



CITY OF LONG BEACH AIRPORT ENTERPRISE FUND

Schedules of Passenger Facility Charges
Collected and Expended and Interest Credited

Year ended September 30, 2014

(With Independent Auditors' Report Thereon)

CITY OF LONG BEACH AIRPORT ENTERPRISE FUND

Table of Contents

	Page(s)
Independent Auditors' Report on Compliance for the Passenger Facility Charge Program; Report on Internal Control over Compliance; and Report on Schedules of Passenger Facility Charges Collected and Expended and Interest Credited in Accordance with the <i>Passenger Facility Charge Audit Guide for Public Agencies</i>	1-2
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	3-4
Schedule of Passenger Facility Charges Collected and Expended and Interest Credited – Year ended September 30, 2014	5-6
Schedule of Passenger Facility Charges Collected and Expended and Interest Credited – Quarters ended December 31, 2013, March 31, 2014, June 30, 2014, and September 30, 2014	7-8
Notes to Schedules of Passenger Facility Charges Collected and Expended and Interest Credited	9
Schedule of Findings and Responses	10



KPMG LLP
Suite 700
20 Pacifica
Irvine, CA 92618-3391

Independent Auditors' Report on Compliance for the Passenger Facility Charge Program; Report on Internal Control over Compliance; and Report on Schedules of Passenger Facility Charges Collected and Expended and Interest Credited in Accordance with the Passenger Facility Charge Audit Guide for Public Agencies

The Honorable Mayor and City Council
The City of Long Beach Airport Enterprise Fund, California:

Report on Compliance for the Passenger Facility Charge Program

We have audited the City of Long Beach, California Airport Enterprise Fund's (the Airport) compliance with the types of compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies (the Guide)*, issued by the Federal Aviation Administration, that could have a direct and material effect on the Airport's passenger facility charge program for the year ended September 30, 2014. The Airport's passenger facility charge program is identified in the summary of auditor's results section of the accompanying schedule of findings and responses.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to the passenger facility charge program.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the Airport's passenger facility charge program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in the *Passenger Facility Charge Audit Guide for Public Agencies*. Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the passenger facility program occurred. An audit includes examining, on a test basis, evidence about the Airport's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the passenger facility program. However, our audit does not provide a legal determination of the Airport's compliance.

Opinion on the Passenger Facility Charge Program

In our opinion, the Airport complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the passenger facility charge program for the year ended September 30, 2014.

Report on Internal Control over Compliance

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



requirements that could have a direct and material effect on the passenger facility charge program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance and to test and report on internal control over compliance in accordance with the Guide, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Airport's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

Report on Schedules of Passenger Facility Charges Collected and Expended and Interest Credited

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Long Beach, California, which includes the Airport Enterprise Fund, as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated March 27, 2015, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedules of passenger facility charges collected and expended and interest credited are presented for purposes of additional analysis as required by the Guide and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules of passenger facility charges collected and expended and interest credited are fairly stated in all material respects in relation to the basic financial statements as a whole.

KPMG LLP

Irvine, California
January 19, 2016



KPMG LLP
Suite 700
20 Pacifica
Irvine, CA 92618-3391

Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

The Honorable Mayor and City Council
The City of Long Beach Airport Enterprise Fund, California:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Long Beach, California, which includes the Airport Enterprise Fund, as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 27, 2015.

Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Airport's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

KPMG LLP

Irvine, California
January 19, 2016

CITY OF LONG BEACH AIRPORT ENTERPRISE FUND

Schedule of Passenger Facility Charges Collected and
Expended and Interest Credited

Amended Application 03-02-C-04-LGB

Year ended September 30, 2014

Passenger facility charges collected	\$ 3,240,008
Transfer of excess charges from application 06-03-C-01-LGB (note 4)	508
Transfer of excess charges from application 10-05-C-01-LGB (note 4)	147
Interest credited (note 2)	<u>22,216</u>
	3,262,879
Expenditures for passenger facility charge approved projects	<u>(2,708,008)</u>
Change in unexpended passenger facility charges	554,871
Unexpended passenger facility charges as of September 30, 2013	<u>19,873,412</u>
Excess of passenger facility charges collected over charges expended as of September 30, 2014 (note 3)	\$ <u><u>20,428,283</u></u>

CITY OF LONG BEACH AIRPORT ENTERPRISE FUND

Schedule of Passenger Facility Charges Collected and
Expended and Interest Credited

Application 06-03-C-01-LGB

Year ended September 30, 2014

Passenger facility charges collected	\$ 1,528
Interest credited (note 2)	<u>13</u>
	1,541
Excess charges transferred to application 03-02-C-04-LGB (note 4)	(508)
Expenditures for passenger facility charge approved projects	(1,577)
Expenditure correction transferred to Capital – Operating (note 4)	<u>544</u>
Change in passenger facility charges	—
Unexpended passenger facility charges as of September 30, 2013	<u>—</u>
Excess of passenger facility charges expended over charges collected as of September 30, 2014 (note 3)	\$ <u><u>—</u></