agents- restricted	653,904	599,765
Total cash and cash equivalents	<u>\$ 2,386,856</u>	<u>\$ 2,410,890</u>



	<u>2015</u>	<u>2014</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED		
BY OPERATING ACTIVITIES		
Operating income	\$ 208,310	\$ 192,685
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation and amortization	201,214	165,960
Change in provision for uncollectible accounts	(890)	(5,169)
Other nonoperating revenues (expenses), net	(6,218)	976
Changes in operating assets and liabilities and deferred outflows and inflows of resources		
Accounts receivable	20,497	19,152
Unbilled receivables	(1,350)	5,514
Prepaid expenses and inventories	706	(5,103)
Loans receivable	164	152
Contracts and accounts payable	8,323	48,402
Accrued salaries	1,378	1,492
Accrued employee benefits	852	1,603
Other liabilities	7,156	(11,467)
Net pension liability and related changes in deferred outflows and inflows of resources	5,458	--
Total adjustments	<u>237,290</u>	<u>221,512</u>
Net cash provided by operating activities	<u>\$ 445,600</u>	<u>\$ 414,197</u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets included in contracts and accounts payable	\$ 80,815	\$ 198,311

See accompanying notes to the financial statements.

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Index to the Notes to the Financial Statements

The notes to the financial statements include disclosures that are necessary for a better understanding of the accompanying financial statements. An index to the notes follows:

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Notes to the Financial Statements
June 30, 2015 and 2014

1. Reporting Entity and Summary of Significant Accounting Policies

a. Organization and Reporting Entity

Los Angeles World Airports (Department of Airports of the City of Los Angeles, California) (LAWA) is an independent, financially self-sufficient department of the City of Los Angeles (the City) established pursuant to Article XXIV, Section 238 of the City Charter. LAWA operates and maintains Los Angeles International Airport (LAX), LA/Ontario International Airport (ONT), and Van Nuys Airport (VNY). In addition LAWA owns approximately 17,750 acres of land located east of United States Air Force Plant 42 in the City of Palmdale and retains the rights for future development of the Palmdale property.

LAWA is under the management and control of a seven-member Board of Airport Commissioners (the Board) appointed by the City Mayor and approved by the City Council. Under the City Charter, the Board has the general power to, among other things: (a) acquire, develop, and operate all property, plant, and equipment as it may deem necessary or convenient for the promotion and accommodation of air commerce; (b) borrow money to finance the development of airports owned, operated, or controlled by the City; and (c) fix, regulate, and collect rates and charges for the use of the Airport System. An Executive Director administers LAWA and reports to the Board.

LAWA is reported as a major enterprise fund in the City's basic financial statements presented in its Comprehensive Annual Financial Report. The accompanying financial statements present the net position and changes in net position and cash flows of LAWA. These financial statements are not intended to present the financial position and the changes in financial position of the City, or cash flows of the City's enterprise funds.

b. Basis of Accounting

LAWA is reported as an enterprise fund and maintains its records on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP) as promulgated by the Governmental Accounting Standards Board (GASB). Under this method, revenues are recorded when earned and expenses are recorded when the related liability is incurred. Separate funds are used to account for each of the three airports referred to above and the Palmdale property.



Notes to the Financial Statements

June 30, 2015 and 2014

(continued)

c. Cash, Cash Equivalents, and Investments

LAWA's cash, cash equivalents, and investments and a significant portion of its restricted cash and investments are maintained as part of the City's pool of cash and investments. LAWA's portion of the pool is presented on the statements of net position as "Cash and Pooled Investments Held in City Treasury." LAWA's investments, including its share in the City's investment pool, are stated at fair value based on quoted market prices except for money market investments that have remaining maturities of one year or less at time of purchase, which are reported at amortized cost. Interest earned on such pooled investments is allocated to the participating City funds based on each fund's average daily cash balance during the allocation period.

As permitted by the California Government Code, the City engages in securities lending activities. LAWA's share of assets and liabilities arising from the reinvested cash collateral has been recognized in the statements of net position.

LAWA considers its unrestricted and restricted cash and investments held in the City Treasury as demand deposits and therefore these amounts are reported as cash equivalents. LAWA has funds that are held by fiscal agents. Investments with maturities of three months or less at the time of purchase are considered cash equivalents.

d. Accounts Receivable and Unbilled Receivables

LAWA recognizes revenue in the period earned. Receivables outstanding beyond 90 days are put into the collection process and then referred after 120 days to LAWA's resident City attorneys for possible write-off. An allowance for uncollectible accounts is set up as a reserve by LAWA policy. This policy requires that 2% of outstanding receivables plus 80% of all bankruptcy accounts and all referrals to City Attorney be reserved as uncollectible through a provisional month-end charge to operating expense.

Unbilled receivables balances are the result of revenue accrued for services that exceed \$5,000 each, but not yet billed as of year-end. This accrual activity occurs primarily at year-end when services provided in the current fiscal year period might not get processed through the billing system for up to sixty days into the next fiscal year.

e. Inventories

LAWA's inventories consist primarily of general custodial supplies and are recorded at cost on a first-in, first-out basis.

f. Capital Assets

All capital assets are carried at cost or at estimated fair value on the date received in the case of properties acquired by donation or by termination of leases, less allowance for accumulated depreciation. Maintenance and repairs are charged to operations in the period incurred. Renewals and betterments are capitalized in the asset accounts. LAWA has a capitalization threshold of \$5,000 for all capital assets other than internally generated computer software where the threshold is \$500,000.



Preliminary costs of capital projects incurred prior to the finalization of formal construction contracts are capitalized. In the event the proposed capital projects are abandoned, the associated preliminary costs are charged to expense in the year of abandonment.

LAWA capitalizes interest costs of bond proceeds used during construction (net of interest earnings on the temporary investment of tax-exempt bond proceeds). Net interest capitalized in fiscal years 2015 and 2014 were \$33.8 million and \$57.6 million, respectively.

Depreciation and amortization are computed on a straight-line basis. The estimated useful lives of the major property classifications are as follows: buildings and facilities, 10 to 40 years; airfield and other improvements, 10 to 35 years; equipment, 5 to 20 years; and computer software, 5 to 10 years. No depreciation is provided for construction work in process until construction is completed and/or the asset is placed in service. Also, no depreciation is taken on air easements and emission reduction credits because they are considered inexhaustible.

g. Contracts Payable, Accounts Payable, and Other Liabilities

All transactions for goods and services obtained by LAWA from City-approved contractors and vendors are processed for payment via its automated payment system. This procedure results in the recognition of expense in the period that an invoice for payment is processed through the system, or when a vendor first provided the goods and/or services. If the goods and/or services were received or if the invoice was received but not yet processed in the system, an accrual is made manually by journal voucher into the general ledger to reflect the liability to the vendor. When LAWA makes agreements that require customers to make cash deposits, these amounts are then reflected as other current liabilities.

h. Operating and Non-operating Revenues and Expenses

LAWA distinguishes between operating revenues and expenses, and non-operating revenues and expenses. Operating revenues and expenses generally result from providing services, and producing and delivering goods in connection with LAWA's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. LAWA derives its operating revenues primarily from landing fees, terminal space rental, auto parking, and concessions. LAWA's major operating expenses include salaries and employee benefits, fees for contractual services related to security and parking management, and other expenses such as depreciation and amortization, maintenance, insurance, and utilities.



Notes to the Financial Statements

June 30, 2015 and 2014

(continued)

i. Landing Fees

Landing fee rates determine the charges to the airlines each time that a qualified aircraft lands at LAX or ONT and landing fees assessed to air carriers are based on cost recovery methodologies. A separate landing fee is calculated annually for each airport to recover the costs of constructing, maintaining and operating airfield facilities. Costs recovered through these fees are identified for each airport using allocation methods of relevant costs attributable to that airfield. Landing fees are initially set using estimates of cost and activity and are reconciled to actual results following the end of each fiscal year end.

j. Terminal Rates and Charges

On September 17, 2012, the Board approved a new methodology of calculating rates and charges for airlines and airline consortia using passenger terminals at LAX. The new rates, which will recover the costs of acquiring, constructing, operating and maintaining terminal facilities, are as follows: terminal building rate, federal inspection services area (FIS) rate, common use holdroom rate, common use baggage claim rate, common use outbound baggage system rate, common use ticket counter rate, and terminal special charges for custodial services, outbound baggage system maintenance, terminal airline support systems, and loading bridge capital and maintenance.

The new rates were effective January 1, 2013 to airlines and airline consortia agreeing to the new methodology and executing a rate agreement with LAWA (signatory airlines). Agreements with signatory airlines terminate on December 31, 2022.

The new rate agreement provides a Signatory Transitional Phase-in (STP) program that allows for reduced rates during the first five years of the implementation period. In addition, signatory airlines will share in the concession revenue derived from the terminals based on prescribed two-tiered formulae. Tier One Revenue Sharing had the effect of reducing the calculated terminal building rate (beginning calendar year 2014) and FIS rate (beginning calendar year 2016). Tier Two Revenue Sharing was distributed to signatory airlines in the form of a credit at the end of each calendar year beginning in 2014, subject to certain conditions.

Airlines with existing leases that opt not to sign an agreement under the new methodology (non-signatory tenant airlines) will continue to pay rates and charges based on their current leases until they sign the new rate agreement. Airlines with no existing leases that opt not to sign the new rate agreement (non-signatory tariff airlines) are charged the tariff rates effective January 1, 2013. Non-signatory airlines are not eligible to participate in the STP and revenue sharing programs.

ONT uses a “*residual method*” to determine terminal rates and fees. Under this method, ONT sets the airlines’ terminal rental rates and charges so that those fees provide the revenue needed to offset the difference between ONT’s total expenses allocable to the terminal area and the revenues collected from other sources such as concession, parking and other rental revenue.



k. Concession Revenue

Concession revenues are generated through LAWA concessionaires, tenants or airport service providers who pay monthly fees or rents for using or accessing airport facilities to offer their goods and services to the general public and air transportation community. Payments to LAWA are typically based on negotiated agreements with these parties to remit amounts based on either a Minimum Annual Guarantee (MAG) or on gross receipts. Amounts recorded to revenue are determined by the type of revenue category set up in the general ledger system and integrated with the monthly accounts receivable billing process. Concession revenue is recorded as it is earned. Some tenant agreements require self-reporting of concession operations and/or sales. The tenants' operations report and payment are due to LAWA in the month following the activity. The timing of concessionaire reporting and when revenue earned is recorded will determine when accruals are required for each tenant.

l. Unearned Revenue

Unearned revenue consists of concessionaire rentals and payments received in advance, which will be amortized to revenue on the straight-line basis over the applicable period.

m. Accrued Employee Benefits

Accrued employee benefits include estimated liability for vacation and sick leaves. LAWA employees accumulate annual vacation and sick leaves in varying amounts based on length of service. Vacation and sick leaves are recorded as earned. Upon termination or retirement, employees are paid the cash value of their accumulated leaves. Accrued employee benefits as of June 30, 2015 and 2014 are as follows (amounts in thousands):

Type of benefit	2015	2014
Accrued vacation leave	\$ 23,369	\$ 23,290
Accrued sick leave	22,831	22,058
Total	<u>\$ 46,200</u>	<u>\$ 45,348</u>



Notes to the Financial Statements
June 30, 2015 and 2014
(continued)

n. Deferred Outflows and Inflows of Resources

In addition to assets and liabilities, LAWA reports a separate section for deferred outflows of resources and deferred inflows of resources, respectively. Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and won't be recognized as an outflow of resources until then. Deferred inflows of resources represent an acquisition of resources that is applicable to future reporting period(s) that won't be recognized as an inflow of resources until then.

LAWA reported deferred charges on refunding of \$27.1 million and \$2.6 million for fiscal years 2015 and 2014, respectively, as a result of the implementation of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

As a result of the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68*, LAWA reported the following deferred outflows and inflows of resources:

Deferred outflows of resources for fiscal year 2015:

- Changes of assumptions related to pension of \$89.1 million.
- Contribution after measurement date related to pension of \$53.3 million.

Deferred inflows of resources for fiscal year 2015:

- Differences between projected and actual investment earnings related to pension of \$112.4 million
- Changes in proportion and differences between employer contributions and proportionate share of contributions related to pension of \$19.2 million
- Differences between expected and actual actuarial experience related to pension of \$18.4 million.

The data for prior year, fiscal year 2014, was not restated because all of the information available to restate prior year amounts was not readily available.

o. Federal Grants

When a grant agreement is approved and eligible expenditures are incurred, the amount is recorded as a federal grant receivable and as non-operating revenue (operating grants) or capital grant contributions in the statements of revenues, expenses, and changes in net position.



p. Bond Premiums and Discounts

Bond premiums, discounts, and gains and losses on extinguishment of debt are deferred and amortized over the life of the bonds. At the time of bond refunding, the unamortized premiums or discounts are amortized over the life of the refunded bonds or the life of the refunding bonds, whichever is shorter. Bonds payable is reported net of the applicable bond premium or discount.

In fiscal year 2015, LAWA changed the method of amortizing bond premiums or discounts from straight-line method to effective interest method. The effective interest method allocates bond interest expense over the life of the bonds in such a way that it yields a constant rate of interest, which in turn is the market rate of interest at the date of issue of bonds. With effective interest method, the amortization of bond premiums or discounts is calculated using the effective market interest rate versus the coupon rate used in straight-line method.

q. Net Position

The financial statements utilize a net position presentation. Net position is categorized as follows:

- *Net Investment in Capital Assets* – This category groups all capital assets into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets reduce the balance in this category.
- *Restricted Net Position* – This category presents restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Those assets are restricted due to external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. At June 30, 2015 and 2014, net position of \$791.9 million and \$935.0 million, respectively, are restricted by enabling legislation.
- *Unrestricted Net Position* – This category represents net position of LAWA that is not restricted for any project or other purpose.

r. Use of Restricted/Unrestricted Net Position

When an expense is incurred for purposes of which both restricted and unrestricted resources are available, LAWA's policy is to apply restricted resources first.



Notes to the Financial Statements

June 30, 2015 and 2014

(continued)

s. Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect amounts in the financial statements and accompanying notes. Actual results could differ from the estimates.

t. Restatement of Net Position

The net position at July 1, 2014 was restated by \$617.5 million to adjust for the change in accounting principle as a result of the implementation of GASB Statements No. 68 and 71:

	<u>2015</u>
NET POSITION, BEGINNING OF YEAR, AS PREVIOUSLY REPORTED	\$ 4,841,849
Change in accounting principle as a result of implementation of GASB Statement No. 68	<u>(617,519)</u>
NET POSITION, BEGINNING OF YEAR, AS RESTATED	<u>\$ 4,224,330</u>

The beginning of the year net position for fiscal year 2014 was not restated because all of the information available to restate prior year amounts was not readily available.

2. New Accounting Standards

Implementation of the following GASB statements is effective fiscal year 2015.

Issued in June 2012, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*, replaces the requirements of previously issued statements as they relate to governments that provide pensions through pension plans administered by trusts or similar arrangements that meet certain criteria. This statement requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability. Governments will report in their financial statements a net pension liability that represents the difference between the total pension liability and the pension plan’s fiduciary net position. This statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information, including descriptive information about the types of benefits available, how to determine the amount of pension plan contributions, and assumptions and methods used in calculating the pension liability. This statement requires LAWA to record a liability and expense equal to their proportionate share of the collective net pension liability and expense of the City’s single-employer defined benefit pension plan.



Issued in November 2013, GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68*, amends GASB Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. GASB Statement No. 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts. The provisions of this statement are required to be applied simultaneously with the provisions of GASB Statement No. 68.

As of July 1, 2014, LAWA adopted the provisions of GASB Statements No. 68 and No.71 and restated the beginning net position by \$617.5 million to recognize LAWA’s proportionate share of net pension liability as of June 30, 2014. Additional information can be found in Note 1(t) on page 48.

Issued in January 2013, GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, establishes accounting and financial reporting standards related to mergers, acquisitions, transfers of operations, and disposal of operations applicable to state and local governmental entities. This statement had no impact on LAWA’s financial statements for fiscal year 2015. LAWA will evaluate the potential impacts of this statement on its accounting practices and financial statements if the operations for the LA/ONT International Airport as stated in Note 15 (f) to the financial statements are changed in the future.

The GASB has issued several pronouncements that have effective dates that may impact future presentations. LAWA is evaluating the potential impacts of the following GASB statements on its accounting practices and financial statements.

Issued in February 2015, GASB Statement No. 72, *Fair Value Measurement and Application*, addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement provides guidance for determining a fair value measurement for financial reporting purposes. This statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. Implementation of this statement is effective fiscal year 2016.

Issued in June 2015, GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, establishes requirements for defined benefit pensions that are not within the scope of GASB Statement No. 68 as well as for the assets accumulated for purposes of providing those pensions. In addition, this statement also clarifies the application of certain provisions of GASB Statement No. 68 with regard to the information that is required to be presented as notes to the 10-year schedules of required supplementary information about investment-related factors that significantly affect trends in the amounts reported. Implementation of this statement is effective fiscal year 2017.



Notes to the Financial Statements

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Issued in June 2015, GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* replaces GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended*, and GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. This statement will improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. Implementation of this statement is effective fiscal year 2017.

Issued in June 2015, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, addresses accounting and financial reporting for other postemployment benefit (OPEB) that is provided to the employees of state and local governmental employers. This statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense. For defined benefit OPEB, this statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Implementation of this statement is effective fiscal year 2018.

Issued in June 2015, GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles (GAAP) for State and Local Governments*, consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. Implementation of this statement is effective fiscal year 2016.

Issued in August 2015, GASB Statement No. 77, *Tax Abatement Disclosures*, requires disclosure of tax abatement information about a reporting government's own tax abatement agreements and those that are entered into by other governments and that reduce the reporting government's tax revenues. Implementation of this statement is effective fiscal year 2017.



3. Cash and Investments

a. Pooled Investments

Pursuant to the California Government Code and the Los Angeles City Council File No. 94-2160, the City Treasurer provides an Annual Statement of Investment Policy (the Policy) to the City Council. The Policy governs the City's pooled investment practices with the following objectives, in order of priority, safety of principal, liquidity, and rate of return. The Policy addresses soundness of financial institutions in which the Treasurer will deposit funds and types of investment instruments permitted under California law.

Each investment transaction and the entire portfolio must comply with the California Government Code and the Policy. Examples of investments permitted by the Policy are obligations of the U.S. Treasury and government agencies, commercial paper notes, negotiable certificates of deposit, guaranteed investment contracts, bankers' acceptances, medium-term corporate notes, money market accounts, and the State of California Local Agency Investment Fund (LAIF).

LAWA maintains a portion of its unrestricted and restricted cash and investments in the City's cash and investment pool (the Pool). LAWA's share of the Pool of \$1.6 billion and \$1.8 billion as of June 30, 2015 and 2014, respectively, represented approximately 19.5% and 23.1%, respectively. There are no specific investments belonging to LAWA. Included in LAWA's portion of the Pool is the allocated investment agreements traded at year-end that were settled in the subsequent fiscal year. LAWA's allocated shares for fiscal years 2015 and 2014 were \$18.9 million and \$15.3 million, respectively, and were reported as other current liabilities in the statement of net position. The City issues a publicly available financial report that includes complete disclosures related to the entire cash and investment pool. The report may be obtained by writing to the City of Los Angeles, Office of the Controller, 200 North Main Street, City Hall East Suite 300, Los Angeles, CA 90012, or by calling (213) 978-7200.

b. City of Los Angeles Securities Lending Program

The Securities Lending Program (SLP) is permitted and limited under provisions of California Government Code Section 53601. The City Council approved the SLP on October 22, 1991 under Council File No. 91-1860, which complies with the California Government Code. The objectives of the SLP in priority order are: safety of loaned securities and prudent investment of cash collateral to enhance revenue from the investment program. The SLP is governed by a separate policy and guidelines, with oversight responsibility of the Investment Advisory Committee.

The City's custodial bank acts as the securities lending agent. In the event a counterparty defaults by reason of an act of insolvency, the bank shall take all actions which it deems necessary or appropriate to liquidate permitted investment and collateral in connection with such transaction and shall make a reasonable effort for two business days (Replacement Period) to apply the proceeds thereof to the purchase of securities identical to the loaned securities not returned. If during the Replacement Period the collateral liquidation proceeds are insufficient to replace any of the loaned securities not returned, the bank shall, subject to payment by the City of the amount of any losses on any permitted investments, pay such additional amounts as necessary to make such replacement.



Notes to the Financial Statements

June 30, 2015 and 2014

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Under the provisions of the SLP, and in accordance with the California Government Code, no more than 20% of the market value of the Pool is available for lending. The City receives cash, U.S. government securities, and federal agency issued securities as collateral on loaned securities. The cash collateral is reinvested in securities permitted under the policy. In accordance with the Code, the securities lending agent marks to market the value of both the collateral and the reinvestments daily. Except for open loans where either party can terminate a lending contract on demand, term loans have a maximum life of 90 days. Earnings from securities lending accrue to the Pool and are allocated on a pro rata basis to all Pool participants.

LAWA participates in the City's securities lending program through the pooled investment fund. LAWA recognizes its proportionate share of the cash collateral received for securities loaned and the related obligation for the general investment pool. At June 30, 2015, LAWA's portion of the cash collateral and the related obligation in the City's program was \$11.1 million. LAWA's portion of the securities purchased from the reinvested cash collateral at June 30, 2015 was \$11.1 million. Such securities are stated at fair value and reported under the cash and pooled investment held in City Treasury. LAWA's portion of the noncash collateral at June 30, 2015 was \$140.0 million. At June 30, 2014, LAWA's portion of the cash collateral and the related obligation in the City's program was \$2.6 million. LAWA's portion of the securities purchased from the reinvested cash collateral at June 30, 2014 was \$2.6 million. Such securities are stated at fair value. LAWA's portion of the noncash collateral at June 30, 2014 was \$71.9 million.

During the fiscal years, collateralizations on all loaned securities were within the required 102.0% of market value. The City can sell collateral securities only in the event of borrower default. The lending agent provides indemnification for borrower default. There were no violations of legal or contractual provisions and no borrower or lending agent default losses during the years. There was no credit risk exposure to the City at June 30, 2015 and 2014 because the amounts owed to the borrowers exceeded the amounts borrowed. Loaned securities are held by the City's agents in the City's name and are not subject to custodial credit risk.



c. Investments with Fiscal Agents

The investment practices of the fiscal agents that relate to LAWA's portfolio are similar as those of the City Treasurer, and have similar objectives. LAWA's investments held by fiscal agents are for the following purposes (amounts in thousands):

	<u>2015</u>	<u>2014</u>
Unrestricted, current		
Commercial paper and cash at bank	\$ 100,913	\$ 6,752
Restricted, current and noncurrent		
Bond security funds	375,148	357,512
Construction funds	<u>285,599</u>	<u>249,096</u>
Subtotal	<u>660,747</u>	<u>606,608</u>
Total	<u>\$ 761,660</u>	<u>\$ 613,360</u>

The bond security funds are pledged for the payment or security of certain bonds. These investments are generally short-term securities and have maturities designed to coincide with required bond retirement payments. The construction funds are bond proceeds on deposit with the fiscal agents. They are used to reimburse LAWA for capital expenditures incurred or to be incurred at LAX.

At June 30, 2015, the investments and their maturities are as follows (amounts in thousands):

	Amount	Investment maturities		
		1 to 60 days	61 to 365 days	366 days to over 5 years
Money market mutual funds	\$ 226,940	\$ 226,940	\$ --	\$ --
State of California LAIF	423,614	--	423,614	--
Collateralized investment contract	<u>6,843</u>	--	--	<u>6,843</u>
Subtotal	657,397	<u>\$ 226,940</u>	<u>\$ 423,614</u>	<u>\$ 6,843</u>
Bank deposit accounts	<u>104,263</u>			
Total	<u>\$ 761,660</u>			



Notes to the Financial Statements

June 30, 2015 and 2014

(continued)

At June 30, 2014, the investments and their maturities are as follows (amounts in thousands):

	Amount	Investment maturities		
		1 to 60 days	61 to 365 days	366 days to over 5 years
Money market mutual funds	\$ 383,611	\$ 383,611	\$ --	\$ --
State of California LAIF	216,154	--	216,154	--
Collateralized investment contract	6,843	--	--	6,843
Subtotal	606,608	\$ 383,611	\$ 216,154	\$ 6,843
Bank deposit accounts	6,752			
Total	\$ 613,360			

Interest Rate Risk. LAWA adopts the City's policy that limits the maturity of investments to five years for U.S. Treasury and government agency securities. The policy allows funds with longer term investments horizons, to be invested in securities that at the time of the investment have a term remaining to maturity in excess of five years, but with a maximum final maturity of thirty years.

Credit Risk. The City's policy requires that a mutual fund must receive the highest ranking by not less than two nationally recognized rating agencies. At June 30, 2015 and 2014, the money market mutual funds were rated AAAM by Standard and Poor's, and Aaa by Moody's. The collateralized investment contract is not rated.

As of June 30, 2015, LAWA's investments in the LAIF held by fiscal agents totaled \$423.6 million. The total amount invested by all public agencies in LAIF at that date was \$21.5 billion. The LAIF is part of the State's Pooled Money Investment Account (PMIA). As of June 30, 2015, the investments in the PMIA totaled \$69.7 billion, of which 97.9% is invested in non-derivative financial products and 2.1% in structured notes and asset-backed securities. The weighted average maturity of LAIF investments was 239 days as of June 30, 2015. LAIF is not rated.

As of June 30, 2014, LAWA's investments in the LAIF held by fiscal agents totaled \$216.2 million. The total amount invested by all public agencies in LAIF at that date was \$21.1 billion. The LAIF is part of the State's PMIA. As of June 30, 2014, the investments in the PMIA totaled \$64.9 billion, of which 98.1% is invested in non-derivative financial products and 1.9% in structured notes and asset-backed securities. The weighted average maturity of LAIF investments was 232 days as of June 30, 2014. LAIF is not rated.

The Local Investment Advisory Board (the Board) has oversight responsibility for LAIF. The Board consists of five members as designated by State statute. The Pooled Money Investment Board whose members are the State Treasurer, Director of Finance, and State Controller, has oversight responsibility for PMIA. The value of the pool shares in LAIF, which may be withdrawn anytime, is determined on a historical basis, which is different than the fair value of LAWA's position in the pool.

The bank deposit accounts are covered by Federal depository insurance up to a certain amount. Financial institutions are required under California law to collateralize the uninsured portion of the deposits by pledging government securities or first trust deed mortgage notes. The collateral is held by the pledging institution's trust department and is considered held in LAWA's name.



4. Capital Assets

LAWA had the following activities in capital assets during fiscal year 2015 (amounts in thousands):

	Balance at June 30, 2014	Additions	Retirements & disposals	Transfers	Balance at June 30, 2015
Capital assets not depreciated					
Land and land clearance	\$ 970,990	\$ --	\$ --	\$ --	\$ 970,990
Air easements	46,975	--	--	--	46,975
Emission reduction credits	5,918	--	--	--	5,918
Construction work in progress	1,932,822	709,867	--	(168,885)	2,473,804
Total capital assets not depreciated	2,956,705	709,867	--	(168,885)	3,497,687
Capital assets depreciated					
Buildings	2,365,058	--	(12,413)	157,457	2,510,102
Improvements	3,424,048	5,335	--	6,427	3,435,810
Equipment and vehicles	238,607	7,955	(2,655)	5,001	248,908
Computer software	3,611	--	--	--	3,611
Total capital assets depreciated	6,031,324	13,290	(15,068)	168,885	6,198,431
Less accumulated depreciation					
Buildings	(491,802)	(20,995)	9,625	(267)	(503,439)
Improvements	(1,377,023)	(164,372)	--	267	(1,541,128)
Equipment and vehicles	(180,639)	(15,847)	2,406	--	(194,080)
Total accumulated depreciation	(2,049,464)	(201,214)	12,031	--	(2,238,647)
Capital assets depreciated, net	3,981,860	(187,924)	(3,037)	168,885	3,959,784
Total capital assets	\$ 6,938,565	\$ 521,943	\$ (3,037)	\$ --	\$ 7,457,471



Notes to the Financial Statements
June 30, 2015 and 2014
(continued)

LAWA had the following activities in capital assets during fiscal year 2014 (amounts in thousands):

	Balance at <u>July 1, 2013</u>	Additions	Retirements & disposals	Transfers	Balance at <u>June 30, 2014</u>
Capital assets not depreciated					
Land and land clearance	\$ 970,990	\$ --	\$ --	\$ --	\$ 970,990
Air easements	46,975	--	--	--	46,975
Emission reduction credits	5,918	--	--	--	5,918
Construction work in progress	<u>2,854,349</u>	<u>700,329</u>	<u>--</u>	<u>(1,621,856)</u>	<u>1,932,822</u>
Total capital assets not depreciated	<u>3,878,232</u>	<u>700,329</u>	<u>--</u>	<u>(1,621,856)</u>	<u>2,956,705</u>
Capital assets depreciated					
Buildings	886,348	--	(15,558)	1,494,268	2,365,058
Improvements	3,281,706	16,093	(194)	126,443	3,424,048
Computer software	2,466	--	--	1,145	3,611
Equipment and vehicles	<u>234,622</u>	<u>5,340</u>	<u>(1,355)</u>	<u>-</u>	<u>238,607</u>
Total capital assets depreciated	<u>4,405,142</u>	<u>21,433</u>	<u>(17,107)</u>	<u>1,621,856</u>	<u>6,031,324</u>
Less accumulated depreciation					
Buildings	(482,429)	(21,836)	12,463	--	(491,802)
Improvements	(1,243,921)	(133,296)	194	--	(1,377,023)
Equipment and vehicles	<u>(171,166)</u>	<u>(10,828)</u>	<u>1,355</u>	<u>--</u>	<u>(180,639)</u>
Total accumulated depreciation	<u>(1,897,516)</u>	<u>(165,960)</u>	<u>14,012</u>	<u>--</u>	<u>(2,049,464)</u>
Capital assets depreciated, net	<u>2,507,626</u>	<u>(144,527)</u>	<u>(3,095)</u>	<u>1,621,856</u>	<u>3,981,860</u>
Total capital assets	<u>\$ 6,385,858</u>	<u>\$ 555,802</u>	<u>\$ (3,095)</u>	<u>\$ --</u>	<u>\$ 6,938,565</u>



5. Commercial Paper

As of June 30, 2015 and 2014, LAWA had outstanding commercial paper (CP) notes of \$50.1 million and \$52.2 million, respectively. The respective average interest rates in effect as of June 30, 2015 and 2014 were 0.20% and 0.24%. The CP notes mature no more than 270 days from the date of issuance. The CP notes were issued as a means of interim financing for certain capital expenditures and redemption of certain bond issues.

LAWA entered into a letter of credit (LOC) and reimbursement agreements with the following institutions to provide liquidity and credit support for the CP program: Bank of the West for \$54.5 million to expire on October 2, 2017; Sumitomo Mitsui Bank for \$109.0 million to expire on October 2, 2017; Wells Fargo Bank for \$218.0 million to expire on October 2, 2017; and Barclays Bank PLC for \$163.5 million to expire on January 16, 2018. LAWA paid the LOC banks an annual commitment fee ranging from 0.27% and 0.35% on the stated amount of the LOC. LOC fees of \$1.8 million were paid for each of the fiscal year 2015 and 2014.

LAWA had the following CP activity during fiscal year 2015 (amounts in thousands):

	Balance July 1, 2014	Additions	Reductions	Balance June 30, 2015
Series B	\$ -	\$ 200,000	\$ (200,000)	\$ -
Series C	52,160	65	(2,102)	50,123
Total	<u>\$ 52,160</u>	<u>\$ 200,065</u>	<u>\$ (202,102)</u>	<u>\$ 50,123</u>

LAWA had the following CP activity during fiscal year 2014 (amounts in thousands):

	Balance July 1, 2013	Additions	Reductions	Balance June 30, 2014
Series C	<u>\$ 68,086</u>	<u>\$ 159</u>	<u>\$ (16,085)</u>	<u>\$ 52,160</u>



Notes to the Financial Statements
June 30, 2015 and 2014
(continued)

6. Bonded Debt

Bonds issued by LAWA are payable solely from revenues of LAWA and are not general obligations of the City.

a. Outstanding Debt

Outstanding revenue and revenue refunding bonds are due serially in varying annual amounts. Bonds outstanding as of June 30, 2015 and 2014 are as follows (amounts in thousands):

Bond issues	Issue date	Interest rate	Fiscal year of last scheduled maturity	Original principal	Outstanding principal	
					2015	2014
Issue of 2006, Series A	10/18/06	4.500% - 5.000%	2026	\$ 83,720	\$ 55,305	\$ 58,880
Issue of 2006, Series B	10/18/06	5.400% - 5.590%	2026	6,435	4,270	4,545
Issue of 2008, Series A	8/06/08	3.750% - 5.500%	2038	602,075	518,115	529,515
Issue of 2008, Series B	8/06/08	3.000% - 5.000%	2015	7,875	--	1,365
Issue of 2008, Series C	8/06/08	3.000% - 5.250%	2038	243,350	22,100	217,640
Issue of 2009, Series A	12/03/09	2.000% - 5.250%	2039	310,410	284,770	291,495
Issue of 2009, Series C	12/03/09	5.175% - 6.582%	2039	307,350	307,350	307,350
Issue of 2009, Series D	12/03/09	2.500% - 5.000%	2015	31,815	--	7,955
Issue of 2009, Series E	12/03/09	2.000% - 5.000%	2020	39,750	20,805	24,450
Issue of 2010, Series A	4/08/10	3.000% - 5.000%	2040	930,155	905,090	923,325
Issue of 2010, Series B	11/04/10	5.000%	2040	134,680	134,680	134,680
Issue of 2010, Series C	11/04/10	7.053%	2040	59,360	59,360	59,360
Issue of 2010, Series D	11/30/10	3.000% - 5.500%	2040	875,805	854,555	863,225
Issue of 2012, Series A	12/18/12	3.000% - 5.000%	2029	105,610	94,380	100,665
Issue of 2012, Series B	12/18/12	2.000% - 5.000%	2037	145,630	139,180	141,895
Issue of 2012, Series C	12/18/12	3.000% - 5.000%	2019	27,870	27,460	27,870
Issue of 2013, Series A	11/19/13	5.000%	2043	170,685	170,685	170,685
Issue of 2013, Series B	11/19/13	4.625% - 5.000%	2038	71,175	71,175	71,175
Issue of 2015, Series A	2/24/15	3.230% - 5.000%	2045	267,525	267,525	--
Issue of 2015, Series B	2/24/15	2.920% - 5.000%	2045	47,925	47,925	--
Issue of 2015, Series C	2/24/15	3.000% - 5.000%	2035	181,805	181,805	--
Total principal amount				<u>\$ 4,651,005</u>	4,166,535	3,936,075
Unamortized premium					200,004	120,263
Unamortized discount					<u>(5,950)</u>	<u>(7,729)</u>
Net revenue bonds					4,360,589	4,048,609
Less- current portion of debt					<u>(85,770)</u>	<u>(76,240)</u>
Net noncurrent debt					<u>\$ 4,274,819</u>	<u>\$ 3,972,369</u>



b. Pledged Revenue

The bonds are subject to optional and mandatory sinking fund redemption prior to maturity. LAWA has agreed to certain covenants with respect to bonded indebtedness. Significant covenants include the requirement that LAWA's pledged revenues, as defined in the master senior and subordinate indentures, shall be the security and source of payment for the bonds.

LAWA has received approval from the FAA to collect and use passenger facility charges (PFCs) to pay for debt service on bonds issued to finance the Tom Bradley International Terminal (TBIT) Renovations and Bradley West Projects. Board of Airport Commissioners authorized amounts of \$91.0 million and \$96.5 million were used for debt service in fiscal years 2015 and 2014, respectively.

The total principal and interest remaining to be paid on the bonds is \$7.5 billion. Principal and interest paid during fiscal year 2015 and the net pledged revenues on GAAP basis (as defined in the master senior and subordinate indentures, together with the \$91.0 million PFCs funds discussed in the preceding paragraph), were \$282.5 million and \$522.0 million, respectively. Principal and interest paid during fiscal year 2014 and the net pledged revenues on GAAP basis (as defined in the master senior and subordinate indentures, together with the \$96.5 million PFCs funds discussed in the preceding paragraph), were \$256.4 million and \$482.6 million, respectively. Based on provisions of the bond indenture in calculating debt service coverage, PFCs reimbursements are excluded from senior lien bonds debt service, and interest expenses from commercial papers are included in the subordinate lien bonds debt service.

c. Bond Issuances

On February 24, 2015, LAWA issued senior lien LAX revenue bonds Series 2015A of \$267.5 million, Series 2015B of \$47.9 million, and LAX subordinate revenue bonds Series 2015C of \$181.8 million. The premium for these issuances totaled \$86.9 million. The bonds were issued to pay for certain capital projects at LAX and to advance refund and defease a portion of the Series 2008C subordinate revenue bonds in the amount of \$190.6 million. These transactions resulted in a cash flow savings of \$25.7 million and economic gain of \$16.9 million.

On November 19, 2013, LAWA issued Series 2013A LAX senior revenue bonds of \$170.7 million and Series 2013B LAX subordinate revenue bonds of \$71.2 million. The premium for these issuances totaled \$11.4 million. The bonds were issued to provide ongoing funding for the Terminal 4 Connector, Bradley West Core Renovations, and various other capital projects.



Notes to the Financial Statements
June 30, 2015 and 2014
(continued)

d. Principal Maturities and Interest

Scheduled annual principal maturities and interest are as follows (amounts in thousands):

<u>Fiscal year(s) ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 85,770	\$ 214,470	\$ 300,240
2017	92,360	210,585	302,945
2018	96,505	206,319	302,824
2019	101,700	201,661	303,361
2020	106,525	196,674	303,199
2021 - 2025	610,335	898,166	1,508,501
2026 - 2030	775,190	721,102	1,496,292
2031 - 2035	990,365	498,562	1,488,927
2036 - 2040	1,200,660	216,148	1,416,808
2041 - 2045	107,125	15,659	122,784
Total	<u>\$ 4,166,535</u>	<u>\$ 3,379,346</u>	<u>\$ 7,545,881</u>

e. Build America Bonds

LAX Subordinate Revenue Bonds 2009 Series C and 2010 Series C with par amounts of \$307.4 million and \$59.4 million, respectively, were issued as federally taxable Build America Bonds (BABs) under the American Recovery and Reinvestment Act of 2009. LAWA receives a direct federal subsidy payment in the amount equal to 35% of the interest expense on the BABs. The automatic cuts in spending (referred to as “sequestration”) for the federal fiscal years ending September 30, 2015 and September 30, 2014 reduced the subsidy. The interest subsidy on the BABs was \$7.7 million each for fiscal year 2015 and 2014. The subsidy is recorded as a noncapital grant, a component of other non-operating revenue.



7. Changes in Long-Term Liabilities

LAWA had the following long-term liabilities activities for fiscal year ended June 30, 2015 (amounts in thousands):

	Balance at July 1, 2014	Additions	Reduction	Balance at June 30, 2015	Current Portion
Revenue bonds	\$ 3,936,075	\$ 497,255	\$ (266,795)	\$ 4,166,535	\$ 85,770
Add unamortized premium	120,263	91,717	(11,976)	200,004	--
Less unamortized discount	<u>(7,729)</u>	<u>--</u>	<u>1,779</u>	<u>(5,950)</u>	<u>--</u>
Net revenue bonds	4,048,609	588,972	(276,992)	4,360,589	85,770
Accrued employee benefits	45,348	5,840	(4,988)	46,200	5,082
Estimated claims payable	74,836	14,267	(8,125)	80,978	9,039
Liability for environmental/ hazardous materials cleanup	12,783	--	--	12,783	--
Net pension obligation	9,062	--	(9,062)	--	--
Net pension liability	--	615,349	--	615,349	--
Other long-term liabilities	<u>886</u>	<u>--</u>	<u>--</u>	<u>886</u>	<u>--</u>
Total long-term liabilities	<u>\$ 4,191,524</u>	<u>\$ 1,224,428</u>	<u>\$ (299,167)</u>	<u>\$ 5,116,785</u>	<u>\$ 99,891</u>



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LAWA had the following long-term liabilities activities for fiscal year ended June 30, 2014 (amounts in thousands):

	Balance at July 1, 2013	Additions	Reduction	Balance at June 30, 2014	Current Portion
Revenue bonds	\$ 3,751,105	\$ 241,860	\$ (56,890)	\$ 3,936,075	\$ 76,240
Add unamortized premium	115,352	11,394	(6,483)	120,263	--
Less unamortized discount	(8,053)	--	324	(7,729)	--
Net revenue bonds	3,858,404	253,254	(63,049)	4,048,609	76,240
Accrued employee benefits	43,745	6,415	(4,812)	45,348	4,988
Estimated claims payable	73,644	8,125	(6,933)	74,836	8,125
Unearned revenue	9,536	--	(9,536)	--	--
Liability for environmental/ hazardous materials cleanup	12,783	--	--	12,783	--
Net pension obligation	9,462	--	(400)	9,062	--
Other long-term liabilities	3,791	--	(2,905)	886	--
Total long-term liabilities	<u>\$ 4,011,365</u>	<u>\$ 267,794</u>	<u>\$ (87,635)</u>	<u>\$ 4,191,524</u>	<u>\$ 89,353</u>



8. Leases and Agreements

a. Operating Leases and Agreements As Lessor

LAWA has entered into numerous rental agreements with concessionaires for food and beverage, gift and news, duty-free, rental car facilities, and advertisements. In general, the agreements provide for cancellation on a 30-day notice by either party; however, they are intended to be long-term in nature with renewal options. Accordingly, these agreements are considered operating leases for purposes of financial reporting.

The agreements provide for a concession fee equal to the greater of a minimum annual guarantee (MAG) or a percentage of gross revenues. Certain agreements are subject to escalation of the MAG. For the fiscal years ended June 30, 2015 and 2014, revenues from such agreements were \$267.1 million and \$251.5 million, respectively. The respective amounts over MAG were \$58.5 million and \$65.4 million. Minimum future rents or payments under these agreements over the next five years, assuming that current agreements are carried to contractual termination, are as follows (amounts in thousands):

<u>Fiscal year ending</u>	<u>Amount</u>
2016	\$ 196,787
2017	194,083
2018	162,511
2019	40,099
2020	<u>36,039</u>
Total	<u>\$ 629,519</u>

The increase in minimum future rents was mainly due to the higher MAG and extension of the term of agreement for most concessionaires in fiscal year 2015. This includes MAG of \$83.1 million for Duty Free Service Group, \$42.5 million for JC Decaux and \$36.7 million for Hertz Corporation from fiscal years 2016 to 2020.

On March 1, 2012, LAWA and Westfield Concession Management, LLC (Westfield) entered into a Terminal Commercial Management Concession Agreement (3-1-12 Agreement) for Westfield to develop, lease, and manage retail, food and beverage and certain passenger services in specified locations at the Tom Bradley International Terminal (TBIT) and Terminal 2 at LAX for a term of 17 years consisting of two-year development period and fifteen-year operational period. Since then, the Terminal 2 portion has been amended with an expiration date no later than July 31, 2029, and the TBIT portion has been amended with an expiration date no later than January 31, 2032. Westfield will select concessionaires subject to LAWA approval. Concession agreements awarded by Westfield shall have a term no longer than ten years. The agreement requires Westfield and its concessionaires to invest no less than \$81.9 million in initial improvements and \$16.4 million in mid-term refurbishments. Such improvements are subject to LAWA approval. The initial non-premises improvements, as defined, shall be acquired by and become the property of LAWA by cash payment to Westfield or the issuance of rent credit.



Notes to the Financial Statements

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Under the 3-1-12 Agreement, the MAG will be adjusted each year by the greater of (a) \$210 per square foot escalated by the Consumer Price Index, but not greater than 2.5% for any year, or (b) 85% of the prior year's Percentage Rent (as defined) paid to LAWA beginning January 1, 2014. For any year in which the number of enplaned passengers in TBIT and Terminal 2 is (a) less than the 2011 passenger enplanements, or (b) less than 90% of the prior year's passenger enplanements in these terminals, an additional adjustment to the MAG is calculated on a retroactive basis.

On June 22, 2012, LAWA and Westfield entered into another Terminal Commercial Management Concession Agreement (6-22-12 Agreement) for Westfield to develop, lease, and manage retail, food and beverage and certain passenger services in specified locations at the Terminals 1, 3, and 6 at LAX. The term of this agreement is 17 years consisting of two-year development period and fifteen-year operational period. Westfield will select concessionaires subject to LAWA approval. Concession agreements awarded by Westfield shall have a term no longer than ten years. The agreement requires Westfield and its concessionaires to invest no less than \$78.6 million in initial improvements and \$15.7 million in mid-term refurbishments. Such improvements are subject to LAWA approval. The initial non-premises improvements, as defined, shall be acquired by and become the property of LAWA by cash payment to Westfield or the issuance of rent credit.

Under the 6-22-12 Agreement, the MAG will be adjusted each year by the greater of (a) \$240 per square foot escalated by the Consumer Price Index, but not greater than 2.5% for any year, or (b) 85% of the prior year's Percentage Rent (as defined) paid to LAWA. For any year in which the number of enplaned passengers in Terminals 1, 3, and 6 is (a) less than the 2011 passenger enplanements, or (b) less than 90% of the prior year's passenger enplanements in these terminals, an additional adjustment to the MAG is calculated on a retroactive basis beginning January 1, 2014.

Minimum future rents under these two agreements with Westfield over the next five years are estimated as follows (amounts in thousands):

<u>Fiscal year ending</u>	<u>Amount</u>
2016	\$ 35,314
2017	36,197
2018	37,102
2019	38,030
2020	<u>38,980</u>
Total	<u>\$ 185,623</u>



LAWA also leases land and terminal facilities to certain airlines and others. The terms of these long-term leases range from less than 10 years to 40 years and generally expire between 2017 and 2025. Certain airlines and consortium of airlines at LAX also pay maintenance and operating charges (M&O Charges) that include direct and indirect costs allocated to all passenger terminal buildings, other related and appurtenant facilities, and associated land. Rates for M&O Charges are set each calendar year based on the actual audited M&O Charges for the prior fiscal year ending June 30. The land and terminal lease agreements are accounted for as operating leases. For the fiscal years ended June 30, 2015 and 2014, revenues from these leases were \$492.5 million and \$440.8 million, respectively.

Future rents under these land and terminal lease agreements over the next five years were based on the assumption that current agreements are carried to contractual termination. The future rents are as follows (amounts in thousands):

<u>Fiscal year ending</u>	<u>Amount</u>
2016	\$ 496,877
2017	491,592
2018	476,095
2019	451,433
2020	427,694
Total	<u><u>\$ 2,343,691</u></u>

The carrying cost and the related accumulated depreciation of property held for operating leases as of June 30, 2015 and 2014 are as follows (amounts in thousands):

	<u>2015</u>	<u>2014</u>
Buildings and facilities	\$ 3,487,044	\$ 3,350,207
Less- Accumulated depreciation	<u>(607,779)</u>	<u>(614,881)</u>
Net	2,879,265	2,735,326
Land	<u>686,363</u>	<u>686,363</u>
Total	<u><u>\$ 3,565,628</u></u>	<u><u>\$ 3,421,689</u></u>



Notes to the Financial Statements

June 30, 2015 and 2014

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b. Lease Obligations

LAWA leases office spaces under operating lease agreements that expire through 2032. Lease payments for the fiscal years ended June 30, 2015 and 2014 were \$6.5 million and \$6.2 million, respectively. Future minimum lease payments under the agreements are as follows (amounts in thousands):

<u>Fiscal year(s) ending</u>	<u>Amount</u>
2016	\$ 6,229
2017	6,038
2018	6,038
2019	6,038
2020	4,907
2021-2025	16,625
2026-2030	10,915
2031-2032	3,586
Total	<u>\$ 60,376</u>

On June 25, 2013, LAWA purchased a 17.6 acres commercial real estate property (known as Skyview Center) located adjacent to LAX. The \$111.5 million acquisition includes the land, two 12 and 11 story office buildings, a parking structure, and a 14.4 acres parking lot. Prior to the purchase of the property, LAWA leased certain areas of one of the buildings for office space and LAWA continues to use them.

9. Passenger Facility Charges

PFCs are fees imposed on enplaning passengers by airports to finance eligible airport related projects that preserve or enhance safety, capacity, or security of the national air transportation system; reduce noise or mitigate noise impacts resulting from an airport; or furnish opportunities for enhanced competition between or among carriers. Both the fee and the intended projects are reviewed and approved by the FAA. Airlines operating at LAX and ONT have been collecting PFCs on behalf of LAWA. PFCs are recorded as non-operating revenue and presented as restricted assets in the financial statements. LAWA has received approvals from FAA to impose PFCs at LAX and ONT for various projects. The current PFCs at LAX is \$4.50 per enplaned passenger. On October 19, 2012, the FAA approved LAWA's application to reduce the PFCs at ONT from \$4.50 to \$2.00 effective January 1, 2013. The application did not change ONT's collection authority of \$242.4 million but extended the collection period through October 2021.

As previously discussed, LAWA has received approval from the FAA to collect and use PFCs to pay for debt service on bonds issued to finance the TBIT Renovations and Bradley West Projects. Board authorized amounts of \$91.0 million and \$96.5 million were used for debt service in fiscal years 2015 and 2014, respectively.



The following project summary has been approved by FAA as of June 30, 2015 (amounts in thousands):

Terminal development	\$ 2,247,348
Noise mitigation	948,519
Airfield development and equipment	108,650
Land acquisition	<u>33,680</u>
Total	<u>\$ 3,338,197</u>

PFCs collected and the related interest earnings through June 30, 2015 and 2014 were as follows (amounts in thousands):

	<u>2015</u>	<u>2014</u>
Amount collected	\$ 2,138,264	\$ 1,996,798
Interest earnings	<u>242,182</u>	<u>234,092</u>
Total	<u>\$ 2,380,446</u>	<u>\$ 2,230,890</u>

As of June 30, 2015 and 2014, cumulative expenditures to date on approved PFCs projects totaled \$1.8 billion and \$1.5 billion, respectively.

10. Customer Facility Charges

In November 2001, the Board approved the collection of a state-authorized Customer Facility Charge (CFCs) from car rental agencies serving LAX and ONT. State law allows airports to collect a fee of \$10 per on-airport rental car agency transaction to fund the development of consolidated car rental facility and common-use transportation system. CFCs are recorded as non-operating revenue and presented as restricted assets in the financial statements. CFCs collected and the related interest earnings through June 30, 2015 and 2014 were as follows (amounts in thousands):

	<u>2015</u>	<u>2014</u>
Amount collected	\$ 256,200	\$ 223,015
Interest earnings	<u>12,349</u>	<u>10,189</u>
Total	<u>\$ 268,549</u>	<u>\$ 233,204</u>

As of June 30, 2015 and 2014, cumulative expenditures to date on approved CFCs projects totaled \$54.2 million and \$51.0 million, respectively.



Notes to the Financial Statements

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11. Capital Grant Contributions

Contributed capital related to government grants and other aid totaled \$34.8 million and \$32.7 million in fiscal years 2015 and 2014, respectively. Capital grant funds are primarily provided by the FAA Airport Improvement Program and Transportation Security Administration.

12. Related Party Transactions

The City provides services to LAWA such as construction and building inspection, fire and paramedic, police, water and power, and certain administrative services. The costs for these services for fiscal years ended June 30, 2015 and 2014 were \$93.2 million and \$93.3 million, respectively.

LAWA collects parking taxes at LAX on behalf of the City's General Fund. The parking taxes collected and remitted during each of fiscal years 2015 and 2014 were \$8.8 million and \$7.9 million, respectively.

In December 2009, two cases were settled that related to FAA's audit findings of improper payments by LAWA to the City General Fund. The cases involved compliance review by FAA of the transfer of LAWA revenue funds to the City General Fund for the implementation of a joint strategic international marketing alliance, and the legality of the transfer of \$43.0 million out of approximately \$58.0 million representing condemnation proceeds received for certain City-owned property taken by the State for use in the construction of the Century Freeway. The settlement calls for a series of semi-annual payments over ten years through June 30, 2019 by the City General Fund to LAWA totaling \$17.7 million plus 3.0% interest for a total of \$21.3 million. The installment payments will be offset against billings for actual cost of services provided by the City General Fund to LAWA. At June 30, 2015 and 2014, the respective outstanding principal amount of \$8.5 million and \$11.2 million payable beyond one year were reported under other noncurrent assets while the balance of \$2.7 million and \$2.6 million payable within one year were reported under unrestricted current assets.



13. Pension and Other Postemployment Benefit Plans

a. Description of Plans

The City contributes to a single-employer defined benefit pension plan, the Los Angeles City Employees' Retirement System (LACERS), to provide retirement benefits to its civilian (other than Department of Water and Power) employees. The City also provides single-employer other postemployment benefit (OPEB) healthcare plan through LACERS. All full-time employees of LAWA are eligible to participate in both plans. The City Charter assigns the administration of the plans to the LACERS Board of Administration. The LACERS issues a publicly available financial report that includes financial statements and required supplementary information for the plans. That report may be obtained by writing or calling: Los Angeles City Employees' Retirement System, 202 W. First Street, Suite 500, Los Angeles, CA 90012-4401, (800) 779-8328. As a City department, LAWA shares in the risks and costs with the City. LAWA presents the related defined benefit disclosures as a participant in a single employer plan of the City.

Pension and other postemployment benefits are established pursuant to the City ordinance. The City Council may, by an ordinance adopted pursuant to specific requirements (approved by not less than 2/3 of the City Council, subject to the veto of the Mayor and override by City Council by 3/4 of City Council), modify or add to the benefits set forth in the Los Angeles Administrative Code or change conditions of entitlement. However, the City Council may not increase or modify benefits if doing so would violate limitations imposed by federal or state law. As a further condition to the final adoption of benefit modifications, it shall be required that the City Council be advised in writing by an enrolled actuary as to the cost of benefit increases.

i) Pension Plan

LACERS provides service retirement, disability, death and survivor benefits to eligible employees. Employees of the City become members of LACERS on the first day of employment in a position with the City in which the employee is not excluded from membership. Members employed prior to July 1, 2013 are designated as Tier 1 and those employed on or after July 1, 2013 are designated as Tier 2 (unless a specific exemption applies to the employee, providing a right to Tier 1 status). Membership to Tier 1 is now closed to new entrants.

Tier 1 members are eligible for normal service retirement benefits once they attain the age of 70, or the age of 60 with 10 or more years of continuous service, or the age of 55 with 30 or more years of service. Tier 2 members are eligible for normal service retirement benefits once they attain the age of 70, or the age of 65 with 10 or more years of continuous service.

Tier 1 members are eligible for disability retirement once they have 5 or more years of continuous service. Tier 2 members are eligible for disability retirement once they have 10 or more years of continuous service.

Under the Tier 1 formula, the monthly service retirement allowance at normal retirement age is 2.16% of final average monthly compensation per year of service credit. Reduced retirement allowances are available for early retirement for Tier 1 members reaching age 55 with 10 or more years of continuous service, or at any age with 30 or more years of service.



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Under the Tier 2 formula, the monthly service retirement allowance at normal retirement age is 2.00% of final average monthly compensation per year of service credit. Reduced retirement allowances are available for early retirement for Tier 2 members reaching age 55 with 10 or more years of continuous service.

Under Tier 1, pension benefits are calculated based on the highest average salary earned during a 12-month period (including base salary plus regularly assigned bonuses or premium pay). Under Tier 2, pension benefits are calculated based on the highest average salary earned during a 36-month period (limited to base pay).

For Tier 1 members, the maximum monthly retirement allowance is 100% of the final average monthly compensation. For Tier 2 members, the maximum monthly retirement allowance is 75% of the final average monthly compensation.

In lieu of the service retirement allowance under the Tier 1 or Tier 2 formula (“unmodified option”), the member may choose an optional retirement allowance. The unmodified option provides the highest monthly benefit and a 50% continuance to an eligible surviving spouse or domestic partner for Tier 1 members (no continuance is provided to beneficiaries of Tier 2 members under the unmodified option). The optional retirement allowances require a reduction in the unmodified option amount in order to allow the member the ability to provide various benefits to a surviving spouse, domestic partner, or named beneficiary.

LACERS provides annual cost-of-living adjustments (COLAs) to all retirees. The cost-of-living adjustments are made each July 1 based on the percentage change in the average of the Consumer Price Index for the Los Angeles-Riverside-Orange County Area--All Items For All Urban Consumers. It is capped at 3.0% for Tier 1 and 2.0% for Tier 2. Tier 2 members may purchase additional 1% COLA protection at full actuarial cost.

The City contributes to the retirement plan based upon actuarially determined contribution rates adopted by the Board of Administration. Employer contribution rates are adopted annually based upon recommendations received from LACERS’ actuary after the completion of the annual actuarial valuation. The average employer contribution rates were 20.77% and 19.84% of compensation⁶ as of June 30, 2015 and June 30, 2014, respectively.

All members are required to make contributions to LACERS regardless of the tier in which they are included. Currently, most Tier 1 members contribute at 11% of compensation and all Tier 2 members contribute at 10% of compensation.

Funding Policy for the Pension Plan

The City makes contributions equal to the normal cost adjusted by an amount to amortize any surplus or unfunded actuarial accrued liability (UAAL). Both the normal cost and the actuarial accrued liability are determined under the Entry Age cost method and are calculated on an individual basis. Entry age is calculated as age on the valuation date minus years of service.

⁶ After adjustments to phase in over five years the impact of new actuarial assumptions (as a result of the June 30, 2011 Triennial Experience Study) on the City’s contributions.



Under the current funding policy, changes in the UAAL due to actuarial gains/losses are amortized over separate 15 year periods. Any changes in the UAAL due to assumption or method changes are amortized over separate 20 year periods. Plan changes, including the 2009 Early Retirement Incentive Program (ERIP), are amortized over separate 15 year periods. Future ERIP will be amortized over 5 years. Any actuarial surplus is amortized over 30 years. All the bases on or before June 30, 2012, except those arising from the 2009 ERIP and the two GASB Statements No. 25⁷ and 27⁸, were combined and amortized over 30 years effective June 30, 2012.

The recommended contribution is set equal to the greater of the current funding policy or the minimum Annual Required Contribution (ARC) as determined by the then current GASB Statements No. 25 and 27. In particular, an additional contribution due to the application of the 40-year minimum amortization requirement for both fiscal years 2004 and 2005 is included in the calculation of the recommended contribution.

LAWA's Contributions to the Pension Plan

LAWA's contributions to the Pension Plan for the year ended June 30 (amounts in thousands):

	<u>2015</u>	<u>2014</u>
LAWA's required contributions to the Pension Plan	<u>\$ 53,262</u>	<u>\$ 49,370</u>

The LAWA contributions made for the Pension Plan under the required contribution category in the amount of \$53.3 million and \$49.4 million for fiscal year 2015 and 2014, respectively, were equal to 100% of the actuarially determined contribution of the employer.

ii) Other Postemployment Benefit Healthcare Plan (OPEB)

LACERS provides postemployment health care benefits to eligible retirees of OPEB, and, if the member retires under Tier 1 membership, to their spouses/domestic partners as well. Prior to the retirement effective date of July 1, 2011, the benefits of this single employer postemployment benefit health care plan were available to all employees who 1) participate in the Pension Plan; 2) have at least 10 years of service with LACERS; and 3) enrolled in a system-sponsored medical or dental plan or are a participant in the Medical Premium Reimbursement Program (MPRP). The retiree or Tier 1 surviving spouse/domestic partner can choose from the health plans that are available, which include medical, vision, and dental benefits, or participate in the MPRP if he/she resides in an area not covered by the available medical plans. The retiree or Tier 1 surviving spouse/domestic partner receives medical subsidies based on service years. The dental subsidies are provided to the retirees only, based on years of service. The maximum subsidies are set annually by the LACERS Board of Administration.

⁷ GASB Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, issued in November 1994, was amended by GASB Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*, issued in June 2012.

⁸ GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, issued in November 1994, was amended by GASB Statement No. 68, *Accounting and Financial Reporting for Pension – an amendment of GASB Statement No. 27*, issued in June 2012.



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During the 2011 fiscal year, the City adopted an ordinance (Freeze Ordinance) to freeze the maximum medical subsidy at \$1,190 for those members who retire on or after July 1, 2011. However, members who at any time prior to retirement contribute the additional 2% or 4% of pay pursuant to specific ordinances are exempted from the freeze and obtain a vested right to future increases in the maximum medical subsidy at an amount not less than the dollar increase in the Kaiser two-party non-Medicare Part A and Part B premium. Postemployment health care benefits for the Tier 2 members differ from those for the Tier 1 members in their annual subsidy accrual after 10 years of service; Tier 1 earns 4% per year while Tier 2 earns 3% per year. As mentioned above, spouses/domestic partners of Tier 2 members are not entitled to OPEB.

Funding Policy for OPEB

The City Charter requires periodic employer contributions at actuarially-determined rates that, expressed as percentages of annual covered payroll together with certain fixed amounts, are sufficient to accumulate the required assets to pay benefits when due.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, investment returns, and the health care cost trends. The funded status of the plan and the annual required contributions of the employer, determined by the annual actuarial valuations, are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future.

LAWA's Contributions to OPEB

LAWA's contributions to OPEB for the year ended June 30 (amounts in thousands):

	<u>2015</u>	<u>2014</u>
LAWA's required contributions to OPEB	<u>\$ 14,166</u>	<u>\$ 13,698</u>

LAWA's contributions made for OPEB, in the amount of \$14.2 million and \$13.7 million for fiscal year 2015 and 2014, respectively, represents 100% of the Annual Required Contribution (ARC) as defined by GASB Statements No. 43⁹ and No. 45¹⁰.

⁹ GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, issued in April 2004.

¹⁰ GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefit Plans Other Than Pension*, issued in June 2004.



b. Net Pension Liability, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions for Fiscal Year 2015

As of the reporting date June 30, 2015 (measurement date of June 30, 2014), LAWA reported its proportionate shares of Net Pension Liability (NPL)¹¹ as follows (amounts in thousands):

Reporting date 6/30/15 Measurement date 6/30/14	
<u>FY 2015</u>	
LAWA's proportionate share of NPL	<u>\$ 615,349</u>

LAWA's NPL was measured as the proportionate share of the NPL based on the employer contributions made by LAWA during fiscal year 2014. The NPL was measured as of June 30, 2014 and determined based upon the Pension Plan's Fiduciary Net Position (plan assets) and Total Pension Liability from actuarial valuations as of June 30, 2014.

Change in LAWA's proportionate share of the NPL as of June 30, 2015 (measurement date June 30, 2014) and 2014 (measurement date June 30, 2013) was as follows (amounts in thousands):

	NPL	Proportion (%)
Proportion - Reporting date June 30, 2015 (measurement date June 30, 2014)	\$ 615,349	13.804%
Proportion - Reporting date June 30, 2014 (measurement date June 30, 2013)	\$ 675,951	14.299%
Change - Decrease	\$ (60,602)	(0.495%)

¹¹ The NPL data for prior year, fiscal year 2014, was not restated because all of the information available to restate prior year amounts was not readily available.



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For the year ended June 30, 2015, LAWA recognized pension expense of \$49.7 million. At June 30, 2015, LAWA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following resources (amounts in thousands):

	<u>Deferred outflows of resources</u>	<u>Deferred inflows of resources</u>
Pension contributions subsequent to measurement date	\$ 53,261	\$ --
Differences between expected and actual experience	--	18,368
Changes of assumptions	89,130	--
Net difference between projected and actual earnings on pension plan investments	--	112,403
Differences arising from changes proportion and differences between employer contributions and proportionate share of contributions	--	19,248
Total	<u>\$ 142,391</u>	<u>\$ 150,019</u>

\$53.3 million reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the NPL in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows (amounts in thousands):

<u>Fiscal year ending</u>	<u>Amount</u>
2016	\$ (16,951)
2017	(16,951)
2018	(16,951)
2019	(16,951)
2020	6,913



c. Actuarial Assumptions for the June 30, 2014 Measurement Date for Fiscal Year 2015

The total pension liability as of June 30, 2014 was measured by an actuarial valuation as of June 30, 2014 using the following actuarial assumptions¹², applied to all periods included in the measurement:

Inflation:	3.25%
Discount rate:	7.50%
Salary increases:	Ranges from 4.40% to 10.50% based on years of service, including inflation
Investment rate of return:	7.50%, net of pension plan investment expense, including inflation
Post-Retirement Mortality Rates:	
Healthy Members and all Beneficiaries:	RP-2000 Combined Healthy Mortality Table projected with Scale BB to 2020, set back one year for males and with no setback for females.
Disabled Members:	RP-2000 Combined Healthy Mortality Table projected with Scale BB to 2020, set forward seven years for males and set forward eight years for females.
Termination Rates before Retirement:	
Pre-Retirement Mortality:	RP-2000 Combined Healthy Mortality Table projected with Scale BB to 2020, set back one year for males and with no setback for females.
Retirement Age and Benefit for Inactive Vested Participants:	Pension benefit paid at the later of age 58 or the current attained age. For reciprocals, 4.40% compensation increases per annum.
Exclusion of Inactive Members:	All inactive participants are included in the valuation.
Definition of Active Members:	First day of biweekly payroll following employment for new department employees or immediately following transfer from other city department.
Unknown Data for Members:	Same as those exhibited by members with similar known characteristics. If not specified, members are assumed to be male.
Percent Married/Domestic Partner:	76% of male participants; 50% of female participants.
Age of Spouse:	Male retirees are assumed to be 4 years older than their female spouses. Female retirees are assumed to be 2 years younger than their male spouses.
Service:	Employment service is used for eligibility determination purposes. Benefit service is used for benefit calculation purposes.
Future Benefit Accruals:	1.0 year of service per year.
Other Reciprocal Service:	5% of future inactive vested members will work at a reciprocal system.
Consumer Price Index:	Increase of 3.25% per year; benefit increases due to CPI subject to 3.00% maximum for Tier 1 and 2.00% maximum for Tier 2.
Employee Contribution Crediting Rate:	Based on average of 5-year Treasury note rate. An assumption of 3.25% is used to approximate that crediting rate in this valuation.
Actuarial Cost Method:	Entry Age Cost Method.

¹² The actuarial assumptions used in this June 30, 2014 valuation were based on the results of an experience study for the period from July 1, 2011 through June 30, 2014. They are the same as the assumptions used in the June 30, 2014 funding actuarial valuation for LACERS.



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d. Discount Rate for Fiscal Year 2015

The discount rate used to measure the total pension liability was 7.50% as of June 30, 2014. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially determined contribution rates. For this purpose, only employee and employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the Pension Plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2014.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adding expected inflation, and subtracting expected investment expenses and a risk margin. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before deducting investment expenses, used in the derivation of the long-term expected investment rate of return assumption are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term (Arithmetic) Expected Real Rate of Return</u>
U.S. Large Cap Equity	20.40%	5.94%
U.S. Small Cap Equity	3.60%	6.64%
Developed	21.75%	6.98%
Emerging Market	7.25%	8.48%
Core Bonds	16.53%	0.71%
High Yield Bonds	2.47%	2.89%
Private Real Estate	5.00%	4.69%
Cash	1.00%	-0.46%
Credit Opportunities	5.00%	3.07%
Public Real Assets	5.00%	3.41%
Private Equity	12.00%	10.51%
Total	<u>100.00%</u>	



Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents LAWA's proportionate share of the NPL as of June 30, 2014, calculated using the discount rate of 7.50%, as well as what LAWA's proportionate share of NPL would be if it were calculated using a discount rate that is 1 percentage point lower (6.50%) or 1 percentage point higher (8.50%) than the current rate (amounts in thousands):

	<u>LAWA</u>
1% decrease	6.50%
Net Pension Liability	\$918,658
Current discount rate	7.50%
Net Pension Liability	\$615,349
1% increase	8.50%
Net Pension Liability	\$363,284

Pension Plan Fiduciary Net Position

The Pension Plan's fiduciary net position has been determined on the same basis used by the Pension Plan and the plans basis of accounting, including policies with respect to benefit payments and valuation of investments. Detailed information about LACERS' net position is available in the separately issued LACERS' financial reports, which can be found on the LACERS website.

e. Payable to the Pension Plan for Fiscal Year 2015

At June 30, 2015, LAWA did not have any payable to be reported for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2015.

f. Funding Policy for Fiscal Year 2014

The City's annual costs for the plans are calculated based on the annual required contribution of the employer, an amount actuarially determined in accordance with the parameters of the applicable GASB statements. The actuarially determined contribution rates as a percentage of covered payroll were 25.33% and 18.32% for Tier 1 and Tier 2 members respectively, in fiscal year 2014. The required contribution rates were based on the June 30, 2012 actuarial valuations. LAWA paid 100% of its annual contributions of \$49.4 million to the Pension Plan for fiscal year ended June 30, 2014.

g. Net Pension Obligation for Fiscal Year 2014

The City allocated a portion of its net pension obligation (NPO) to LAWA based upon its percentage of payroll benefit costs for all City employees. The allocated NPO at June 30, 2014 was \$9.0 million.



Notes to the Financial Statements

June 30, 2015 and 2014

14. Risk Management

The Risk Management Division (RMD) administers LAWA's risk and claims management program. By implementing a comprehensive risk identification, assessment, and treatment process, the program addresses key risks that may adversely affect LAWA's ability to meet its business goals and objectives.

LAWA maintains insurance coverage of \$1.3 billion for general aviation liability and \$1.0 billion for war and allied perils. Additional insurance coverage is carried for general all risk property insurance for \$2.3 billion, that includes \$250.0 million for boiler and machinery, and \$25.0 million for earthquake. Deductibles for these policies are \$10,000 per claim with a \$400,000 annual aggregate for general liability, and \$100,000 per occurrence and annual aggregate for general property. Historically, no liability or property claims have reached or exceeded the stated policy limits.

Additionally, LAWA maintains catastrophic loss fund for claims or losses that may exceed insurance policy limits or where insurance is not available or viable. Commercial insurance is used where it is legally required, contractually required, or judged to be the most effective way to finance risk. For fiscal years 2015, 2014, and 2013, no claims were in excess of LAWA's insurance coverage.

A number of lawsuits were pending against LAWA that arose in the normal course of its operations. LAWA recognizes a liability for claims and judgments when it is probable that an asset has been impaired or a liability has been incurred and the amount of the loss can be reasonably estimated. The City Attorney provides estimates for the amount of liabilities with a probability of occurring from these lawsuits. The liability for litigation and other claims at June 30, 2015 and 2014 was \$11.7 million.

LAWA is self-insured as part of the City's program for workers' compensation. All workers' compensation cases are processed by the City. Liability and risk are retained by LAWA. The actuarially determined accrued liability for workers' compensation includes provision for incurred but not reported claims and loss adjustment expenses. The present value of the estimated outstanding losses was calculated based on a 3% yield on investments. LAWA's accrued workers' compensation liability at June 30, 2015 and 2014 was \$69.3 million and \$63.1 million, respectively.



The changes in LAWA's estimated claims payable are as follows (amounts in thousands):

	June 30		
	2015	2014	2013
Balance at beginning of year	\$ 74,836	\$ 73,644	\$ 70,536
Provision for current year's events and changes in provision for prior years' events	14,267	8,125	9,529
Claims payments	(8,125)	(6,933)	(6,421)
Balance at end of year	<u>\$ 80,978</u>	<u>\$ 74,836</u>	<u>\$ 73,644</u>
Current portion	<u>\$ 9,039</u>	<u>\$ 8,125</u>	<u>\$ 6,933</u>

15. Commitments, Litigations, and Contingencies

a. Commitments

Commitments for acquisition and construction of capital assets, and purchase of materials and supplies were \$129.3 million and \$150.0 million as of June 30, 2015 and 2014, respectively. Significant amounts were committed for terminals and facilities, airfield and runways, as well as noise mitigation program.

b. LAX Master Plan

The LAX Master Plan was adopted by the Board and approved by the City Council in 2004. It is a broad policy statement regarding the conceptual strategic framework for future improvements at LAX and describes how LAX can accommodate its appropriate share of the region's aviation demand, while balancing those needs with environmental concerns, safety and security, and the concerns of LAX's neighbors.

Settlement agreements were entered into by the City and several entities that filed lawsuits in connection with the LAX Master Plan. Among other things, the agreements require LAWA to limit the number of terminal gates; involve the surrounding communities in project planning; provide funding for traffic and noise mitigation and abatement, job training and opportunities, street and street lighting improvements, and air quality and environmental programs; and develop a regional initiative to encourage passenger and cargo activity at other airports. LAWA is continuing to perform its obligations pursuant to these agreements conditioned upon FAA's approval of expenditures and use of airport revenues for the specified purposes.



Notes to the Financial Statements

June 30, 2015 and 2014

(continued)

In connection with the approval of the LAX Master Plan, the City Council amended the City's general plan to include a component specific to LAX, the LAX Plan. Along with the approval of the LAX Master Plan in 2004, the City Council also adopted the LAX Specific Plan, an ordinance that establishes zoning and development regulations consistent with the LAX Plan. The LAX Specific Plan required LAWA to prepare a Specific Plan Amendment Study (SPAS) to address, among other things, security, traffic, aviation activity, and corresponding environmental analysis consistent with the California Environmental Quality Act (CEQA).

On February 5, 2013, the board certified the Environmental Impact Report (EIR) prepared for the LAX SPAS under CEQA and determined that the LAX SPAS was complete. It also selected the Staff-Recommended Alternative, including the proposed amendments to Section 7.H of the LAX Specific Plan and all amendments to the City's general plan, including the LAX Plan, and the LAX Specific Plan, as the best alternative to the problems that the so-called "Yellow Lights Projects" were designed to address, subject to future detailed planning, engineering, and project-level environmental review, such as project-level review of individual improvements under CEQA and the evaluation and approval processes of FAA. Approval of the SPAS Staff-Recommended Alternative would provide the platform from which the specific details of the proposed improvements would be further defined and evaluated in connection with current and future FAA standards.

On April 30, 2013, the City Council certified the LAX SPAS EIR and selected the Staff-Recommend Alternative, subject to the same provisions set forth above. On May 30, 2013, the Alliance for a Regional Solution to Airport Congestion, the City of Inglewood, the City of Culver City, the City of Ontario, the County of San Bernardino, and SEIU United Service Workers West (Petitioners) filed three separate petitions for writ of mandate in the Los Angeles Superior Court against the City alleging that the SPAS final environmental impact report (SPAS Final EIR) was not completed in compliance with CEQA and requested, among other things, the Court to set aside all approvals based upon the SPAS Final EIR. The three cases were deemed related on June 24, 2013, and consolidated on September 18, 2013. On February 28, 2014, they were transferred to the Ventura County Superior Court. Certification of the administrative record was completed on June 12, 2015. Petitioners' opening briefs were filed on July 31, 2015. Respondents' opposition briefs were filed on September 30, 2015. Petitioners' reply briefs are due November 12, 2015. The trial on the merits is currently scheduled for January 11-13, 2016.

c. Aviation Security

Concerns about the safety and security of airline travel and the effectiveness of security precautions may influence passenger travel behavior and air travel demand, particularly in the light of existing international hostilities, potential terrorist attacks, and world health concerns. Intensified security precautions have been instituted by government agencies, airlines, and airport operators since the September 11, 2001 terrorist attacks. Intelligence reports have indicated that LAX was a target of a terrorist bombing plot as well as a potential terrorist target. LAWA is unable to predict: (a) the likelihood of future incidents of terrorism and other airline travel disruptions; (b) the impact of the aforementioned security issues on its operations and revenues; and (c) financial impact to the airlines operating at LAWA's airports.



d. Environmental Issues

LAWA bears full responsibility for the cleanup of environmental contamination on property it owns. However, if the contamination originated based on contractual arrangements, the tenants are held responsible even if they declare bankruptcy.

As property owner, LAWA assumes the ultimate responsibility for cleanup in the event the tenant is unable to make restitution. Under certain applicable laws, LAWA may become liable for cleaning up soil and groundwater contamination on a property in the event that the previous owner does not perform its remediation obligations. LAWA accrues pollution remediation liabilities when costs are incurred or amounts can be reasonably estimated based on expected outlays. The liability accrued at June 30, 2015 and 2014 was \$12.8 million. LAWA does not expect any recoveries reducing this obligation.

The State Water Resources Control Board (SWRCB) issued a Notice of Violation (NOV) to LAWA generally alleging violations of underground storage tank (UST) construction, monitoring, and testing laws at facilities where LAWA owns and operates USTs. LAWA owns and/or operates 13 USTs (6 at LAX, 4 at VNY and 3 at ONT). The NOV did not specify any particular violations but the SWRCB subsequently identified a number of alleged violations that are under review along with continued improvement of LAWA's overall UST compliance program. The Board approved a consent judgment settlement with the SWRCB in October 2015 with a total civil penalty amount of \$2.3 million to be paid or suspended on condition that LAWA complies with the terms of the consent judgment.

The California Regional Water Quality Control Board, Lahontan Region (Water Board) issued a Notice of Revised Proposed Cleanup and Abatement Order (Order) to Los Angeles County Sanitation District No. 20 (District) and the City of Los Angeles (City), as Dischargers, with respect to discharges to underground water from the Palmdale Reclamation Plant (Reclamation Plant) owned by the District. The Order states that the discharges have resulted in violations of waste discharge requirements for the Reclamation Plant and prohibitions contained in the Water Quality Control Plan for the Lahontan Region, and that discharges from the Reclamation Plant to unlined ponds and to the Effluent Management Site (owned by the City and now known as the Agricultural Site) have adversely affected and polluted groundwater in the area of the discharges. The Water Board issued an order to the District and LAWA to submit technical reports that include feasibility and costs to remove nitrate from groundwater to certain acceptable levels. The costs and timeframe to perform the Order, along with the apportionment of liability, are uncertain at this time.



Notes to the Financial Statements

June 30, 2015 and 2014

(continued)

e. Terminal Leases

In January 2007, American Airlines, Inc. (“American”) filed a complaint in Federal District Court alleging that LAWA had imposed new maintenance and operation charges in violation of its lease at LAX. In 2008, LAWA and American entered into an interim settlement agreement (the “ISA”) and pursuant to the ISA, the parties filed a joint stipulation for dismissal of the litigation without prejudice to renew litigation. In January 2014, American and LAWA entered into a settlement agreement (“Final Settlement”) which settled, among other things, the maintenance and operation charges in the lease. Under the Final Settlement, LAWA and American agreed that the dismissal filed in 2008 was deemed to be a dismissal with prejudice; American paid \$14 million in compromise and settlement of all disputes regarding the maintenance and operation charges for the period from January 2011 through December 2013; and LAWA paid for the purchase of certain pavement and terminal improvements, busing credit related to the employee parking lot, and Terminal 4 connector design plans.

f. LA/ONT International Airport Local Control

In December 2011, the City of Ontario proposed to LAWA that the operations of ONT be transferred from the City of Los Angeles to the City of Ontario under certain terms. The terms included, among others, paying the City of Los Angeles \$50 million and assumption by the City of Ontario of the existing bonded debt of ONT. In August 2012, the San Bernardino County Board of Supervisors approved the creation of the Ontario International Airport Authority (OIAA) to oversee ONT should the City of Los Angeles relinquish control. The OIAA is a joint powers arrangement between the County of San Bernardino and the City of Ontario.

In September 2012, as directed by the Trade, Commerce and Tourism Committee of the Los Angeles City Council, the City Administrative Officer (CAO) issued a report related to ONT. The report recommended that the Mayor and Council decline the December 2011 proposal of the City of Ontario. The CAO further recommended that LAWA and the City shall negotiate with the City of Ontario, County of San Bernardino, OIAA, and other primary stakeholders to determine the most effective and appropriate ownership and management alternative, and the assigned value of such alternative for ONT.

On June 3, 2013, the City of Ontario filed a complaint against the City of Los Angeles, seeking, among other things, (i) damages for the alleged breach of contract, breach of implied covenant of good faith and fair dealing, and breach of fiduciary duty, in connection with LAWA’s operation and management of ONT; and (ii) to rescind or reform the agreements under which LAWA obtained ownership and control of ONT from the City of Ontario (Ontario Litigation). The trial court has dismissed the City of Ontario’s rescission and reformation claims, but reserved the City of Ontario’s damages claims for trial.



As of the report issued date, no trial date in the Ontario Litigation is set and the parties are negotiating a potential settlement which may result in the transfer of ONT and certain adjacent property to a joint powers authority of the County of San Bernardino and the City of Ontario called the Ontario International Airport Authority (OIAA). Any such settlement and the culmination of the transactions contemplated thereby may be subject to the approval of, among others, the Board of Airport Commissioners of the City of Los Angeles, the City Council of the City of Los Angeles, the City Council of the City of Ontario, OIAA, the FAA and the court.

No assurance can be given that (i) the parties to the Ontario Litigation may reach a settlement, (ii) any settlement reached by the parties to the Ontario Litigation or any transactions contemplated by any such settlement will be approved as described above, (iii) if a settlement is not reached, whether the Ontario Litigation will continue, (iv) if the Ontario Litigation continues, the outcome of the Ontario Litigation on LAWA would not be material.



Notes to the Financial Statements

June 30, 2015 and 2014

(continued)

16. Other Matter

City Financial Challenges

Based on the most recent General Fund Budget Outlook prepared by the City Administrative Officer (CAO) in connection with the fiscal year 2016 adopted budget, the City would face a budget gap of \$90.0 million in fiscal year 2017 and \$51.0 million in fiscal year 2018 without corrective action. Based on the assumptions of the Budget Outlook, this deficit would be eliminated by fiscal year 2019. The City generally accomplishes such balancing through a combination of revenue increases, expenditure reductions and transfer from reserves.

LAWA, as a proprietary department under the City Charter, is vested with the management and control of its assets. The budgetary challenges of the City's General Fund as well as the mitigating measures implemented by the Mayor and City Council do not directly affect LAWA's operations. However, auxiliary services provided to LAWA by other City departments may be impacted. In addition, the City's budget challenges may have an adverse effect on the trading value of LAWA's outstanding and future bond issues.



17. Subsequent Events

a. Runway 6R-24L Safety Area Improvement Project

On July 16, 2015, the Board awarded a \$45.5 million contract to Griffith/Coffman JV for the Runway 6R-24L Safety Area Improvement Project at LAX in order to bring the runway into compliance with the FAA mandated passenger safety standards. The Runway 6R-24L Safety Area Improvement and Taxiway portions of the project are eligible for 75% reimbursement from the FAA under an Airport Improvement Program (AIP) grant. All non-federally funded project costs will be recovered from airfield users through terminal rates and charges.

b. Revenue Bonds Issuance

On October 15, 2015, the Board authorized the issuance of the Series 2015D and 2015E LAX revenue bonds in an aggregate par amount not to exceed \$350.0 million. The proceeds of the issuance will be used to provide ongoing funding for various capital projects at LAX.

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2015 COMPREHENSIVE ANNUAL FINANCIAL REPORT

Required Supplementary Information

Required Supplementary Information



Required Supplementary Information
Last Ten Fiscal Years Ended June 30*
 (amounts in thousands)

Schedule of LAWA's Proportionate Share of the Net Pension Liability

	<u>2015</u>
LAWA's Proportion of the Net Pension Liability	13.80%
LAWA's Proportionate share of the Net Pension Liability	\$ 615,349
LAWA's Covered-employee payroll ⁽¹⁾	\$ 249,228
LAWA's Proportionate share of the Net Pension Liability as a percentage of its covered-employee payroll	246.90%
LAWA's Proportionate share of Pension Plan's Fiduciary Net Position	\$ 1,627,641
LAWA's Proportionate share of Pension Plan's Total Pension Liability	\$ 2,242,992
Pension Plan's Fiduciary Net Position as a percentage of the Total Pension Liability	72.57%

Notes to schedule:

(1) Covered-employee payroll represents the collective total of the LACERS eligible wages of all LACERS membership tiers. Non-pensionable wages was not included because the information was not readily available.

(2) Changes of assumptions:
 The June 30, 2014 calculations reflected various assumptions changes based on the triennial experience study for the period from July 1, 2011 through June 30, 2014. The increase of the Pension Plan's Total Pension Liability is primarily due to the lowered assumed investment rate of return, from 7.75% in fiscal year 2013 to 7.50% in fiscal year 2014, and longer assumed life expectancies for members and beneficiaries.

* Since fiscal year 2015 was the first year of implementation, only one year is shown.



Required Supplementary Information
Last Ten Fiscal Years Ended June 30*
(amounts in thousands)

Schedule of Contributions

	<u>2015</u>
Contractually required contribution (actuarially determined)	\$ 53,261
Contributions in relation to the actuarially determined contributions	53,261
Contribution deficiency (excess)	<u>\$ --</u>
LAWA's covered-employee payroll ⁽¹⁾	\$ 249,228
LAWA's Contributions as a percentage of covered-employee payroll	21.37%

Notes to schedule:

(1) Covered-employee payroll represents the collective total of the LACERS eligible wages of all LACERS membership tiers. Non-pensionable wages was not included because the information was not readily available.

* Since fiscal year 2015 was the first year of implementation, only one year is shown.



Notes to schedule:

Valuation date: Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which the contributions are reported.

Methods and assumptions used to determine contribution rates

Actuarial cost method Entry age actuarial cost method, level percent of salary.

Amortization method Level percent of payroll - assuming a 4.0% increase in total covered payroll.

Amortization period Multiple layers - closed amortization period.
Actuarial gains/losses are amortized over 15 years. Assumption or method changes are amortized over 20 years. Plan changes, including the 2009 ERIP, are amortized over 15 years. Future ERIPs will be amortized over five years. Actuarial surplus is amortized over 30 years. The existing layers on June 30, 2012, except those arising from the 2009 ERIP and the two GASB 25/27 layers, were combined and amortized over 30 years.

Asset Valuation Method Market value of assets less unrecognized returns in each of the last seven years.
Unrecognized return is equal to the difference between the actual market return and the expected return on the market value, and is recognized over a seven-year period. The actuarial value of assets cannot be less than 60% or great than 140% of the market value of assets. An ad hoc change was made in 2014 to combine the unrecognized returns and losses of prior years as of June 30, 2013 into one layer and recognize it evenly over six years from fiscal year 2013-14 through fiscal year 2018-19.

* Since fiscal year 2015 was the first year of implementation, only one year is shown.



Required Supplementary Information
Last Ten Fiscal Years Ended June 30*
 (amounts in thousands)

Notes to schedule (continued):

	<u>June 30, 2013</u>
Investment rate of return	7.75%
Inflation rate	3.50%
Real across-the-board salary increase	0.75%
Projected salary increases ⁽¹⁾	Ranges from 11.25% to 6.50% for members with less than five years of service, and from 6.50% to 4.65% for members with five or more years of service.
Cost of living adjustment ⁽²⁾	Tier 1: 3.00% Tier 2: 2.00%
Mortality	Healthy: RP-2000 Combined Healthy Mortality Table, set back two years for males and set back one year for females.

(1) Includes inflation at 3.50% as of June 30, 2013 plus across-the-board salary increases of 0.75% plus merit and promotional increases.

(2) Actual increases are contingent upon CPI increases with a 3.00% maximum for Tier 1 and a 2.00% maximum for Tier 2.

* Since fiscal year 2015 was the first year of implementation, only one year is shown.

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2015 COMPREHENSIVE ANNUAL FINANCIAL REPORT

Supplemental Information

Supplemental Information

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Los Angeles World Airports
(Department of Airports of the City of Los Angeles)

Combining Schedule of Net Position
June 30, 2015
(with June 30, 2014 comparative total)
(amounts in thousands)

	Los Angeles International Airport	LA/Ontario International Airport	Van Nuys Airport
ASSETS			
Current Assets			
Unrestricted current assets			
Cash and pooled investments held in City Treasury	\$ 572,908	\$ 67,203	\$ 4,239
Investments with fiscal agents	100,913	--	--
Accounts receivable, net of allowance for uncollectible accounts: 2015 - \$785; 2014 - \$1,675	189	--	1,258
Unbilled receivables	28,868	--	--
Accrued interest receivable	2,639	188	--
Grants receivable	13,899	165	1
Loans receivable	--	--	177
Receivable from City General Fund	2,684	--	--
Due from (to) other agencies	49,594	--	--
Prepaid expenses	4,266	110	176
Inventories	1,552	177	39
Total unrestricted current assets	<u>777,512</u>	<u>67,843</u>	<u>5,890</u>
Restricted current assets			
Cash and pooled investments held in City Treasury	913,788	73,824	75
Investments with fiscal agents	653,729	175	--
Accrued interest receivable	1,463	83	--
Passenger facility charges receivable	19,038	1,741	--
Customer facility charges receivable	2,584	440	--
Total restricted current assets	<u>1,590,602</u>	<u>76,263</u>	<u>75</u>
Total current assets	<u>2,368,114</u>	<u>144,106</u>	<u>5,965</u>
Noncurrent Assets			
Capital assets			
Not depreciated	3,340,623	33,040	31,841
Depreciated, net	3,650,877	268,778	31,592
Total capital assets	<u>6,991,500</u>	<u>301,818</u>	<u>63,433</u>
Other noncurrent assets			
Restricted investments with fiscal agents	--	6,843	--
Loans receivable, net of current portion	--	--	677
Receivable from City General Fund, net of current portion	8,550	--	--
Total noncurrent assets	<u>7,000,050</u>	<u>308,661</u>	<u>64,110</u>
TOTAL ASSETS	<u>9,368,164</u>	<u>452,767</u>	<u>70,075</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charges on debt refunding	25,307	1,744	--
Changes of assumptions related to pension Contribution after measurement date related to pension	82,071	5,499	1,560
	49,043	3,286	932
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>156,421</u>	<u>10,529</u>	<u>2,492</u>



	<u>Palmdale Property</u>	<u>Total 2015</u>	<u>Total 2014</u>
ASSETS			
Current Assets			
Unrestricted current assets			
Cash and pooled investments held in City Treasury	\$ 2	\$ 644,352	\$ 690,525
Investments with fiscal agents	--	100,913	6,752
Accounts receivable, net of allowance for uncollectible accounts: 2015 - \$785; 2014 - \$1,675	149	1,596	21,203
Unbilled receivables	--	28,868	27,518
Accrued interest receivable	--	2,827	2,642
Grants receivable	--	14,065	15,221
Loans receivable	--	177	164
Receivable from City General Fund	--	2,684	2,606
Due from (to) other agencies	(49,594)	--	--
Prepaid expenses	--	4,552	5,285
Inventories	--	1,768	1,770
Total unrestricted current assets	<u>(49,443)</u>	<u>801,802</u>	<u>773,686</u>
Restricted current assets			
Cash and pooled investments held in City Treasury	--	987,687	1,113,848
Investments with fiscal agents	--	653,904	599,765
Accrued interest receivable	--	1,546	1,878
Passenger facility charges receivable	--	20,779	22,718
Customer facility charges receivable	--	3,024	3,331
Total restricted current assets	<u>--</u>	<u>1,666,940</u>	<u>1,741,540</u>
Total current assets	<u>(49,443)</u>	<u>2,468,742</u>	<u>2,515,226</u>
Noncurrent Assets			
Capital assets			
Not depreciated	92,183	3,497,687	2,956,705
Depreciated, net	8,537	3,959,784	3,981,860
Total capital assets	<u>100,720</u>	<u>7,457,471</u>	<u>6,938,565</u>
Other noncurrent assets			
Restricted investments with fiscal agents	--	6,843	6,843
Loans receivable, net of current portion	--	677	854
Receivable from City General Fund, net of current portion	--	8,550	11,235
Total noncurrent assets	<u>100,720</u>	<u>7,473,541</u>	<u>6,957,497</u>
TOTAL ASSETS	<u>51,277</u>	<u>9,942,283</u>	<u>9,472,723</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charges on debt refunding	--	27,051	2,581
Changes of assumptions related to pension	--	89,130	--
Contribution after measurement date related to pension	--	53,261	--
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>--</u>	<u>169,442</u>	<u>2,581</u>



Los Angeles World Airports

(Department of Airports of the City of Los Angeles)

Combining Schedule of Net Position (continued)

June 30, 2015

(with June 30, 2014 comparative total)

(amounts in thousands)

	Los Angeles International Airport	LA/Ontario International Airport	Van Nuys Airport
LIABILITIES			
Current Liabilities			
Current liabilities payable from unrestricted assets			
Contracts and accounts payable	\$ 208,250	\$ 5,265	\$ 1,176
Accrued salaries	12,766	870	192
Accrued employee benefits	4,598	401	83
Estimated claims payable	8,332	566	141
Commercial paper	50,123	--	--
Obligations under securities lending transactions	3,881	535	--
Other current liabilities	<u>16,072</u>	<u>5,228</u>	<u>316</u>
Total current liabilities payable from unrestricted assets	<u>304,022</u>	<u>12,865</u>	<u>1,908</u>
Current liabilities payable from restricted assets			
Contracts and accounts payable	1,893	18	76
Current maturities of bonded debt	81,700	4,070	--
Accrued interest payable	26,434	376	--
Obligations under securities lending transactions	6,177	517	--
Other current liabilities	<u>10,525</u>	<u>881</u>	<u>--</u>
Total current liabilities payable from restricted assets	<u>126,729</u>	<u>5,862</u>	<u>76</u>
Total current liabilities	<u>430,751</u>	<u>18,727</u>	<u>1,984</u>
Noncurrent Liabilities			
Bonded debt, net of current portion	4,217,562	57,257	--
Accrued employee benefits, net of current portion	37,208	3,242	668
Estimated claims payable, net of current portion	67,227	3,772	940
Liability for environmental/hazardous materials cleanup	12,783	--	--
Net pension obligation	--	--	--
Net pension liability	566,613	37,967	10,769
Other long-term liabilities	<u>886</u>	<u>--</u>	<u>--</u>
Total noncurrent liabilities	<u>4,902,279</u>	<u>102,238</u>	<u>12,377</u>
TOTAL LIABILITIES	<u>5,333,030</u>	<u>120,965</u>	<u>14,361</u>
DEFERRED INFLOWS OF RESOURCES			
Differences between expected and actual experience related to pension			
	16,914	1,133	321
Differences between projected and actual investment earnings related to pension			
	103,501	6,935	1,967
Changes in proportion and differences between employer contributions and proportionate share of contributions related to pension			
	<u>17,723</u>	<u>1,188</u>	<u>337</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>138,138</u>	<u>9,256</u>	<u>2,625</u>
NET POSITION			
Net investment in capital assets	2,952,716	242,235	63,433
Restricted for:			
Debt service	341,697	8,404	--
Passenger facility charges funded projects	528,511	45,294	--
Customer facility charges funded projects	214,231	3,828	--
Capital projects reserve	--	9,412	--
Operations and maintenance reserve	174,228	14,147	--
Federally forfeited property and protested funds	1,289	228	--
Unrestricted	<u>(159,255)</u>	<u>9,527</u>	<u>(7,852)</u>
TOTAL NET POSITION	<u>\$4,053,417</u>	<u>\$ 333,075</u>	<u>\$ 55,581</u>



	<u>Palmdale Property</u>	<u>Total 2015</u>	<u>Total 2014</u>
LIABILITIES			
Current Liabilities			
Current liabilities payable from unrestricted assets			
Contracts and accounts payable	\$ 1,131	\$ 215,822	\$ 325,679
Accrued salaries	--	13,828	12,450
Accrued employee benefits	--	5,082	4,988
Estimated claims payable	--	9,039	8,125
Commercial paper	--	50,123	52,160
Obligations under securities lending transactions	--	4,416	1,008
Other current liabilities	15	21,631	9,875
Total current liabilities payable from unrestricted assets	<u>1,146</u>	<u>319,941</u>	<u>414,285</u>
Current liabilities payable from restricted assets			
Contracts and accounts payable	--	1,987	4,379
Current maturities of bonded debt	--	85,770	76,240
Accrued interest payable	--	26,810	25,404
Obligations under securities lending transactions	--	6,694	1,598
Other current liabilities	--	11,406	9,378
Total current liabilities payable from restricted assets	<u>--</u>	<u>132,667</u>	<u>116,999</u>
Total current liabilities	<u>1,146</u>	<u>452,608</u>	<u>531,284</u>
Noncurrent Liabilities			
Bonded debt, net of current portion	--	4,274,819	3,972,369
Accrued employee benefits, net of current portion	--	41,118	40,360
Estimated claims payable, net of current portion	--	71,939	66,711
Liability for environmental/hazardous materials cleanup	--	12,783	12,783
Net pension obligation	--	--	9,062
Net pension liability	--	615,349	--
Other long-term liabilities	--	886	886
Total noncurrent liabilities	<u>--</u>	<u>5,016,894</u>	<u>4,102,171</u>
TOTAL LIABILITIES	<u>1,146</u>	<u>5,469,502</u>	<u>4,633,455</u>
DEFERRED INFLOWS OF RESOURCES			
Differences between expected and actual experience related to pension			
	--	18,368	--
Differences between projected and actual investment earnings related to pension			
	--	112,403	--
Changes in proportion and differences between employer contributions and proportionate share of contributions related to pension			
	--	19,248	--
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>--</u>	<u>150,019</u>	<u>--</u>
NET POSITION			
Net investment in capital assets	100,720	3,359,104	3,089,235
Restricted for:			
Debt service	--	350,101	334,396
Passenger facility charges funded projects	--	573,805	749,031
Customer facility charges funded projects	--	218,059	185,990
Capital projects reserve	--	9,412	9,179
Operations and maintenance reserve	--	188,375	178,598
Federally forfeited property and protested funds	--	1,517	1,313
Unrestricted	<u>(50,589)</u>	<u>(208,169)</u>	<u>287,159</u>
TOTAL NET POSITION	<u>\$ 50,131</u>	<u>\$ 4,492,204</u>	<u>\$ 4,834,901</u>



Los Angeles World Airports

(Department of Airports of the City of Los Angeles)

Combining Schedule of Revenues, Expenses and Changes in Net Position For the Fiscal Year Ended June 30, 2015 (with for the fiscal year ended June 30, 2014 comparative total) (amounts in thousands)

	Los Angeles International Airport	LA/Ontario International Airport	Van Nuys Airport	Palmdale Property
OPERATING REVENUE				
Aviation revenue				
Landing fees	\$ 227,518	\$ 12,140	\$ 1	\$ --
Building rentals	365,296	17,346	4,427	2,727
Land rentals	90,478	2,839	10,099	433
Other aviation revenue	4,564	325	2,237	--
Total aviation revenue	687,856	32,650	16,764	3,160
Concession revenue	354,082	23,535	--	--
Other operating revenue	3,862	695	83	--
Total operating revenue	<u>1,045,800</u>	<u>56,880</u>	<u>16,847</u>	<u>3,160</u>
OPERATING EXPENSES				
Salaries and benefits	374,018	25,701	6,204	--
Contractual services	174,745	11,217	3,405	1,078
Materials and supplies	46,102	3,211	497	--
Utilities	38,355	4,254	338	300
Other operating expenses	21,205	1,302	291	940
Allocated administrative charges	(9,027)	6,932	1,747	348
Total operating expenses before depreciation and amortization	<u>645,398</u>	<u>52,617</u>	<u>12,482</u>	<u>2,666</u>
Operating income (loss) before depreciation and amortization	400,402	4,263	4,365	494
Depreciation and amortization	<u>178,035</u>	<u>18,990</u>	<u>3,341</u>	<u>848</u>
OPERATING INCOME (LOSS)	<u>222,367</u>	<u>(14,727)</u>	<u>1,024</u>	<u>(354)</u>
NONOPERATING REVENUE (EXPENSES)				
Passenger facility charges	137,855	3,611	--	--
Customer facility charges	29,347	3,838	--	--
Interest income	20,327	1,793	120	--
Net change in fair value of investments	(2,021)	(53)	--	--
Interest expense	(166,919)	(2,711)	--	--
Other nonoperating revenue	8,618	557	--	--
Other nonoperating expenses	(9,559)	--	--	--
Total nonoperating revenue, net	<u>17,648</u>	<u>7,035</u>	<u>120</u>	<u>--</u>
INCOME (LOSS) BEFORE CAPITAL GRANTS AND INTER-AGENCY TRANSFERS				
	240,015	(7,692)	1,144	(354)
Federal and other government grants	30,964	2,646	1,151	--
Inter-agency transfers	5,303	--	(5,303)	--
CHANGE IN NET POSITION	<u>276,282</u>	<u>(5,046)</u>	<u>(3,008)</u>	<u>(354)</u>
NET POSITION, BEG. OF YEAR, AS PREVIOUSLY REPORTED				
	4,345,029	376,781	69,554	50,485
Change in accounting principle	(567,894)	(38,660)	(10,965)	--
NET POSITION, BEG. OF YEAR, AS RESTATED	<u>3,777,135</u>	<u>338,121</u>	<u>58,589</u>	<u>50,485</u>
NET POSITION, END OF YEAR	<u>\$ 4,053,417</u>	<u>\$ 333,075</u>	<u>\$ 55,581</u>	<u>\$ 50,131</u>



	<u>Total before eliminations</u>	<u>Elimin- ations</u>	<u>Total 2015</u>	<u>Total 2014</u>
OPERATING REVENUE				
Aviation revenue				
Landing fees	\$ 239,659	\$ --	\$ 239,659	\$ 234,394
Building rentals	389,796	--	389,796	339,420
Land rentals	103,849	(1,103)	102,746	101,369
Other aviation revenue	7,126	--	7,126	5,899
Total aviation revenue	740,430	(1,103)	739,327	681,082
Concession revenue	377,617	--	377,617	354,847
Other operating revenue	4,640	--	4,640	2,577
Total operating revenue	<u>1,122,687</u>	<u>(1,103)</u>	<u>1,121,584</u>	<u>1,038,506</u>
OPERATING EXPENSES				
Salaries and benefits	405,923	--	405,923	388,677
Contractual services	190,445	--	190,445	179,988
Materials and supplies	49,810	--	49,810	49,604
Utilities	43,247	--	43,247	44,037
Other operating expenses	23,738	(1,103)	22,635	17,555
Allocated administrative charges	--	--	--	--
Total operating expenses before depreciation and amortization	<u>713,163</u>	<u>(1,103)</u>	<u>712,060</u>	<u>679,861</u>
Operating income (loss) before depreciation and amortization	409,524	--	409,524	358,645
Depreciation and amortization	201,214	--	201,214	165,960
OPERATING INCOME (LOSS)	<u>208,310</u>	<u>--</u>	<u>208,310</u>	<u>192,685</u>
NONOPERATING REVENUE (EXPENSES)				
Passenger facility charges	141,466	--	141,466	136,280
Customer facility charges	33,185	--	33,185	32,345
Interest income	22,240	--	22,240	22,482
Net change in fair value of investments	(2,074)	--	(2,074)	1,940
Interest expense	(169,630)	--	(169,630)	(137,005)
Other nonoperating revenue	9,175	--	9,175	11,901
Other nonoperating expenses	(9,559)	--	(9,559)	(1,928)
Total nonoperating revenue, net	<u>24,803</u>	<u>--</u>	<u>24,803</u>	<u>66,015</u>
INCOME (LOSS) BEFORE CAPITAL GRANTS AND INTER-AGENCY TRANSFERS				
Federal and other government grants	34,761	--	34,761	32,677
Inter-agency transfers	--	--	--	--
CHANGE IN NET POSITION	<u>267,874</u>	<u>--</u>	<u>267,874</u>	<u>291,377</u>
NET POSITION, BEG. OF YEAR, AS PREVIOUSLY REPORTED	<u>4,841,849</u>	<u>--</u>	<u>4,841,849</u>	<u>4,550,472</u>
Change in accounting principle	(617,519)	--	(617,519)	--
NET POSITION, BEG. OF YEAR, AS RESTATED	<u>4,224,330</u>	<u>--</u>	<u>4,224,330</u>	<u>4,550,472</u>
NET POSITION, END OF YEAR	<u>\$ 4,492,204</u>	<u>\$ --</u>	<u>\$ 4,492,204</u>	<u>\$ 4,841,849</u>

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2015 COMPREHENSIVE ANNUAL FINANCIAL REPORT

Statistical Section

Statistical Section Contents

The Statistical Section's objective is to provide users of LAWA's financial statements with additional historical perspective, context and detail to assist in using the information presented in the financial statements, notes to the financial statements, required supplementary information, and supplemental information to assess LAWA's economic condition



Los Angeles World Airports

(Department of Airports of the City of Los Angeles)

Statistical Section (Unaudited)

Fiscal Year Ended June 30, 2015

The Statistical Section provides information with up to ten years of comparable data.

Financial Trend and Revenue Capacity

The financial trend schedules depict the financial position of LAWA over the years. The information provided allows for an understanding of how revenues and expenses have changed over the years. The revenue capacity schedules present the significant sources of LAWA’s operating revenues.

- Net Position Summary..... page 102
- Operating Revenue..... page 106
- Operating Expenses Per Enplaned Passenger..... page 110
- Changes in Net Position..... page 104
- Gross Concession Revenue Per Enplaned Passenger..... page 108
- Landing Fee Rates.....page 112

Debt Capacity

The schedules present LAWA’s outstanding debt over the years, related debt service ratios, and LAWA’s ability to repay the outstanding debt and ability to issue additional debt in the future.

- Outstanding Debt by Type and Debt Ratios.....page 114
- Revenue Bonds Debt Service Coverage..... page 116

Operating Information

The schedules provide information on the distribution of LAWA’s carriers, passenger traffic, airport personnel, and capital assets.

- Airline Landing Weight Trend..... page 118
- Employee Trend.....page 126
- Enplaned Passengers Data..... page 122
- Schedule of Capital Assets..... page 128

Demographic and Economic Data

The schedules offer demographic and economic indicators to help readers understand the environment within which LAWA’s financial activities occur.

- Air Trade Area Population.....page 130
- Air Trade Area Personal Income.....page 131
- Air Trade Area Personal Income Per Capita.....page 132
- Air Trade Area Unemployment Rate.....page 133
- Los Angeles County Principal Employers (Non-Government)page 134



Los Angeles World Airports

(Department of Airports of the City of Los Angeles)

Net Position Summary

Last Ten Fiscal Years June 30

(amounts in thousands)

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Assets					
Unrestricted current assets	\$ 801,802	\$ 773,686	\$ 751,416	\$ 835,785	\$ 973,345
Restricted current assets	1,666,940	1,741,540	1,698,879	2,352,742	2,807,009
Capital assets, net	7,457,471	6,938,565	6,385,858	5,331,736	4,459,842
Other noncurrent assets	16,070	18,932	21,702	45,437	102,166
Total assets	<u>9,942,283</u>	<u>9,472,723</u>	<u>8,857,855</u>	<u>8,565,700</u>	<u>8,342,362</u>
Deferred outflows of resources					
Deferred charges on debt refunding	27,051	2,581	2,795	--	--
Changes of assumptions related to pension	89,130	--	--	--	--
Contribution after measurement date related to pension	53,261	--	--	--	--
Total def. outflows of resources	<u>169,442</u>	<u>2,581</u>	<u>2,795</u>	<u>--</u>	<u>--</u>
Liabilities					
Current liabilities payable from unrestricted assets	319,941	414,285	274,859	382,293	338,685
Current liabilities payable from restricted assets	132,667	116,999	102,125	110,482	169,554
Noncurrent liabilities	4,401,545	4,102,171	3,933,194	3,717,043	3,757,733
Net pension liability	615,349	--	--	--	--
Total liabilities	<u>5,469,502</u>	<u>4,633,455</u>	<u>4,310,178</u>	<u>4,209,818</u>	<u>4,265,972</u>
Deferred inflows of resources					
Differences between expected and actual experience related to pension	18,368	--	--	--	--
Differences between projected and actual investment earnings related to pension	112,403	--	--	--	--
Changes in proportion and differences between employer contributions and proportionate share of contributions related to pension	19,248	--	--	--	--
Total def. inflows of resources	<u>150,019</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Net Position					
Net investment in capital assets	3,359,104	3,089,235	2,691,560	2,407,904	2,061,683
Restricted for debt service	350,101	334,396	316,249	388,458	486,955
Restricted for capital projects	801,276	944,200	937,398	937,355	825,114
Restricted for operation & maint. reserve	188,375	178,598	173,101	175,543	155,200
Restricted for fed. forf. pty & protested funds	1,517	1,313	1,117	1,141	779
Unrestricted	(208,169)	294,107	431,047	445,481	546,659
Total net position	<u>\$ 4,492,204</u>	<u>\$ 4,841,849</u>	<u>\$ 4,550,472</u>	<u>\$ 4,355,882</u>	<u>\$ 4,076,390</u>



	2010	2009	2008	2007	2006
Assets					
Unrestricted current assets	\$ 770,751	\$ 676,544	\$ 601,602	\$ 651,841	\$ 652,481
Restricted current assets	1,715,836	1,064,230	962,547	857,575	685,132
Capital assets, net	3,966,292	3,261,207	2,830,640	2,381,724	2,034,536
Other noncurrent assets	489,445	8,098	3,351	3,732	3,947
Total assets	6,942,324	5,010,079	4,398,140	3,894,872	3,376,096
Deferred outflows of resources					
Deferred charges on debt refunding	--	--	--	--	--
Changes of assumptions related to pension	--	--	--	--	--
Contribution after measurement date related to pension	--	--	--	--	--
Total def. outflows of resources	--	--	--	--	--
Liabilities					
Current liabilities payable from unrestricted assets	359,225	220,164	531,194	352,029	176,846
Current liabilities payable from restricted assets	89,256	110,483	142,473	173,868	133,350
Noncurrent liabilities	2,711,343	1,180,396	493,931	491,529	431,998
Net pension liability	--	--	--	--	--
Total liabilities	3,159,824	1,511,043	1,167,598	1,017,426	742,194
Deferred inflows of resources					
Differences between expected and actual experience related to pension	--	--	--	--	--
Differences between projected and actual investment earnings related to pension	--	--	--	--	--
Changes in proportion and differences between employer contributions and proportionate share of contributions related to pension	--	--	--	--	--
Total def. inflows of resources	--	--	--	--	--
Net Position					
Net investment in capital assets	2,013,081	2,084,626	2,157,223	1,996,389	1,641,095
Restricted for debt service	345,116	115,601	35,523	35,213	37,412
Restricted for capital projects	795,967	677,575	547,799	418,543	375,822
Restricted for operations and maint. reserve	155,200	155,200	156,407	153,379	151,147
Restricted for fed. forf. pty & protested funds	5,965	34,268	1,301	252	282
Unrestricted	467,171	431,766	332,289	273,670	428,144
Total net position	\$ 3,782,500	\$ 3,499,036	\$ 3,230,542	\$ 2,877,446	\$ 2,633,902

Note: The net pension liability data for prior year, fiscal year 2014, was not restated because all of the information available to restate prior year amounts was not readily available.



Los Angeles World Airports

(Department of Airports of the City of Los Angeles)

Changes in Net Position

Last Ten Fiscal Years Ended June 30

(amounts in thousands)

	2015	2014	2013	2012	2011
Operating revenue					
Aviation revenue					
Landing fees	\$ 239,659	\$ 234,394	\$ 227,683	\$ 218,224	\$ 203,424
Building rentals	389,796	339,420	285,873	274,183	249,267
Land rentals	102,746	101,369	94,694	92,529	99,624
Other aviation revenue	7,126	5,899	6,336	8,456	4,033
Concession revenue	377,617	354,847	328,636	304,670	290,494
Other operating revenue	4,640	2,577	3,571	4,095	4,324
Total operating revenue	<u>1,121,584</u>	<u>1,038,506</u>	<u>946,793</u>	<u>902,157</u>	<u>851,166</u>
Nonoperating revenue					
Passenger facility charges	141,466	136,280	130,512	130,769	128,084
Customer facility charges	33,185	32,345	30,896	29,643	27,821
Investment income	20,166	24,422	2,985	36,014	31,801
Other nonoperating revenue	9,175	11,901	12,098	15,848	13,918
Total nonoperating revenue	<u>203,992</u>	<u>204,948</u>	<u>176,491</u>	<u>212,274</u>	<u>201,624</u>
Total revenue	<u>1,325,576</u>	<u>1,243,454</u>	<u>1,123,284</u>	<u>1,114,431</u>	<u>1,052,790</u>
Operating expenses					
Salaries and benefits	405,923	388,677	371,708	376,042	359,700
Contractual services	190,445	179,988	184,139	182,487	161,784
Materials and supplies	49,810	49,604	52,158	39,881	37,343
Utilities	43,247	44,037	37,089	35,048	34,392
Other operating expenses	22,635	17,555	19,939	24,258	23,704
Depreciation and amortization	201,214	165,960	159,719	151,654	130,805
Total operating expenses	<u>913,274</u>	<u>845,821</u>	<u>824,752</u>	<u>809,370</u>	<u>747,728</u>
Nonoperating expenses					
Interest expense	169,630	137,005	97,089	86,700	82,501
Other nonoperating expenses	9,559	1,928	2,058	1,310	3,842
Total nonoperating expenses	<u>179,189</u>	<u>138,933</u>	<u>99,147</u>	<u>88,010</u>	<u>86,343</u>
Total expenses	<u>1,092,463</u>	<u>984,754</u>	<u>923,899</u>	<u>897,380</u>	<u>834,071</u>
Income before capital grants	233,113	258,700	199,385	217,051	218,719
Federal and other grants	34,761	32,677	17,972	62,441	75,171
Changes in net position	<u>267,874</u>	<u>291,377</u>	<u>217,357</u>	<u>279,492</u>	<u>293,890</u>
Net position, beg. of year, as previously reported	4,841,849	4,550,472	4,355,882	4,076,390	3,782,500
Change in accounting principle	(617,519)	--	(22,767)	--	--
Net position, beg. of year, as restated	<u>4,224,330</u>	<u>4,550,472</u>	<u>4,333,115</u>	<u>4,076,390</u>	<u>3,782,500</u>
Net position, end of year	<u>\$ 4,492,204</u>	<u>\$ 4,841,849</u>	<u>\$ 4,550,472</u>	<u>\$ 4,355,882</u>	<u>\$ 4,076,390</u>



	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Operating revenue					
Aviation revenue					
Landing fees	\$ 185,911	\$ 185,553	\$ 193,805	\$ 172,495	\$ 162,037
Building rentals	224,228	220,731	184,151	144,082	149,782
Land rentals	65,454	59,536	61,992	57,810	58,324
Other aviation revenue	4,078	4,648	8,007	5,909	3,767
Concession revenue	264,730	273,669	286,296	260,275	235,049
Other operating revenue	3,408	5,234	5,373	5,783	4,382
Total operating revenue	<u>747,809</u>	<u>749,371</u>	<u>739,624</u>	<u>646,354</u>	<u>613,341</u>
Nonoperating revenue					
Passenger facility charges	121,519	113,852	129,125	125,515	124,223
Customer facility charges	25,638	26,145	29,820	4,837	4,887
Investment income	47,898	60,094	78,827	59,695	21,520
Other nonoperating revenue	25,158	10,999	6,391	9,908	3,689
Total nonoperating revenue	<u>220,213</u>	<u>211,090</u>	<u>244,163</u>	<u>199,955</u>	<u>154,319</u>
Total revenue	<u>968,022</u>	<u>960,461</u>	<u>983,787</u>	<u>846,309</u>	<u>767,660</u>
Operating expenses					
Salaries and benefits	360,033	348,504	344,322	303,678	275,031
Contractual services	161,751	169,474	173,994	162,826	172,510
Materials and supplies	37,283	45,173	45,502	50,464	41,261
Utilities	33,668	34,348	33,608	25,524	28,282
Other operating expenses	24,221	23,622	29,647	28,595	30,445
Depreciation and amortization	108,221	108,887	105,762	92,230	83,945
Total operating expenses	<u>725,177</u>	<u>730,008</u>	<u>732,835</u>	<u>663,317</u>	<u>631,474</u>
Nonoperating expenses					
Interest expense	39,349	24,541	22,474	20,922	18,861
Other nonoperating expenses	987	27,487	674	614	7,023
Total nonoperating expenses	<u>40,336</u>	<u>52,028</u>	<u>23,148</u>	<u>21,536</u>	<u>25,884</u>
Total expenses	<u>765,513</u>	<u>782,036</u>	<u>755,983</u>	<u>684,853</u>	<u>657,358</u>
Income before capital grants	202,509	178,425	227,804	161,456	110,302
Federal and other grants	80,955	90,069	125,292	82,088	62,590
Changes in net position	<u>283,464</u>	<u>268,494</u>	<u>353,096</u>	<u>243,544</u>	<u>172,892</u>
Net position, beg. of year, as previously reported	3,499,036	3,230,542	2,877,446	2,633,902	2,461,010
Change in accounting principle	--	--	--	--	--
Net position, beg. of year, as restated	<u>3,499,036</u>	<u>3,230,542</u>	<u>2,877,446</u>	<u>2,633,902</u>	<u>2,461,010</u>
Net position, end of year	<u>\$ 3,782,500</u>	<u>\$ 3,499,036</u>	<u>\$ 3,230,542</u>	<u>\$ 2,877,446</u>	<u>\$ 2,633,902</u>

Note: The net pension liability data for prior year, fiscal year 2014, was not restated because all of the information available to restate prior year amounts was not readily available.



Los Angeles World Airports

(Department of Airports of the City of Los Angeles)

Operating Revenue

Last Ten Fiscal Years Ended June 30

(amounts in thousands)

	2015	2014	2013	2012	2011
Landing fees					
Permitted/signatory	\$ 239,200	\$ 233,947	\$ 227,132	\$ 217,403	\$ 202,899
Non-permitted/non-signatory	459	447	551	821	525
Total landing fees	<u>239,659</u>	<u>234,394</u>	<u>227,683</u>	<u>218,224</u>	<u>203,424</u>
Building rentals					
Terminals	321,410	274,836	229,023	216,366	193,566
Other buildings	68,386	64,584	56,850	57,817	55,701
Total building rentals	<u>389,796</u>	<u>339,420</u>	<u>285,873</u>	<u>274,183</u>	<u>249,267</u>
Land rentals	<u>102,746</u>	<u>101,369</u>	<u>94,694</u>	<u>92,529</u>	<u>99,624</u>
Other aviation revenue					
Plane parking	1,031	942	875	967	724
Fuel fee	2,729	2,175	2,200	2,142	2,230
Other	3,366	2,782	3,261	5,347	1,079
Total other aviation revenue	<u>7,126</u>	<u>5,899</u>	<u>6,336</u>	<u>8,456</u>	<u>4,033</u>
Concession revenue					
Duty free	63,983	55,756	50,409	45,434	36,743
Commercial management concession	28,674	9,078	30	--	--
Food and beverage	26,249	37,354	37,747	34,217	37,784
Gifts and news	12,076	22,227	23,019	18,411	19,214
Advertising	23,196	18,603	20,936	18,763	18,938
Foreign exchange	7,093	6,508	6,356	6,572	6,533
Telecommunications	1,379	879	761	1,109	1,920
Luggage carts	2,754	2,786	2,690	2,792	2,780
Automated teller machines	3,840	3,840	3,620	3,400	3,400
Subtotal- In-terminal	<u>169,244</u>	<u>157,031</u>	<u>145,568</u>	<u>130,698</u>	<u>127,312</u>
Auto parking	99,401	93,391	87,398	84,270	81,822
Rent-a-car	85,658	83,621	77,303	70,982	65,500
Bus, limousine, and taxi	12,238	10,889	9,390	8,969	6,940
Flyaway bus service	11,076	9,915	8,977	9,751	8,920
Subtotal- Off-terminal	<u>208,373</u>	<u>197,816</u>	<u>183,068</u>	<u>173,972</u>	<u>163,182</u>
Total concession revenue	<u>377,617</u>	<u>354,847</u>	<u>328,636</u>	<u>304,670</u>	<u>290,494</u>
Other operating revenue					
Sales and service	1,195	1,201	1,216	2,573	2,442
Miscellaneous	3,445	1,376	2,355	1,522	1,882
Total other operating revenue	<u>4,640</u>	<u>2,577</u>	<u>3,571</u>	<u>4,095</u>	<u>4,324</u>
Total operating revenue	<u>\$ 1,121,584</u>	<u>\$ 1,038,506</u>	<u>\$ 946,793</u>	<u>\$ 902,157</u>	<u>\$ 851,166</u>



	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Landing fees					
Permitted/signatory	\$ 184,703	\$ 183,432	\$ 187,587	\$ 171,673	\$ 160,995
Non-permitted/non-signatory	1,208	2,121	6,218	822	1,042
Total landing fees	<u>185,911</u>	<u>185,553</u>	<u>193,805</u>	<u>172,495</u>	<u>162,037</u>
Building rentals					
Terminals	185,372	183,947	147,398	105,586	111,112
Other buildings	38,856	36,784	36,753	38,496	38,670
Total building rentals	<u>224,228</u>	<u>220,731</u>	<u>184,151</u>	<u>144,082</u>	<u>149,782</u>
Land rentals	<u>65,454</u>	<u>59,536</u>	<u>61,992</u>	<u>57,810</u>	<u>58,324</u>
Other aviation revenue					
Plane parking	821	871	1,108	1,346	1,082
Fuel fee	1,954	990	2,144	1,237	1,163
Other	1,303	2,787	4,755	3,326	1,522
Total other aviation revenue	<u>4,078</u>	<u>4,648</u>	<u>8,007</u>	<u>5,909</u>	<u>3,767</u>
Concession revenue					
Duty free	26,338	30,502	35,380	32,037	28,465
Commercial management concession	--	--	--	--	--
Food and beverage	32,288	33,102	31,356	29,941	24,135
Gifts and news	17,826	18,391	19,047	17,918	18,417
Advertising	15,083	14,764	15,359	4,585	--
Foreign exchange	6,381	6,613	6,937	6,784	6,566
Telecommunications	1,824	2,759	2,133	1,957	713
Luggage carts	2,748	2,703	2,766	2,785	3,478
Automated teller machines	3,400	3,400	2,643	1,939	1,930
Subtotal- In-terminal	<u>105,888</u>	<u>112,234</u>	<u>115,621</u>	<u>97,946</u>	<u>83,704</u>
Auto parking	80,567	84,180	94,619	92,917	89,036
Rent-a-car	63,823	64,929	64,717	59,854	54,360
Bus, limousine, and taxi	6,211	6,327	6,601	6,367	5,412
Flyaway bus service	8,241	5,999	4,738	3,191	2,537
Subtotal- Off-terminal	<u>158,842</u>	<u>161,435</u>	<u>170,675</u>	<u>162,329</u>	<u>151,345</u>
Total concession revenue	<u>264,730</u>	<u>273,669</u>	<u>286,296</u>	<u>260,275</u>	<u>235,049</u>
Other operating revenue					
Sales and service	2,095	2,541	2,911	3,306	2,463
Miscellaneous	1,313	2,693	2,462	2,477	1,919
Total other operating revenue	<u>3,408</u>	<u>5,234</u>	<u>5,373</u>	<u>5,783</u>	<u>4,382</u>
Total operating revenue	<u>\$ 747,809</u>	<u>\$ 749,371</u>	<u>\$ 739,624</u>	<u>\$ 646,354</u>	<u>\$ 613,341</u>



Los Angeles World Airports

(Department of Airports of the City of Los Angeles)

Gross Concession Revenue Per Enplaned Passenger

Last Ten Fiscal Years Ended June 30

(amounts in thousands, except per enplaned)

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Los Angeles International Airport					
In-terminal					
Duty free	\$ 63,983	\$ 55,756	\$ 50,409	\$ 45,434	\$ 36,743
Commercial mgmt concession	28,674	9,078	30	--	--
Food and beverage	25,598	36,619	36,475	32,956	36,579
Gifts and news	11,096	21,353	21,912	17,282	17,998
Advertising	22,553	17,784	19,875	17,433	17,419
Foreign exchange	7,093	6,508	6,356	6,572	6,533
Telecommunications	1,354	850	732	976	1,714
Luggage carts	2,644	2,676	2,580	2,682	2,680
Automated teller machines	3,750	3,750	3,303	2,856	2,856
Off-terminal					
Auto parking	85,803	79,914	73,932	69,945	66,575
Rent-a-car	78,556	76,558	70,517	64,361	58,647
Bus, limousine, and taxi	11,902	10,550	9,041	8,519	6,531
Flyaway bus service	11,076	9,915	8,977	9,751	8,920
Total gross concession revenue	<u>354,082</u>	<u>331,311</u>	<u>304,139</u>	<u>278,767</u>	<u>263,195</u>
Total enplaned passengers	36,114	34,334	32,524	31,519	30,281
Gross concession revenue per enplaned passenger	<u>\$ 9.80</u>	<u>\$ 9.65</u>	<u>\$ 9.35</u>	<u>\$ 8.84</u>	<u>\$ 8.69</u>
LA/Ontario International Airport					
In-terminal					
Food and beverage	\$ 651	\$ 735	\$ 1,272	\$ 1,261	\$ 1,205
Gifts and news	981	874	1,107	1,129	1,215
Advertising	643	819	1,061	1,330	1,519
Telecommunications	25	29	29	131	197
Luggage carts	110	110	110	110	101
Automated teller machines	90	90	317	544	544
Off-terminal					
Auto parking	13,598	13,477	13,466	14,325	15,246
Rent-a-car	7,101	7,063	6,786	6,621	6,853
Bus, limousine, and taxi	336	339	349	450	410
Total gross concession revenue	<u>23,535</u>	<u>23,536</u>	<u>24,497</u>	<u>25,901</u>	<u>27,290</u>
Total enplaned passengers	2,085	2,003	2,076	2,209	2,367
Gross concession revenue per enplaned passenger	<u>\$ 11.29</u>	<u>\$ 11.75</u>	<u>\$ 11.80</u>	<u>\$ 11.73</u>	<u>\$ 11.53</u>



	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Los Angeles International Airport					
In-terminal					
Duty free	\$ 26,338	\$ 30,502	\$ 35,380	\$ 32,037	\$ 28,465
Commercial mgmt concession	--	--	--	--	--
Food and beverage	31,109	31,804	30,080	28,731	22,890
Gifts and news	16,713	17,106	17,598	16,559	16,460
Advertising	13,676	13,086	13,768	4,300	--
Foreign exchange	6,381	6,613	6,937	6,784	6,533
Telecommunications	1,629	2,475	1,953	1,766	659
Luggage carts	2,638	2,593	2,654	2,669	3,343
Automated teller machines	2,856	2,856	2,203	1,610	1,582
Off-terminal					
Auto parking	64,661	67,289	74,004	72,917	67,790
Rent-a-car	56,752	56,891	55,336	50,761	45,564
Bus, limousine, and taxi	5,917	5,882	6,044	5,852	4,741
Flyaway bus service	8,241	5,999	4,738	3,191	2,537
Total gross concession revenue	<u>236,911</u>	<u>243,096</u>	<u>250,695</u>	<u>227,177</u>	<u>200,564</u>
Total enplaned passengers	29,003	28,329	31,142	30,803	30,655
Gross concession revenue per enplaned passenger	<u>\$ 8.17</u>	<u>\$ 8.58</u>	<u>\$ 8.05</u>	<u>\$ 7.38</u>	<u>\$ 6.54</u>
LA/Ontario International Airport					
Food and beverage	\$ 1,179	\$ 1,297	\$ 1,275	\$ 1,210	\$ 1,239
Gifts and news	1,113	1,285	1,449	1,359	1,957
Advertising	1,407	1,678	1,591	285	--
Telecommunications	185	266	179	188	48
Luggage carts	110	110	112	116	135
Automated teller machines	544	544	440	329	316
Off-terminal					
Auto parking	15,906	16,890	20,612	19,997	19,679
Rent-a-car	7,071	8,038	9,381	9,093	8,796
Bus, limousine, and taxi	294	445	557	515	671
Total gross concession revenue	<u>27,809</u>	<u>30,553</u>	<u>35,596</u>	<u>33,092</u>	<u>32,841</u>
Total enplaned passengers	2,417	2,631	3,549	3,533	3,605
Gross concession revenue per enplaned passenger	<u>\$ 11.51</u>	<u>\$ 11.61</u>	<u>\$ 10.03</u>	<u>\$ 9.37</u>	<u>\$ 9.11</u>



Los Angeles World Airports

(Department of Airports of the City of Los Angeles)

Operating Expenses Per Enplaned Passenger Last Ten Fiscal Years Ended June 30 (amounts in thousands, except per enplaned)

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Los Angeles International Airport					
Salaries and benefits	\$ 374,018	\$ 356,726	\$ 338,004	\$ 339,551	\$ 323,522
Contractual services	174,745	161,771	162,661	162,071	143,684
Materials and supplies	46,102	45,726	47,908	35,986	32,699
Utilities	38,355	39,089	32,472	30,664	29,606
Other operating expenses	21,205	16,093	18,383	22,023	21,712
Administrative charges allocated to ONT, VNY & PMD	<u>(9,027)</u>	<u>(9,378)</u>	<u>(9,998)</u>	<u>(10,135)</u>	<u>(9,995)</u>
Total operating expenses before depreciation	645,398	610,027	589,430	580,160	541,228
Total enplaned passengers	36,114	34,334	32,524	31,519	30,281
Operating expenses per enplaned passenger	<u>\$ 17.87</u>	<u>\$ 17.77</u>	<u>\$ 18.12</u>	<u>\$ 18.41</u>	<u>\$ 17.87</u>
LA/Ontario International Airport					
Salaries and benefits	\$ 25,701	\$ 25,735	\$ 28,128	\$ 29,612	\$ 30,026
Contractual services	11,217	12,780	16,115	15,482	14,852
Materials and supplies	3,211	3,347	3,556	3,167	3,889
Utilities	4,254	4,170	4,087	3,808	4,110
Other operating expenses	1,302	1,190	1,233	1,279	1,424
Administrative charges allocated from LAX	<u>6,932</u>	<u>7,160</u>	<u>7,907</u>	<u>7,908</u>	<u>8,129</u>
Total operating expenses before depreciation	52,617	54,382	61,026	61,256	62,430
Total enplaned passengers	2,085	2,003	2,076	2,209	2,367
Operating expenses per enplaned passenger	<u>\$ 25.24</u>	<u>\$ 27.15</u>	<u>\$ 29.40</u>	<u>\$ 27.73</u>	<u>\$ 26.38</u>



	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Los Angeles International Airport					
Salaries and benefits	\$ 317,000	\$ 298,612	\$ 291,015	\$ 255,536	\$ 231,313
Contractual services	141,253	148,627	151,155	141,306	148,606
Materials and supplies	32,661	38,738	37,870	43,313	34,043
Utilities	28,832	29,018	27,674	20,101	23,633
Other operating expenses	21,213	20,841	24,645	21,649	26,214
Administrative charges allocated to ONT, VNY & PMD	<u>(11,407)</u>	<u>(12,925)</u>	<u>(14,627)</u>	<u>(13,381)</u>	<u>(12,485)</u>
Total operating expenses before depreciation	529,552	522,911	517,732	468,524	451,324
Total enplaned passengers	29,003	28,329	31,142	30,803	30,655
Operating expenses per enplaned passenger	<u>\$ 18.26</u>	<u>\$ 18.46</u>	<u>\$ 16.62</u>	<u>\$ 15.21</u>	<u>\$ 14.72</u>
LA/Ontario International Airport					
Salaries and benefits	\$ 35,346	\$ 38,722	\$ 42,012	\$ 39,391	\$ 35,376
Contractual services	15,324	15,522	14,279	18,071	16,423
Materials and supplies	3,884	4,527	5,958	6,070	5,971
Utilities	3,970	4,519	4,951	4,912	3,838
Other operating expenses	1,476	1,201	2,300	2,426	2,132
Administrative charges allocated from LAX	<u>8,999</u>	<u>9,742</u>	<u>10,883</u>	<u>10,629</u>	<u>9,557</u>
Total operating expenses before depreciation	68,999	74,233	80,383	81,499	73,297
Total enplaned passengers	2,417	2,631	3,549	3,533	3,605
Operating expenses per enplaned passenger	<u>\$ 28.55</u>	<u>\$ 28.21</u>	<u>\$ 22.65</u>	<u>\$ 23.07</u>	<u>\$ 20.33</u>



Los Angeles World Airports

(Department of Airports of the City of Los Angeles)

Landing Fee Rates

Last Ten Fiscal Years Ended June 30

Los Angeles International Airport

Fiscal Year	Permitted air carriers		Non-permitted air carriers	
	Passenger	Cargo	Passenger	Cargo
2015	\$ 4.23	\$ 3.47	\$ 5.59	\$ 4.56
2014	4.33	3.57	5.75	4.73
2013	4.37	3.60	5.58	4.71
2012	4.24	3.56	5.45	4.46
2011	4.06	3.31	5.08	4.18
2010	3.74	3.02	5.09	4.16
2009	3.88	3.21	4.81	4.05
2008	3.42	2.84	4.19	3.40
2007	3.01	2.50	3.76	3.10
2006	2.86	2.56	3.55	3.15

LA/Ontario International Airport

Fiscal Year	Signatory airlines	Non-signatory airlines
	passenger and cargo	passenger and cargo
2015	\$ 2.57	\$ 3.35
2014	2.51	2.94
2013	2.28	2.90
2012	1.97	2.90
2011	2.28	2.94
2010	2.49	3.45
2009	2.54	3.38
2008	2.15	3.04
2007	2.24	2.86
2006	2.22	2.56

The above rates are assessed per 1,000 pounds of maximum gross landing weight for each landing of aircraft having a maximum gross landing weight of more than 25,000 pounds. Different rates apply for less than 12,000 pounds, and up to and including 25,000 pounds.

Landing rates are adopted by the Board of Airport Commissioners and become effective beginning July 1 of each fiscal year. The adopted rates are based on budgeted operating revenue and expenses. A reconciliation between the actual amounts against the estimates used in initial calculation may result in a year-end adjustment to unbilled receivables.

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Los Angeles World Airports

(Department of Airports of the City of Los Angeles)

Outstanding Debt by Type and Debt Ratios

Last Ten Fiscal Years Ended June 30

(amounts in thousands, except per enplaned)

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Los Angeles International Airport					
Outstanding debt					
Revenue bonds	<u>\$ 4,299,262</u>	<u>\$ 3,982,811</u>	<u>\$ 3,788,736</u>	<u>\$ 3,571,753</u>	<u>\$ 3,620,397</u>
Debt service - revenue bonds					
Principal	\$ 72,390	\$ 53,220	\$ 38,250	\$ 44,985	\$ 38,670
Interest, net of capitalized amount	184,017	157,758	91,258	86,019	80,655
Total debt service	<u>\$ 256,407</u>	<u>\$ 210,978</u>	<u>\$ 129,508</u>	<u>\$ 131,004</u>	<u>\$ 119,325</u>
Total enplaned passengers	36,114	34,334	32,524	31,519	30,281
Outstanding debt per enplaned passenger	\$ 119.05	\$ 116.00	\$ 116.49	\$ 113.32	\$ 119.56
Debt service per enplaned passenger	\$ 7.10	\$ 6.14	\$ 3.98	\$ 4.16	\$ 3.94
LA/Ontario International Airport					
Outstanding debt					
Revenue bonds	<u>\$ 61,327</u>	<u>\$ 65,798</u>	<u>\$ 69,668</u>	<u>\$ 71,118</u>	<u>\$ 74,472</u>
Debt service - revenue bonds					
Principal	\$ 3,850	\$ 3,670	\$ 3,475	\$ 3,315	\$ 3,170
Interest, net of capitalized amount	3,197	3,373	3,540	3,691	3,836
Total debt service	<u>\$ 7,047</u>	<u>\$ 7,043</u>	<u>\$ 7,015</u>	<u>\$ 7,006</u>	<u>\$ 7,006</u>
Total enplaned passengers	2,085	2,003	2,076	2,209	2,367
Outstanding debt per enplaned passenger	\$ 29.41	\$ 32.85	\$ 33.56	\$ 32.19	\$ 31.46
Debt service per enplaned passenger	\$ 3.38	\$ 3.52	\$ 3.38	\$ 3.17	\$ 2.96
LAWA					
Outstanding debt	<u>\$ 4,360,589</u>	<u>\$ 4,048,609</u>	<u>\$ 3,858,404</u>	<u>\$ 3,642,871</u>	<u>\$ 3,694,869</u>



	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Los Angeles International Airport					
Outstanding debt					
Revenue bonds	<u>\$ 2,563,489</u>	<u>\$ 1,030,345</u>	<u>\$ 212,210</u>	<u>\$ 225,549</u>	<u>\$ 238,131</u>
Debt service - revenue bonds					
Principal	\$ 21,205	\$ 15,575	\$ 12,415	\$ 11,820	\$ 21,240
Interest, net of capitalized amount	26,770	16,184	9,238	10,351	10,889
Total debt service	<u>\$ 47,975</u>	<u>\$ 31,759</u>	<u>\$ 21,653</u>	<u>\$ 22,171</u>	<u>\$ 32,129</u>
Total enplaned passengers	29,003	28,329	31,142	30,803	30,655
Outstanding debt per enplaned passenger	\$ 88.39	\$ 36.37	\$ 6.81	\$ 7.32	\$ 7.77
Debt service per enplaned passenger	\$ 1.65	\$ 1.12	\$ 0.70	\$ 0.72	\$ 1.05
LA/Ontario International Airport					
Outstanding debt					
Revenue bonds	<u>\$ 77,682</u>	<u>\$ 80,722</u>	<u>\$ 83,615</u>	<u>\$ 86,370</u>	<u>\$ 106,377</u>
Debt service - revenue bonds					
Principal	\$ 3,000	\$ 2,855	\$ 2,715	\$ 4,530	\$ 2,645
Interest, net of capitalized amount	3,973	4,116	4,253	2,415	6,678
Total debt service	<u>\$ 6,973</u>	<u>\$ 6,971</u>	<u>\$ 6,968</u>	<u>\$ 6,945</u>	<u>\$ 9,323</u>
Total enplaned passengers	2,417	2,631	3,549	3,533	3,605
Outstanding debt per enplaned passenger	\$ 32.14	\$ 30.68	\$ 23.56	\$ 24.45	\$ 29.51
Debt service per enplaned passenger	\$ 2.88	\$ 2.65	\$ 1.96	\$ 1.97	\$ 2.59
LAWA					
Outstanding debt	<u>\$ 2,641,171</u>	<u>\$ 1,111,067</u>	<u>\$ 295,825</u>	<u>\$ 311,919</u>	<u>\$ 344,508</u>



Los Angeles World Airports

(Department of Airports of the City of Los Angeles)

Revenue Bonds Debt Service Coverage

Last Ten Fiscal Years Ended June 30

(amounts in thousands, except debt service coverage)

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Los Angeles International Airport					
Operating revenue	\$ 1,045,800	\$ 961,729	\$ 865,473	\$ 822,090	\$ 767,844
Adjustments to arrive at pledged revenue ⁽¹⁾	(533,821)	(489,291)	(542,930)	(519,677)	(492,571)
Net pledged revenue	<u>\$ 511,979</u>	<u>\$ 472,438</u>	<u>\$ 322,543</u>	<u>\$ 302,413</u>	<u>\$ 275,273</u>
Debt service, principal and interest					
Senior lien bonds	\$ 201,193	\$ 159,062	\$ 79,886	\$ 85,753	\$ 79,095
Subordinate lien bonds	55,214	51,916	49,622	45,251	40,230
Total debt service	<u>\$ 256,407</u>	<u>\$ 210,978</u>	<u>\$ 129,508</u>	<u>\$ 131,004</u>	<u>\$ 119,325</u>
Debt service coverage (GAAP basis)					
Senior lien bonds	2.55	2.97	4.04	3.53	3.48
Subordinate lien bonds	5.63	6.04	4.89	4.79	4.88
Total bonds	2.00	2.24	2.49	2.31	2.31
Debt service coverage (Bond indenture basis) ⁽³⁾					
Senior lien bonds	3.82	6.01	6.33	4.58	4.26
Subordinate lien bonds	5.61	6.02	4.86	4.76	4.83
Total bonds	2.54	3.28	3.02	2.61	2.54
LA/Ontario International Airport					
Operating revenue	\$ 56,880	\$ 56,659	\$ 63,849	\$ 61,296	\$ 66,886
Adjustments to arrive at pledged revenue ⁽²⁾	(46,852)	(46,533)	(53,780)	(50,935)	(56,361)
Net pledged revenue	<u>\$ 10,028</u>	<u>\$ 10,126</u>	<u>\$ 10,069</u>	<u>\$ 10,361</u>	<u>\$ 10,525</u>
Debt service					
Principal	\$ 3,850	\$ 3,670	\$ 3,475	\$ 3,315	\$ 3,170
Interest	3,197	3,373	3,540	3,691	3,836
Total debt service	<u>\$ 7,047</u>	<u>\$ 7,043</u>	<u>\$ 7,015</u>	<u>\$ 7,006</u>	<u>\$ 7,006</u>
Debt service coverage (GAAP basis)	1.42	1.44	1.44	1.48	1.50



	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Los Angeles International Airport					
Operating revenue	\$ 655,701	\$ 651,271	\$ 631,311	\$ 542,744	\$ 518,296
Adjustments to arrive at pledged revenue ⁽¹⁾	(503,710)	(480,522)	(482,559)	(436,698)	(421,750)
Net pledged revenue	<u>\$ 151,991</u>	<u>\$ 170,749</u>	<u>\$ 148,752</u>	<u>\$ 106,046</u>	<u>\$ 96,546</u>
Debt service, principal and interest					
Senior lien bonds	\$ 24,710	\$ 18,433	\$ 19,300	\$ 19,306	\$ 29,852
Subordinate lien bonds	23,265	13,326	2,353	2,865	2,277
Total debt service	<u>\$ 47,975</u>	<u>\$ 31,759</u>	<u>\$ 21,653</u>	<u>\$ 22,171</u>	<u>\$ 32,129</u>
Debt service coverage (GAAP basis)					
Senior lien bonds	6.15	9.26	7.71	5.49	3.23
Subordinate lien bonds	5.47	11.43	55.02	30.28	29.29
Total bonds	3.17	5.38	6.87	4.78	3.00
Debt service coverage (Bond indenture basis) ⁽³⁾					
Senior lien bonds	6.15	9.26	7.71	5.49	3.23
Subordinate lien bonds	5.33	9.65	12.17	13.65	25.44
Total bonds	3.13	4.99	4.97	4.13	2.97
LA/Ontario International Airport					
Operating revenue	\$ 72,380	\$ 75,019	\$ 85,058	\$ 82,808	\$ 78,521
Adjustments to arrive at pledged revenue ⁽²⁾	(62,579)	(65,364)	(72,203)	(72,717)	(65,201)
Net pledged revenue	<u>\$ 9,801</u>	<u>\$ 9,655</u>	<u>\$ 12,855</u>	<u>\$ 10,091</u>	<u>\$ 13,320</u>
Debt service					
Principal	\$ 3,000	\$ 2,855	\$ 2,715	\$ 4,530	\$ 2,645
Interest	3,973	4,116	4,253	2,415	6,678
Total debt service	<u>\$ 6,973</u>	<u>\$ 6,971</u>	<u>\$ 6,968</u>	<u>\$ 6,945</u>	<u>\$ 9,323</u>
Debt service coverage (GAAP basis)					
	1.41	1.39	1.84	1.45	1.43

⁽¹⁾ Adjustments include BABs subsidy; interest income net of PFCs, CFCs and construction funds; rental credits; and M&O expenses net of PFCs funded. LAX has received approval from FAA to collect and use PFCs to pay for debt service on certain bonds. The amounts used for this purpose were \$91.0 million, \$96.5 million, \$34.4 million, \$25.2 million, and \$19.0 million in fiscal years 2015, 2014, 2013, 2012, and 2011, respectively.

⁽²⁾ Adjustments include interest income net of PFCs, CFCs and construction funds; rental credits; M&O expenses net of PFCs and CFCs funded and 15% allocated administrative costs; and beginning cash balance adjustment.

⁽³⁾ Based on the bond indenture provisions, calculation of the senior lien bonds debt service excludes PFCs reimbursements and the subordinate lien bonds debt service includes commercial paper interest expenses.



Los Angeles World Airports

(Department of Airports of the City of Los Angeles)

Airline Landing Weight Trend

Last Ten Fiscal Years Ended June 30

(landing weight in thousand pounds)

Carrier	2015			2014			2013		
	Landing weight	% to total	Rank	Landing weight	% to total	Rank	Landing weight	% to total	Rank
Los Angeles International Airport									
Delta Air Lines ⁽¹⁾	7,479,719	13.6%	1	6,670,030	12.7%	3	5,650,964	11.3%	3
United Airlines ⁽⁵⁾⁽⁷⁾	7,447,741	13.5%	2	7,947,887	15.1%	1	6,771,183	13.5%	1
American Airlines ⁽⁶⁾	7,184,885	13.1%	3	7,042,141	13.4%	2	6,529,038	13.0%	2
Southwest Airlines	4,977,130	9.1%	4	4,637,202	8.8%	4	4,641,112	9.2%	4
Virgin America ⁽²⁾	1,860,734	3.4%	5	2,070,384	3.9%	5	1,905,138	3.8%	5
Federal Express	1,795,385	3.3%	6	1,740,088	3.3%	6	1,662,347	3.3%	6
Alaska Airlines	1,658,662	3.0%	7	1,718,274	3.3%	7	1,611,321	3.2%	7
Qantas Airlines	1,373,361	2.5%	8	1,304,899	2.5%	8	1,275,920	2.5%	8
Korean Airlines	1,252,622	2.3%	9	1,179,599	2.2%	9	1,189,653	2.4%	9
US Airways ⁽⁶⁾	1,173,526	2.1%	10	1,066,394	2.0%	10	987,982	2.0%	11
Skywest Airlines ⁽⁷⁾	--	--	--	--	--	--	--	--	--
Continental Airlines ⁽⁵⁾	--	--	--	--	--	--	1,142,672	2.3%	10
Northwest Airlines ⁽¹⁾	--	--	--	--	--	--	--	--	--
All Others	18,786,507	34.2%	--	17,195,759	32.7%	--	16,839,497	33.5%	--
Total	<u>54,990,272</u>			<u>52,572,657</u>			<u>50,206,827</u>		
Change from prior year	4.6%			4.7%			0.4%		
LA/Ontario International Airport									
United Parcel Service	1,789,288	38.1%	1	1,701,834	36.4%	1	1,698,421	34.7%	1
Southwest Airlines	1,337,470	28.5%	2	1,394,440	29.8%	2	1,484,052	30.3%	2
Federal Express	549,292	11.7%	3	574,750	12.3%	3	601,544	12.3%	3
US Airways ⁽³⁾	244,361	5.2%	4	242,757	5.2%	4	246,759	5.0%	4
American Airlines	194,358	4.1%	5	186,175	4.0%	5	192,940	3.9%	5
Alaska Airlines	175,253	3.7%	6	185,999	4.0%	6	179,440	3.7%	6
Delta Air Lines	94,451	2.0%	8	98,846	2.1%	8	130,733	2.7%	8
Expressjet ⁽⁴⁾	--	--	--	--	--	--	--	--	--
America West ⁽³⁾	--	--	--	--	--	--	--	--	--
All Others	306,969	6.5%	--	290,839	6.2%	--	367,166	7.5%	--
Total	<u>4,691,442</u>			<u>4,675,640</u>			<u>4,901,055</u>		
Change from prior year	0.3%			-4.6%			-3.6%		



Carrier	2012			2011			2010		
	Landing weight	% to total	Rank	Landing weight	% to total	Rank	Landing weight	% to total	Rank
Los Angeles International Airport									
Delta Air Lines ⁽¹⁾	4,641,153	9.3%	3	4,487,225	9.3%	4	3,504,530	7.4%	4
United Airlines ⁽⁵⁾⁽⁷⁾	5,186,869	10.4%	2	5,584,145	11.5%	1	5,602,302	11.8%	2
American Airlines ⁽⁶⁾	5,886,364	11.8%	1	5,570,846	11.5%	2	5,616,948	11.9%	1
Southwest Airlines	4,601,662	9.2%	4	4,737,254	9.8%	3	4,744,526	10.0%	3
Virgin America ⁽²⁾	1,634,820	3.3%	7	1,331,658	2.7%	9	1,079,918	2.3%	11
Federal Express	1,628,897	3.3%	8	1,605,640	3.3%	6	1,523,405	3.2%	6
Alaska Airlines	1,518,762	3.0%	9	1,433,511	3.0%	7	1,365,625	2.9%	8
Qantas Airlines	1,331,893	2.7%	10	1,243,114	2.6%	10	1,426,256	3.0%	7
Korean Airlines	1,200,835	2.4%	11	1,219,303	2.5%	11	1,249,739	2.7%	10
US Airways ⁽⁶⁾	1,003,778	2.0%	13	1,023,668	2.1%	12	987,948	2.1%	12
Skywest Airlines ⁽⁷⁾	2,295,517	4.6%	5	2,187,953	4.5%	5	1,865,047	3.9%	5
Continental Airlines ⁽⁵⁾	1,745,543	3.5%	6	1,402,854	2.9%	8	1,305,333	2.8%	9
Northwest Airlines ⁽¹⁾	--	--	--	--	--	--	826,879	1.7%	14
All Others	<u>17,321,539</u>	34.6%	--	<u>16,595,181</u>	34.3%	--	<u>16,238,486</u>	34.3%	--
Total	<u><u>49,997,632</u></u>			<u><u>48,422,352</u></u>			<u><u>47,336,942</u></u>		
Change from prior year		3.3%			2.3%			1.4%	
LA/Ontario International Airport									
United Parcel Service	1,699,558	33.4%	1	1,672,356	32.3%	1	1,662,990	30.9%	2
Southwest Airlines	1,559,950	30.7%	2	1,671,134	32.2%	2	1,814,598	33.7%	1
Federal Express	587,865	11.6%	3	527,135	10.2%	3	529,717	9.8%	3
US Airways ⁽³⁾	250,058	4.9%	4	237,037	4.6%	4	232,029	4.3%	4
American Airlines	204,156	4.0%	5	139,378	2.7%	9	136,921	2.5%	9
Alaska Airlines	182,482	3.6%	6	203,236	3.9%	5	217,590	4.0%	5
Delta Air Lines	160,626	3.2%	7	84,768	1.6%	10	111,534	2.1%	10
Expressjet ⁽⁴⁾	--	--	--	--	--	--	--	--	--
America West ⁽³⁾	--	--	--	--	--	--	--	--	--
All Others	<u>438,349</u>	8.6%	--	<u>647,349</u>	12.5%	--	<u>683,643</u>	12.7%	--
Total	<u><u>5,083,044</u></u>			<u><u>5,182,393</u></u>			<u><u>5,389,022</u></u>		
Change from prior year		-1.9%			-3.8%			-9.1%	



Airline Landing Weight Trend (continued)

Last Ten Fiscal Years Ended June 30

(landing weight in thousand pounds)

Carrier	2009			2008			2007		
	Landing weight	% to total	Rank	Landing weight	% to total	Rank	Landing weight	% to total	Rank
Los Angeles International Airport									
Delta Air Lines ⁽¹⁾	2,549,234	5.5%	4	3,033,961	5.8%	4	3,116,374	6.0%	4
United Airlines ⁽⁵⁾⁽⁷⁾	5,667,801	12.1%	2	6,558,553	12.6%	1	7,144,632	13.7%	1
American Airlines ⁽⁶⁾	5,765,733	12.3%	1	6,203,061	11.9%	2	6,342,564	12.1%	2
Southwest Airlines	5,068,050	10.9%	3	5,092,746	9.8%	3	4,982,430	9.5%	3
Virgin America ⁽²⁾	923,066	2.0%	13	520,530	1.0%	24	--	--	--
Federal Express	1,642,089	3.5%	5	1,775,030	3.4%	6	1,876,769	3.6%	5
Alaska Airlines	1,530,621	3.3%	7	1,684,252	3.2%	7	1,831,490	3.5%	6
Qantas Airlines	1,434,230	3.1%	9	1,442,048	2.8%	9	1,435,397	2.7%	9
Korean Airlines	1,138,866	2.4%	12	1,138,390	2.2%	12	1,117,802	2.1%	11
US Airways ⁽⁶⁾	1,231,410	2.6%	11	1,315,542	2.5%	11	572,932	1.1%	23
Skywest Airlines ⁽⁷⁾	1,634,395	3.5%	6	1,787,682	3.4%	5	1,752,097	3.4%	7
Continental Airlines ⁽⁵⁾	1,286,451	2.8%	10	1,387,393	2.7%	10	1,421,707	2.7%	10
Northwest Airlines ⁽¹⁾	1,458,649	3.1%	8	1,572,800	3.0%	8	1,652,306	3.2%	8
All Others	15,368,438	32.9%	--	18,586,957	35.7%	--	19,039,309	36.4%	--
Total	<u>46,699,033</u>			<u>52,098,945</u>			<u>52,285,809</u>		
Change from prior year	-10.4%			-0.4%			0.9%		
LA/Ontario International Airport									
United Parcel Service	1,947,908	32.9%	2	1,996,001	27.6%	2	2,076,966	28.3%	2
Southwest Airlines	1,951,978	32.9%	1	2,268,106	31.4%	1	2,311,754	31.5%	1
Federal Express	473,081	8.0%	3	538,784	7.5%	3	574,084	7.8%	3
US Airways ⁽³⁾	230,973	3.9%	4	328,823	4.5%	5	--	0.0%	--
American Airlines	148,517	2.5%	7	202,480	2.8%	9	188,944	2.6%	8
Alaska Airlines	212,100	3.6%	5	229,294	3.2%	8	230,591	3.1%	7
Delta Air Lines	126,030	2.1%	9	260,499	3.6%	6	326,389	4.4%	5
Expressjet ⁽⁴⁾	66,364	1.1%	12	426,861	5.9%	4	102,207	1.4%	12
America West ⁽³⁾	--	--	--	--	--	--	336,622	4.6%	4
All Others	771,629	13.0%	--	971,981	13.5%	--	1,195,833	16.3%	--
Total	<u>5,928,580</u>			<u>7,222,829</u>			<u>7,343,390</u>		
Change from prior year	-17.9%			-1.6%			1.9%		



Carrier	2006		
	Landing weight	% to total	Rank
Los Angeles International Airport			
Delta Air Lines ⁽¹⁾	2,990,123	5.8%	4
United Airlines ⁽⁵⁾⁽⁷⁾	6,224,562	12.0%	2
American Airlines ⁽⁶⁾	7,261,268	14.0%	1
Southwest Airlines	5,004,196	9.7%	3
Virgin America ⁽²⁾	--	--	--
Federal Express	1,936,856	3.7%	5
Alaska Airlines	1,714,678	3.3%	6
Qantas Airlines	1,409,692	2.7%	9
Korean Airlines	1,147,742	2.2%	11
US Airways ⁽⁶⁾	549,158	1.0%	22
Skywest Airlines ⁽⁷⁾	1,641,276	3.2%	8
Continental Airlines ⁽⁵⁾	1,329,656	2.6%	10
Northwest Airlines ⁽¹⁾	1,700,969	3.3%	7
All Others	18,893,022	36.5%	--
Total	<u>51,803,198</u>		
Change from prior year	-0.8%		

⁽¹⁾ Northwest Airlines merged into Delta Air Lines and the integration was completed in January 2010

⁽²⁾ Virgin America operated at LAX beginning 2008

⁽⁵⁾ United Airlines merged with Continental Airlines in early 2014.

⁽⁶⁾ American Airlines (AA) merged with US Airways in December 2013.

AA and US Airways will continue to operate as separate airlines until their operations have been fully integrated, which may take 18 to 24 months.

⁽⁷⁾ Starting FY 2013, Skywest data was reported under the carriers it operated for. Prior year data not reclassified.

Note: The list presents top ten airlines for each year and their rank throughout the ten-year period.

LA/Ontario International Airport

United Parcel Service	1,934,103	26.8%	2
Southwest Airlines	2,311,538	32.1%	1
Federal Express	534,784	7.4%	3
US Airways ⁽³⁾	--	--	--
American Airlines	190,098	2.6%	8
Alaska Airlines	263,639	3.7%	7
Delta Air Lines	384,139	5.3%	4
Expressjet ⁽⁴⁾	--	--	--
America West ⁽³⁾	337,184	4.7%	5
All Others	1,251,977	17.4%	--
Total	<u>7,207,462</u>		
Change from prior year	2.0%		

⁽³⁾ America West merged into US Airways in late 2005

⁽⁴⁾ Expressjet operated at ONT from 2007 to 2009

Note: The list presents top five airlines for each year and their rank throughout the ten-year period.



Los Angeles World Airports

(Department of Airports of the City of Los Angeles)

Enplaned Passengers Data Last Ten Fiscal Years Ended June 30

Carrier	2015			2014			2013		
	Enplaned passengers	% to total	Rank	Enplaned passengers	% to total	Rank	Enplaned passengers	% to total	Rank
Los Angeles International Airport									
United Airlines ^{(7), (8)}	6,225,103	17.2%	1	6,568,648	19.1%	1	5,578,740	17.2%	1
Delta Air Lines ⁽¹⁾	6,020,280	16.7%	2	5,038,929	14.7%	3	4,171,972	12.8%	3
American Airlines ⁽⁹⁾	5,556,523	15.4%	3	5,329,141	15.5%	2	5,058,105	15.6%	2
Southwest Airlines	4,212,706	11.7%	4	3,796,292	11.0%	4	3,703,743	11.4%	4
Alaska Airlines	1,652,816	4.6%	5	1,741,179	5.1%	5	1,623,552	5.0%	5
Virgin America ⁽²⁾	1,534,368	4.2%	6	1,658,310	4.8%	6	1,569,289	4.8%	6
US Airways ⁽³⁾	1,201,325	3.3%	7	1,035,543	3.0%	7	970,442	3.0%	7
Qantas Airlines	614,333	1.7%	8	602,278	1.8%	8	575,310	1.8%	9
Air Canada	597,050	1.7%	9	495,695	1.4%	9	459,937	1.4%	11
JetBlue Airways	570,938	1.6%	10	446,183	1.3%	10	424,534	1.3%	12
Skywest Airlines ⁽⁸⁾	--	--	--	--	--	--	--	--	--
Continental Airlines ⁽⁷⁾	--	--	--	--	--	--	965,486	3.0%	8
Northwest Airlines ⁽¹⁾	--	--	--	--	--	--	--	--	--
Mexicana Airlines ⁽⁴⁾	--	--	--	--	--	--	--	--	--
America West ⁽³⁾	--	--	--	--	--	--	--	--	--
All Others	<u>7,928,883</u>	21.9%		<u>7,621,340</u>	22.3%		<u>7,423,068</u>	22.7%	
Total	<u><u>36,114,325</u></u>			<u><u>34,333,538</u></u>			<u><u>32,524,178</u></u>		
Change from prior year		5.2%			5.6%			3.2%	
LA/Ontario International Airport									
Southwest Airlines	1,191,577	57.1%	1	1,151,948	57.5%	1	1,151,530	55.5%	1
US Airways ⁽⁵⁾	212,923	10.2%	2	192,686	9.6%	2	192,820	9.3%	3
American Airlines ⁽⁹⁾	203,359	9.8%	3	188,211	9.4%	3	183,418	8.8%	5
United Airlines	166,639	8.0%	4	164,670	8.2%	5	205,363	9.9%	2
Alaska Airlines	166,551	8.0%	5	177,156	8.8%	4	185,924	9.0%	4
Skywest Airlines ⁽⁸⁾	--	--	--	--	--	--	--	--	--
Delta Air Lines	82,722	4.0%	6	89,025	4.4%	6	113,439	5.5%	6
Continental Airlines	--	--	--	--	--	--	--	--	--
Expressjet ⁽⁶⁾	--	--	--	--	--	--	--	--	--
America West ⁽⁵⁾	--	--	--	--	--	--	--	--	--
All Others	<u>61,711</u>	2.9%		<u>39,063</u>	2.1%		<u>43,839</u>	2.0%	
Total	<u><u>2,085,482</u></u>			<u><u>2,002,759</u></u>			<u><u>2,076,333</u></u>		
Change from prior year		4.1%			-3.5%			-6.0%	



Carrier	2012			2011			2010		
	Enplaned passengers	% to total	Rank	Enplaned passengers	% to total	Rank	Enplaned passengers	% to total	Rank
Los Angeles International Airport									
United Airlines ^{(7), (8)}	3,610,573	11.5%	2	3,838,593	12.7%	2	3,833,352	13.2%	2
Delta Air Lines ⁽¹⁾	3,231,000	10.3%	4	3,441,646	11.4%	4	2,704,832	9.3%	4
American Airlines ⁽⁹⁾	4,598,923	14.6%	1	4,304,325	14.2%	1	4,257,396	14.7%	1
Southwest Airlines	3,516,770	11.2%	3	3,512,432	11.6%	3	3,389,180	11.7%	3
Alaska Airlines	1,522,926	4.8%	6	1,384,992	4.6%	6	1,300,025	4.5%	6
Virgin America ⁽²⁾	1,387,310	4.4%	8	1,085,506	3.6%	8	893,567	3.1%	9
US Airways ⁽³⁾	964,577	3.1%	9	981,885	3.2%	9	958,824	3.3%	8
Qantas Airlines	603,170	1.9%	11	571,004	1.9%	10	606,970	2.1%	11
Air Canada	468,793	1.5%	12	438,868	1.4%	12	416,345	1.4%	14
JetBlue Airways	358,326	1.1%	13	264,531	0.9%	20	151,538	0.5%	33
Skywest Airlines ⁽⁸⁾	1,887,638	6.0%	5	1,777,359	5.9%	5	1,441,834	5.0%	5
Continental Airlines ⁽⁷⁾	1,515,549	4.8%	7	1,238,177	4.1%	7	1,214,520	4.2%	7
Northwest Airlines ⁽¹⁾	--	--	--	--	--	--	620,804	2.1%	10
Mexicana Airlines ⁽⁴⁾	--	--	--	80,708	0.3%	44	529,007	1.8%	12
America West ⁽³⁾	--	--	--	--	--	--	--	--	--
All Others	7,853,569	24.9%		7,360,513	24.3%		6,684,948	23.0%	
Total	31,519,124			30,280,539			29,003,142		
Change from prior year	4.1%			4.4%			2.4%		
LA/Ontario International Airport									
Southwest Airlines	1,168,315	52.9%	1	1,259,699	53.2%	1	1,278,752	52.9%	1
US Airways ⁽⁵⁾	195,957	8.9%	2	197,557	8.3%	3	188,537	7.8%	3
American Airlines ⁽⁹⁾	187,825	8.5%	3	203,897	8.6%	2	212,397	8.8%	2
United Airlines	103,207	4.7%	7	125,359	5.3%	7	143,238	5.9%	5
Alaska Airlines	183,525	8.3%	4	129,564	5.5%	6	124,560	5.2%	7
Skywest Airlines ⁽⁸⁾	83,911	3.8%	8	148,527	6.3%	4	136,028	5.6%	6
Delta Air Lines	141,135	6.4%	5	79,061	3.3%	8	97,965	4.1%	8
Continental Airlines	104,957	4.8%	6	141,027	6.0%	5	147,384	6.1%	4
Expressjet ⁽⁶⁾	--	--	--	--	--	--	--	--	--
America West ⁽⁵⁾	--	--	--	--	--	--	--	--	--
All Others	40,238	1.8%		82,429	3.5%		88,224	3.7%	
Total	2,209,070			2,367,120			2,417,085		
Change from prior year	-6.7%			-2.1%			-8.1%		



Enplaned Passengers Data (continued) Last Ten Fiscal Years Ended June 30

Carrier	2009			2008			2007		
	Enplaned passengers	% to total	Rank	Enplaned passengers	% to total	Rank	Enplaned passengers	% to total	Rank
Los Angeles International Airport									
United Airlines ^{(7), (8)}	3,871,963	13.7%	2	4,360,069	14.0%	2	4,826,434	15.7%	1
Delta Air Lines ⁽¹⁾	2,145,884	7.6%	4	2,358,251	7.6%	4	2,312,650	7.5%	4
American Airlines ⁽⁹⁾	4,277,478	15.1%	1	4,611,217	14.8%	1	4,679,905	15.2%	2
Southwest Airlines	3,556,203	12.6%	3	3,851,867	12.4%	3	3,817,855	12.4%	3
Alaska Airlines	1,360,046	4.8%	5	1,409,966	4.5%	5	1,479,679	4.8%	5
Virgin America ⁽²⁾	733,879	2.6%	10	343,589	1.1%	17	--	--	--
US Airways ⁽³⁾	1,060,803	3.7%	9	1,110,117	3.6%	9	495,365	1.6%	14
Qantas Airlines	590,960	2.1%	12	614,211	2.0%	11	620,142	2.0%	10
Air Canada	424,024	1.5%	13	477,779	1.5%	13	508,083	1.6%	13
JetBlue Airways	7,746	0.0%	64	150	0.0%	71	--	--	--
Skywest Airlines ⁽⁸⁾	1,289,602	4.6%	6	1,383,225	4.4%	6	1,425,685	4.6%	6
Continental Airlines ⁽⁷⁾	1,104,162	3.9%	7	1,143,870	3.7%	7	1,170,936	3.8%	7
Northwest Airlines ⁽¹⁾	1,091,261	3.9%	8	1,133,442	3.6%	8	1,129,526	3.7%	8
Mexicana Airlines ⁽⁴⁾	596,599	2.1%	11	636,272	2.0%	10	572,616	1.9%	11
America West ⁽³⁾	--	--	--	--	--	--	742,902	2.4%	9
All Others	6,218,368	22.0%		7,708,314	24.8%		7,021,692	22.8%	
Total	28,328,978			31,142,339			30,803,470		
Change from prior year	-9.0%			1.1%			0.5%		
LA/Ontario International Airport									
Southwest Airlines	1,412,930	53.7%	1	1,731,689	48.8%	1	1,774,212	50.2%	1
US Airways ⁽⁵⁾	205,250	7.8%	2	247,920	7.0%	3	--	--	--
American Airlines ⁽⁹⁾	197,943	7.5%	3	219,614	6.2%	5	221,952	6.3%	5
United Airlines	162,653	6.2%	4	197,140	5.6%	6	225,434	6.4%	4
Alaska Airlines	121,414	4.6%	6	155,492	4.4%	7	146,968	4.2%	8
Skywest Airlines ⁽⁸⁾	96,243	3.7%	8	112,316	3.2%	9	151,362	4.3%	6
Delta Air Lines	120,822	4.6%	7	242,279	6.8%	4	275,411	7.8%	2
Continental Airlines	144,210	5.5%	5	138,542	3.9%	8	147,383	4.2%	7
Expressjet ⁽⁶⁾	54,269	2.1%	10	291,514	8.2%	2	44,593	1.3%	13
America West ⁽⁵⁾	--	--	--	--	--	--	259,470	7.3%	3
All Others	115,458	4.4%		212,376	6.0%		286,152	8.1%	
Total	2,631,192			3,548,882			3,532,937		
Change from prior year	-25.9%			0.5%			-2.0%		



Carrier	2006		
	Enplaned passengers	% to total	Rank
Los Angeles International Airport			
United Airlines ^{(7), (8)}	4,825,156	15.7%	1
Delta Air Lines ⁽¹⁾	2,230,835	7.3%	4
American Airlines ⁽⁹⁾	4,642,853	15.1%	2
Southwest Airlines	3,930,014	12.8%	3
Alaska Airlines	1,459,669	4.8%	5
Virgin America ⁽²⁾	--	--	--
US Airways ⁽³⁾	474,258	1.5%	14
Qantas Airlines	594,801	1.9%	11
Air Canada	487,446	1.6%	13
JetBlue Airways	--	--	--
Skywest Airlines ⁽⁸⁾	1,317,516	4.3%	6
Continental Airlines ⁽⁷⁾	1,085,628	3.5%	8
Northwest Airlines ⁽¹⁾	1,118,732	3.6%	7
Mexicana Airlines ⁽⁴⁾	712,492	2.3%	10
America West ⁽³⁾	812,785	2.7%	9
All Others	6,962,961	22.7%	
Total	30,655,146		
Change from prior year		0.3%	

⁽¹⁾ Northwest Airlines merged into Delta Air Lines and the integration was completed in January 2010

⁽²⁾ Virgin America operated at LAX beginning 2008

⁽³⁾ America West merged into US Airways in late 2005

⁽⁴⁾ Following its filing for Chapter 15 bankruptcy, Mexicana Airlines suspended its operations at LAX in August 2010

⁽⁷⁾ United Airlines merged with Continental Airlines in early 2014.

⁽⁸⁾ Starting FY 2013, Skywest data was reported under the carriers it operated for. Prior year data not reclassified.

⁽⁹⁾ American Airlines merged with US Airways in December 2013. The passengers data reflects only the American Airlines data.

Note: The list presents top ten airlines for each year and their rank throughout the ten-year period.

LA/Ontario International Airport			
Southwest Airlines	1,770,226	49.1%	1
US Airways ⁽⁵⁾	--	--	--
American Airlines ⁽⁹⁾	248,497	6.9%	4
United Airlines	242,703	6.7%	5
Alaska Airlines	153,817	4.3%	6
Skywest Airlines ⁽⁸⁾	124,173	3.4%	8
Delta Air Lines	294,999	8.2%	2
Continental Airlines	150,386	4.2%	7
Expressjet ⁽⁶⁾	--	--	--
America West ⁽⁵⁾	266,980	7.4%	3
All Others	353,139	9.8%	
Total	3,604,920		
Change from prior year		2.5%	

⁽⁵⁾ America West merged into US Airways in late 2005

⁽⁶⁾ Expressjet operated at ONT from 2007 to 2009

Note: The list presents top five airlines for each year and their rank throughout the ten-year period.



Los Angeles World Airports

(Department of Airports of the City of Los Angeles)

Employee Trend

Last Ten Fiscal Years Ended June 30

<u>Division/Group</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Administration	25	26	25	53	46
Airports Development	68	56	64	60	36
Capital Programming	40	--	--	--	--
Chief Financial Officer	29	26	16	17	17
Community Relations & Business Job Resources	54	63	62	61	64
Comptroller	127	131	127	118	120
Environmental & Land Use Planning	44	--	--	--	--
Facilities Maintenance & Utilities	1,244	1,442	1,457	1,456	1,461
Governmental Affairs	14	20	15	16	17
Human Resources Services	83	79	73	70	69
Information Management and Technology	175	162	163	162	161
Landside Business Management	9	9	14	10	14
Law Enforcement and Homeland Security	935	912	903	906	908
Leasing and Development	12	15	15	9	14
Operations and Emergency Management	440	464	512	526	522
Planning & Engineering	58	--	--	--	--
Procurement Services	39	39	38	39	39
Real Estate Services	34	40	43	39	37
Terminal Business Management	9	7	8	10	10
Total	<u>3,439</u>	<u>3,491</u>	<u>3,535</u>	<u>3,552</u>	<u>3,535</u>



<u>Division/Group</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Administration	50	56	54	52	45
Airports Development	36	27	24	29	21
Capital Programming	--	--	--	--	--
Chief Financial Officer	18	16	16	10	15
Community Relations & Business Job Resources	75	91	121	112	139
Comptroller	119	125	113	114	110
Environmental & Land Use Planning	--	--	--	--	--
Facilities Maintenance & Utilities	1,441	1,544	1,552	1,466	1,455
Governmental Affairs	15	18	16	18	20
Human Resources Services	66	60	63	56	59
Information Management and Technology	160	154	132	113	99
Landside Business Management	18	15	15	18	15
Law Enforcement and Homeland Security	905	937	937	885	808
Leasing and Development	14	17	18	13	20
Operations and Emergency Management	538	621	677	678	593
Planning & Engineering	--	--	--	--	--
Procurement Services	39	30	32	25	20
Real Estate Services	29	29	14	16	17
Terminal Business Management	12	7	20	25	18
Total	<u>3,535</u>	<u>3,747</u>	<u>3,804</u>	<u>3,630</u>	<u>3,454</u>

Note: In fiscal year 2013, division heads were reported under their respective divisions/groups. In prior fiscal years, they were reported under Administration.

In fiscal year 2015, Capital Programming, Environmental & Land Use Planning, and Planning & Engineering were reported separately. In prior years, they were reported under Facilities Maintenance & Utilities.



Los Angeles World Airports
(Department of Airports of the City of Los Angeles)

Schedule of Capital Assets
Last Ten Fiscal Years June 30
(amounts in thousands)

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Total Capital Assets					
Land and land clearance	\$ 970,990	\$ 970,990	\$ 970,990	\$ 872,057	\$ 834,124
Air easements	46,975	46,975	46,975	46,975	46,975
Emission reduction credits	5,918	5,918	5,918	5,918	5,918
Construction work in progress	<u>2,473,804</u>	<u>1,932,822</u>	<u>2,854,349</u>	<u>2,027,552</u>	<u>1,976,232</u>
Capital assets not depreciated	<u>3,497,687</u>	<u>2,956,705</u>	<u>3,878,232</u>	<u>2,952,502</u>	<u>2,863,249</u>
Buildings	2,510,102	2,365,058	886,348	827,911	827,911
Improvements	3,435,810	3,424,048	3,281,706	3,076,713	2,152,913
Capitalized leases	--	--	--	--	--
Equipment and vehicles	248,907	238,607	234,622	217,623	213,124
Computer software	<u>3,611</u>	<u>3,611</u>	<u>2,466</u>	<u>--</u>	<u>--</u>
Capital assets depreciated	<u>6,198,430</u>	<u>6,031,324</u>	<u>4,405,142</u>	<u>4,122,247</u>	<u>3,193,948</u>
Less accumulated depreciation	<u>(2,238,646)</u>	<u>(2,049,464)</u>	<u>(1,897,516)</u>	<u>(1,743,013)</u>	<u>(1,597,355)</u>
Net capital assets	<u><u>\$ 7,457,471</u></u>	<u><u>\$ 6,938,565</u></u>	<u><u>\$ 6,385,858</u></u>	<u><u>\$ 5,331,736</u></u>	<u><u>\$ 4,459,842</u></u>
Capital Assets Held for Leases					
Buildings and facilities	\$ 3,487,044	\$ 3,350,207	\$ 1,845,187	\$ 1,748,987	\$ 1,068,927
Less accumulated depreciation	<u>(607,779)</u>	<u>(614,881)</u>	<u>(562,696)</u>	<u>(505,895)</u>	<u>(463,618)</u>
Net	2,879,265	2,735,326	1,282,491	1,243,092	605,309
Land	<u>686,363</u>	<u>686,363</u>	<u>686,363</u>	<u>619,246</u>	<u>605,480</u>
Total capital assets held for leases	<u><u>\$ 3,565,628</u></u>	<u><u>\$ 3,421,689</u></u>	<u><u>\$ 1,968,854</u></u>	<u><u>\$ 1,862,338</u></u>	<u><u>\$ 1,210,789</u></u>



	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Total Capital Assets					
Land and land clearance	\$ 829,956	\$ 705,017	\$ 705,017	\$ 705,017	\$ 685,668
Air easements	46,975	46,975	46,975	46,975	46,975
Emission reduction credits	5,918	5,918	--	--	--
Construction work in progress	<u>1,790,155</u>	<u>1,406,017</u>	<u>948,299</u>	<u>452,102</u>	<u>286,985</u>
Capital assets not depreciated	<u>2,673,004</u>	<u>2,163,927</u>	<u>1,700,291</u>	<u>1,204,094</u>	<u>1,019,628</u>
Buildings	827,911	775,533	775,533	775,458	767,950
Improvements	1,727,753	1,290,441	1,233,927	1,187,807	966,336
Capitalized leases	--	184,423	184,423	184,423	184,423
Equipment and vehicles	206,235	205,856	188,343	178,399	161,737
Computer software	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Capital assets depreciated	<u>2,761,899</u>	<u>2,456,253</u>	<u>2,382,226</u>	<u>2,326,087</u>	<u>2,080,446</u>
Less accumulated depreciation	<u>(1,468,611)</u>	<u>(1,358,973)</u>	<u>(1,251,877)</u>	<u>(1,148,458)</u>	<u>(1,065,538)</u>
Net capital assets	<u>\$ 3,966,292</u>	<u>\$ 3,261,207</u>	<u>\$ 2,830,640</u>	<u>\$ 2,381,723</u>	<u>\$ 2,034,536</u>
Capital Assets Held for Leases					
Buildings and facilities	\$ 841,811	\$ 841,064	\$ 816,560	\$ 816,520	\$ 813,811
Less accumulated depreciation	<u>(431,793)</u>	<u>(410,386)</u>	<u>(390,256)</u>	<u>(370,235)</u>	<u>(350,037)</u>
Net	410,018	430,678	426,304	446,285	463,774
Land	<u>602,175</u>	<u>477,236</u>	<u>477,236</u>	<u>477,236</u>	<u>477,236</u>
Total capital assets held for leases	<u>\$ 1,012,193</u>	<u>\$ 907,914</u>	<u>\$ 903,540</u>	<u>\$ 923,521</u>	<u>\$ 941,010</u>



Los Angeles World Airports

(Department of Airports of the City of Los Angeles)

Air Trade Area Population (Five-County Service Area) Last Ten Years

Year	Los Angeles	Orange	Riverside	San Bernardino	Ventura	Total
2015	10,136,559	3,147,655	2,308,441	2,104,291	848,073	18,545,019
2014	10,054,852	3,114,209	2,280,191	2,084,151	842,385	18,375,788
2013	9,980,432	3,087,715	2,253,516	2,069,806	836,864	18,228,333
2012	9,908,030	3,057,233	2,229,467	2,054,786	829,386	18,078,902
2011	9,847,712	3,028,846	2,205,731	2,046,619	827,874	17,956,782
2010	9,818,605	3,010,232	2,189,641	2,035,210	823,318	17,877,006
2009	9,801,096	2,990,805	2,140,626	2,019,432	815,284	17,767,243
2008	9,785,474	2,974,321	2,102,741	2,009,594	808,970	17,681,100
2007	9,780,808	2,960,659	2,049,902	1,989,690	803,572	17,584,631
2006	9,798,609	2,956,334	1,975,913	1,959,715	799,049	17,489,620

Source: California Department of Finance, estimates as of January each year



Los Angeles World Airports

(Department of Airports of the City of Los Angeles)

Air Trade Area Personal Income (Five-County Service Area) Last Ten Years (amounts in thousands)

Year	Los Angeles	Orange	Riverside	San Bernardino	Ventura	Total
2013	\$ 466,098,988	\$ 169,792,810	\$ 76,289,477	\$ 68,387,465	\$ 42,406,474	\$ 822,975,214
2012	455,788,782	166,634,101	73,685,111	66,577,329	41,704,934	804,390,257
2011	425,673,042	155,259,397	69,757,415	64,454,103	39,423,875	754,567,832
2010	404,473,004	147,358,664	65,219,337	61,277,839	37,066,637	715,395,481
2009	395,372,354	145,968,001	63,652,627	60,156,703	36,099,504	701,249,189
2008	410,482,294	153,028,089	65,140,132	61,343,103	37,436,702	727,430,320
2007	398,281,877	151,102,207	64,194,014	60,002,703	37,497,342	711,078,143
2006	384,722,373	148,982,081	61,110,773	57,300,625	35,980,080	688,095,932
2005	357,594,039	138,779,933	55,892,377	54,183,363	33,458,682	639,908,394
2004	339,165,054	130,069,546	51,612,837	51,182,071	31,608,509	603,638,017

Source: US Department of Commerce, Bureau of Economic Analysis. Data subsequent to 2013 is not available.



Los Angeles World Airports

(Department of Airports of the City of Los Angeles)

Air Trade Area Personal Income Per Capita (Five-County Service Area) Last Ten Years

Year	Los Angeles	Orange	Riverside	San Bernardino	Ventura	Weighted Average
2013	\$ 46,530	\$ 54,519	\$ 33,278	\$ 32,747	\$ 50,507	\$ 45,148
2012	45,800	54,008	32,534	32,048	49,982	44,493
2011	43,062	50,839	31,196	31,241	47,464	42,021
2010	41,163	48,826	29,612	30,014	44,912	40,018
2009	40,396	48,865	29,651	29,870	44,287	39,469
2008	42,165	51,741	30,876	30,614	46,427	41,142
2007	41,058	51,542	30,934	30,119	46,870	40,437
2006	39,508	50,808	30,368	29,026	45,077	39,343
2005	36,540	47,203	28,933	27,873	42,129	36,806
2004	34,632	44,216	27,801	26,951	39,810	35,020

Source: US Department of Commerce, Bureau of Economic Analysis. Data subsequent to 2013 is not available.

Note: Weighted Average is computed by dividing total personal income by the total population of the trade area.



Los Angeles World Airports

(Department of Airports of the City of Los Angeles)

Air Trade Area Unemployment Rate (Five-County Service Area) (with comparative Statewide and Nationwide rates) Last Ten Years (amounts in percent)

Year	Los Angeles	Orange	Riverside	San Bernardino	Ventura	California	U.S.
2015 (1)	7.3	4.3	6.6	6.5	5.3	6.2	5.3
2014	8.3	5.5	8.2	8.1	6.7	7.5	5.6
2013	9.8	6.5	9.9	9.8	7.9	8.9	6.7
2012	10.9	7.8	11.6	11.4	9.1	10.4	7.9
2011	12.2	9.0	13.2	12.9	10.2	11.7	8.5
2010	12.5	9.7	13.8	13.5	10.8	12.2	9.3
2009	11.6	8.7	13.1	12.7	9.6	11.2	9.9
2008	7.6	5.3	8.6	8.0	6.3	7.3	7.3
2007	5.1	3.9	6.0	5.6	4.9	5.4	5.0
2006	4.8	3.4	5.0	4.8	4.3	4.9	4.4

Sources: California Employment Development Department for county rates
U.S. Department of Labor for nationwide and statewide rates

(1) Rates published in August 2015



Los Angeles World Airports

(Department of Airports of the City of Los Angeles)

Los Angeles County Principal Employers (Non-Government) Current Year and Nine Years Ago

Employer	2015			2006		
	Employees	Rank	Percentage	Employees	Rank	Percentage
Kaiser Permanente	35,771	1	0.8%	32,784	1	0.7%
University of Southern California	18,629	2	0.3%	12,604	6	0.3%
Northrop Grumman Corp.	17,000	3	0.4%	20,500	2	0.5%
Target Corporation	15,000	4	0.3%	12,441	7	0.3%
Ralphs/Food 4 Less/Kroger	13,500	5	0.3%	14,000	4	0.3%
Bank of America Corp	13,000	6	0.3%	11,000	8	0.2%
Providence Health & Services SoCal	13,000	7	0.2%	--	--	0.2%
AT & T	11,700	8	--	9,770	10	0.2%
UPS	10,768	9	--	--	--	--
Home Depot	10,600	10	0.2%	10,000	9	--
All Others	4,548,332	--	96.6%	4,438,801	--	96.7%
	<u>4,707,300</u> ¹		<u>100.0%</u>	<u>4,561,900</u> ¹		<u>100.0%</u>

Sources: Los Angeles Business Journal (LABJ) dated August 2015

¹ <http://www.labormarketinfo.edd.ca.gov>

LABJ Note: The information on this list was provided by representatives of the employers themselves. Companies are ranked by the current number of full-time employees in L.A. County. Several companies may have qualified for this list, but failed to submit information or do not break out local employment data.



2015 COMPREHENSIVE ANNUAL FINANCIAL REPORT

Compliance Section

Compliance Section Contents

- Independent Auditor's Report on Compliance with Applicable Requirements of the Passenger Facility Charge Program and Internal Control Over Compliance
- Schedule of Passenger Facility Charge Revenues and Expenditures
- Notes to the Schedule of Passenger Facility Charge Revenues and Expenditures
- Independent Auditor's Report on Compliance with Applicable Requirements of the Customer Facility Charge Program and Internal Control Over Compliance
- Schedule of Customer Facility Charge Revenues and Expenditures
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH APPLICABLE REQUIREMENTS OF THE PASSENGER FACILITY CHARGE PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE

To the Members of the Board of Airport Commissioners
City of Los Angeles, California

Compliance

We have audited the compliance of Los Angeles World Airports (Department of Airports of the City of Los Angeles, California) (LAWA), an Enterprise Fund of the City of Los Angeles, with compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies* (Guide), issued by the Federal Aviation Administration, applicable to its passenger facility charge program for the fiscal year ended June 30, 2015.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on LAWA'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 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 LAWA'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 LAWA's compliance with those requirements.

Opinion

In our opinion, LAWA complied, in all material respects, with the compliance requirements referred to above that are applicable to its passenger facility charge program for the fiscal year ended June 30, 2015.



Independent Auditor's Report on Compliance with Applicable Requirements of the Passenger Facility Charge Program and Internal Control Over Compliance (continued)

Internal Control Over Compliance

Management of LAWA is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit, we considered LAWA'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 LAWA'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 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.

Macias Gini & O'Connell LLP

Los Angeles, California
November 5, 2015

Los Angeles World Airports

(Department of Airports of the City of Los Angeles)



Schedule of Passenger Facility Charge Revenues and Expenditures For the Fiscal Years Ended June 30, 2015 and 2014 (amounts in thousands)

	Passenger facility charge revenue	Interest earned	Total revenues	Expenditures on approved projects	Over (under) revenue collected on approved projects
Program to date as of June 30, 2013					
Los Angeles International Airport	\$ 1,694,671	\$ 178,934	\$ 1,873,605	\$ 1,142,696	\$ 730,909
LA/Ontario International Airport	165,847	44,062	209,909	172,721	37,188
Subtotal	<u>1,860,518</u>	<u>222,996</u>	<u>2,083,514</u>	<u>1,315,417</u>	<u>768,097</u>
Fiscal year 2013-14 transactions					
Los Angeles International Airport					
Quarter ended September 30, 2013	30,963	2,331	33,294	695	32,599
Quarter ended December 31, 2013	27,943	2,804	30,747	50,989	(20,242)
Quarter ended March 31, 2014	37,419	2,791	40,210	8,165	32,045
Quarter ended June 30, 2014	36,484	2,705	39,189	109,231	(70,042)
Subtotal	<u>132,809</u>	<u>10,631</u>	<u>143,440</u>	<u>169,080</u>	<u>(25,640)</u>
LA/Ontario International Airport					
Quarter ended September 30, 2013	861	107	968	1,401	(433)
Quarter ended December 31, 2013	896	107	1,003	--	1,003
Quarter ended March 31, 2014	818	112	930	1	929
Quarter ended June 30, 2014	896	139	1,035	1	1,034
Subtotal	<u>3,471</u>	<u>465</u>	<u>3,936</u>	<u>1,403</u>	<u>2,533</u>
Program to date as of June 30, 2014					
Los Angeles International Airport	1,827,480	189,565	2,017,045	1,311,776	705,269
LA/Ontario International Airport	169,318	44,527	213,845	174,124	39,721
Subtotal	<u>1,996,798</u>	<u>234,092</u>	<u>2,230,890</u>	<u>1,485,900</u>	<u>744,990</u>
Fiscal year 2014-15 transactions					
Los Angeles International Airport					
Quarter ended September 30, 2014	31,368	2,123	33,491	25,456	8,035
Quarter ended December 31, 2014	29,618	1,954	31,572	25,025	6,547
Quarter ended March 31, 2015	37,759	1,996	39,755	21,181	18,574
Quarter ended June 30, 2015	39,109	1,588	40,697	254,837	(214,140)
Subtotal	<u>137,854</u>	<u>7,661</u>	<u>145,515</u>	<u>326,499</u>	<u>(180,984)</u>
LA/Ontario International Airport					
Quarter ended September 30, 2014	951	109	1,060	--	1,060
Quarter ended December 31, 2014	822	77	899	--	899
Quarter ended March 31, 2015	955	134	1,089	--	1,089
Quarter ended June 30, 2015	884	109	993	--	993
Subtotal	<u>3,612</u>	<u>429</u>	<u>4,041</u>	<u>--</u>	<u>4,041</u>
Unexpended passenger facility charge revenues and interest earned June 30, 2015					
Los Angeles International Airport	1,965,334	197,226	2,162,560	1,638,275	524,285
LA/Ontario International Airport	172,930	44,956	217,886	174,124	43,762
Total	<u>\$ 2,138,264</u>	<u>\$ 242,182</u>	<u>\$ 2,380,446</u>	<u>\$ 1,812,399</u>	<u>\$ 568,047</u>

Note: LAWA changed the basis of presentation of this schedule from cash basis to accrual basis in fiscal year 2015. The prior year amounts were adjusted to reflect this change.

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



Los Angeles World Airports

(Department of Airports of the City of Los Angeles)

Notes to the Schedule of Passenger Facility Charge Revenues and Expenditures For the Fiscal Years Ended June 30, 2015 and 2014

1. General

The Aviation Safety and Capacity Expansion Act of 1990 (Public Law 101-508, Title II, Subtitle B) authorized the imposition of Passenger Facility Charges (PFCs) and use of the resulting revenue on Federal Aviation Administration (FAA) approved projects.

The current PFC rate at LAX is \$4.50 per enplaned passenger. At ONT, the PFC rate was reduced from \$4.50 to \$2.00 effective January 1, 2013. FAA approved LAWA's application to reduce the PFCs at ONT on October 19, 2012. The application did not change ONT's collection authority but extended the collection period through October 2021. PFCs collection authorities approved to date by FAA are \$3.1 billion at LAX and \$242.4 million at ONT. The details are as follows (amounts in thousands):

Application number	Charge effective date	Approval of use date	Amount approved for use
96-02-U-00-LAX, closed 6/2/03	03/26/93	05/06/96	\$ 116,371
96-03-C-00-LAX, closed 10/1/08	05/10/96	05/10/96	50,223
97-04-C-02-LAX	11/28/97	11/28/97	610,000
97-04-C-02-LAX	10/31/98	10/31/98	90,000
05-05-C-00-LAX	12/01/05	12/01/05	229,750
05-05-C-01-LAX	12/01/05	12/01/05	468,030
07-06-C-00-LAX	01/01/08	01/01/08	85,000
10-07-C-00-LAX	06/01/12	06/01/12	855,000
11-08-C-00-LAX	03/01/19	03/01/19	27,801
13-09-C-00-LAX	06/01/19	06/01/19	44,379
14-10-C-00-LAX	10/01/19	10/01/19	516,091
15-11-U-00-LAX	03/01/19	03/01/19	3,115
Subtotal- LAX			<u>3,095,760</u>
95-02-U-00-ONT, closed 6/2/03	03/26/93	05/06/96	27,334
97-03-C-00-ONT	04/28/98	04/28/98	118,454
07-04-C-00-ONT	12/01/07	03/22/07	96,649
Subtotal- ONT			<u>242,437</u>
Total			<u>\$ 3,338,197</u>

In May 1996, FAA approved LAWA's request to transfer a portion of PFCs revenues collected at LAX to fund certain projects at ONT. Accordingly, PFCs revenues totaling \$126.1 million collected at LAX were transferred to ONT.

In April 2008, FAA approved LAWA's amendment request that increased application number 05-05-C-01-LAX to \$468.0 million to pay for debt service on bonds issued to finance the Tom Bradley International Terminal Renovations and Bradley West Project. The amounts used for this purpose were \$91.0 million and \$96.5 million in fiscal years 2015 and 2014, respectively.



The general description of the approved projects and the expenditures to date are as follows (amounts in thousands):

Approved projects	Amount approved for collection	Expenditures to date June 30	
		2015	2014
Los Angeles International Airport (LAX)			
ONT- Terminal Development Program	\$ 116,371	\$ 116,371	\$ 116,371
Taxiway C Easterly Extension, Phase II	13,440	13,440	13,440
Remote Aircraft Boarding Gates	9,355	9,355	9,355
Interline Baggage Remodel - TBIT	2,004	2,004	2,004
Southside Taxiways Extension S & Q	9,350	9,350	9,350
TBIT Improvements	4,455	4,455	4,455
ONT- Airport Drive - West End	3,462	3,462	3,462
ONT- Access Control Monitoring System	808	808	808
ONT- Taxiway North Westerly Extension	7,349	7,349	7,349
Apron Lighting Upgrade	1,873	1,412	1,412
SAIP and NLA Integrated Study	1,381	1,381	1,381
Century Cargo Complex - Demolition of AF3	1,000	880	880
Taxilane C-10 Reconstruction	780	2	2
LAX Master Plan	122,168	75,183	75,183
Aircraft Rescue and Firefighting Vehicles	975	444	444
PMD Master Plan	1,050	--	--
Aircraft Noise Mitigation and Management System	3,450	3,652	3,652
South Airfield Improvement Program - Airfield Intersection Improvement	28,000	8,987	8,987
South Airfield Improvement Program - Remote Boarding	12,500	8,218	8,218
TBIT Interior Improvements and Baggage Screening System	468,030	266,034	175,078
Implementation of IT Security Master Plan	56,573	33,463	33,448
Noise Mitigation - Land Acquisitions	485,000	350,530	349,829
Noise Mitigation - Soundproofing	125,000	125,000	125,000
Noise Mitigation - Other Local Jurisdictions	90,000	90,000	90,000
Residential Soundproofing Phase II	35,000	33,756	33,201
Noise Mitigation - Other Local Jurisdictions Phase II	50,000	51,086	47,252
Bradley West	855,000	180,000	180,000
Lennox Schools Soundproofing Program	30,916	15,294	11,215
Inglewood USD Soundproofing Program	44,379	--	--
Terminal 6 Improvements	210,131	--	--
Elevators/Escalators/Moving Walkways Replacement	110,000	30,400	--
Midfield Satellite Concourse North Project	5,960	5,960	--
Central Utility Plant Replacement	190,000	190,000	--
Subtotal	<u>3,095,760</u>	<u>1,638,276</u>	<u>1,311,776</u>



**Notes to the Schedule of Passenger Facility Charge Revenues and Expenditures
For the Fiscal Years Ended June 30, 2015 and 2014
(continued)**

Approved projects	Amount approved for collection	Expenditures to date June 30	
		2015	2014
LA/Ontario International Airport (ONT)			
Terminal Development Program	\$ 27,334	\$ 27,334	\$ 27,334
Land Acquisition	33,680	34,376	34,376
Noise Mitigation	84,774	40,822	40,822
In-line Baggage Screening	48,621	47,032	47,032
Airfield Perimeter Section Fencing Enhancement Phase II	8,480	5,531	5,531
Runway 08L/26R Reconstruction	15,626	13,764	13,764
Implementation of IT Security Master Plan	16,961	328	328
Aircraft Rescue and Firefighting Vehicles	924	910	910
ONT Master Plan	6,037	4,027	4,027
Subtotal	242,437	174,124	174,124
Total	\$ 3,338,197	\$ 1,812,400	\$ 1,485,900

2. Basis of Accounting – Schedule of Passenger Facility Charge Revenues and Expenditures

The accompanying Schedule of Passenger Facility Charge Revenues and Expenditures (Schedule) represents amounts reported to the FAA on the Passenger Facility Charge Quarterly Status Reports. The Schedule was prepared using the accrual basis of accounting.

3. Excess Project Expenditures

The expenditures of the following projects are in excess of authorized amounts: (a) LAX– Aircraft Noise Monitoring and Management System, and (b) ONT– Land Acquisition- East Ontario. However, in accordance with FAA guidelines, if actual allowable project costs exceed the estimate contained in the PFCs application in which the authority was approved, the public agency may elect to increase the total approved PFCs revenue in that application by 15% or less.



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH APPLICABLE REQUIREMENTS OF THE CUSTOMER FACILITY CHARGE PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE

To the Members of the Board of Airport Commissioners
City of Los Angeles, California

Compliance

We have audited the compliance of Los Angeles World Airports (Department of Airports of the City of Los Angeles, California) (LAWA), an Enterprise Fund of the City of Los Angeles, with compliance requirements described in the *California Civil Code Section 1936, as amended by Senate Bill (SB) 1192 and Assembly Bill (AB) 359*, applicable to its customer facility charge program for the fiscal year ended June 30, 2015.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on LAWA'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 *California Civil Code Section 1936, as amended by SB 1192 and AB 359*. Those standards and the *California Civil Code Section 1936, as amended by SB 1192 and AB 359*, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the customer facility charge program occurred. An audit includes examining, on a test basis, evidence about LAWA'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 LAWA's compliance with those requirements.

Opinion

In our opinion, LAWA complied, in all material respects, with the compliance requirements referred to above that are applicable to its customer facility charge program for the fiscal year ended June 30, 2015.



Independent Auditor's Report on Compliance with Applicable Requirements of the Customer Facility Charge Program and Internal Control Over Compliance (continued)

Internal Control Over Compliance

Management of LAWA is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit, we considered LAWA'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 LAWA'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 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 *California Civil Code Section 1936, as amended by SB 1192 and AB 359*. Accordingly, this report is not suitable for any other purpose.

Macias Gini & O'Connell LLP

Los Angeles, California
November 5, 2015



**Schedule of Customer Facility Charge Revenues and Expenditures
For the Fiscal Years Ended June 30, 2015 and 2014**
(amounts in thousands)

	Customer facility charge revenue	Interest earned	Total revenues	Expenditures on approved projects	Over (under) revenues collected on approved projects
Program to date as of June 30, 2013					
Los Angeles International Airport	\$ 144,106	\$ 7,997	\$ 152,103	\$ 3,026	\$ 149,077
LA/Ontario International Airport	46,564	504	47,068	44,571	2,497
Subtotal	190,670	8,501	199,171	47,597	151,574
Fiscal year 2013-14 transactions					
Los Angeles International Airport					
Quarter ended September 30, 2013	7,663	393	8,056	--	8,056
Quarter ended December 31, 2013	6,754	445	7,199	--	7,199
Quarter ended March 31, 2014	6,366	397	6,763	--	6,763
Quarter ended June 30, 2014	7,892	428	8,320	--	8,320
Subtotal	28,675	1,663	30,338	--	30,338
LA/Ontario International Airport					
Quarter ended September 30, 2013	929	6	935	667	268
Quarter ended December 31, 2013	913	7	920	919	1
Quarter ended March 31, 2014	834	6	840	906	(66)
Quarter ended June 30, 2014	994	6	1,000	904	96
Subtotal	3,670	25	3,695	3,396	299
Program to date as of June 30, 2014					
Los Angeles International Airport	172,781	9,660	182,441	3,026	179,415
LA/Ontario International Airport	50,234	529	50,763	47,967	2,796
Subtotal	223,015	10,189	233,204	50,993	182,211
Fiscal year 2014-15 transactions					
Los Angeles International Airport					
Quarter ended September 30, 2014	7,891	535	8,426	--	8,426
Quarter ended December 31, 2014	6,791	542	7,333	--	7,333
Quarter ended March 31, 2015	6,607	560	7,167	--	7,167
Quarter ended June 30, 2015	8,058	492	8,550	--	8,550
Subtotal	29,347	2,129	31,476	--	31,476
LA/Ontario International Airport					
Quarter ended September 30, 2014	954	7	961	883	78
Quarter ended December 31, 2014	933	7	940	883	57
Quarter ended March 31, 2015	862	7	869	883	(14)
Quarter ended June 30, 2015	1,089	10	1,099	570	529
Subtotal	3,838	31	3,869	3,219	650
Unexpended customer facility charge revenues and interest earned June 30, 2015					
Los Angeles International Airport	202,128	11,789	213,917	3,026	210,891
LA/Ontario International Airport	54,072	560	54,632	51,186	3,446
Total	\$ 256,200	\$ 12,349	\$ 268,549	\$ 54,212	\$ 214,337

Note: LAWA changed the basis of presentation of this schedule from cash basis to accrual basis in fiscal year 2015. The prior year amounts were adjusted to reflect this change.

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



Los Angeles World Airports

(Department of Airports of the City of Los Angeles)

Notes to the Schedule of Customer Facility Charge Revenues and Expenditures For the Fiscal Years Ended June 30, 2015 and 2014

1. General

Assembly Bill 491 of the 2001-2002 California Legislature (codified in California Civil Code Section 1936 et seq.) (Code) authorized the imposition of Customer Facility Charges (CFCs) and use of CFC revenue to plan, finance, design, and construct on-airport consolidated rental car facilities (CRCF).

Los Angeles International Airport

On March 5, 2007, the Board found that the CRCF proposed by management was sufficiently definitive and authorized the collection of CFCs of \$10 on each car rental transaction at LAX. The authorization included a two-year collection period of July 1, 2007 through June 30, 2009. On June 22, 2009, the Board resolved to extend the collection period until a determination is made that the project will not proceed.

The proposed CRCF at LAX will enhance efforts to reduce traffic congestion while also providing an efficient, secure, safe, and reliable transportation system.

CFCs collected, related interest earnings, and cumulative expenditures to date are summarized as follows (amounts in thousands):

	<u>2015</u>	<u>2014</u>
Amount collected	\$ 202,128	\$ 172,781
Interest earnings	<u>11,789</u>	<u>9,660</u>
Subtotal	213,917	182,441
Expenditures		
CRCF planning and development costs	<u>3,026</u>	<u>3,026</u>
Unexpended CFCs revenue and interest earnings	<u>\$ 210,891</u>	<u>\$ 179,415</u>

LA/Ontario International Airport

On December 4, 2001, on recommendation of management, the Board approved the collection of CFCs of \$10 on each car rental transaction at ONT effective January 1, 2002. Prior to the imposition of the CFCs, rental car operators at ONT were billed a fee that covered debt service requirements on the revenue bonds used to finance the ONT Ground Transportation Center (GTC), ground rent, maintenance and operation costs, and costs associated with the common use shuttle service.



The CFCs collected at ONT is used to repay LAWA's \$5.0 million direct investment in the GTC, offset costs associated with the common use shuttle service, and debt service requirements as previously discussed.

CFCs collected, related interest earnings, and cumulative expenditures to date are summarized as follows (amounts in thousands):

	<u>2015</u>	<u>2014</u>
Amount collected	\$ 54,072	\$ 50,234
Interest earnings	560	529
Subtotal	<u>54,632</u>	<u>50,763</u>
Expenditures		
LAWA direct investment	5,860	5,430
Common use shuttle service	35,196	33,067
Debt service	10,130	9,470
Subtotal	<u>51,186</u>	<u>47,967</u>
Unexpended CFCs revenue and interest earnings	<u>\$ 3,446</u>	<u>\$ 2,796</u>

2. Basis of Accounting – Schedule of Customer Facility Charge Revenues and Expenditures

The accompanying Schedule of Customer Facility Charge Revenues and Expenditures was prepared using the accrual basis of accounting.

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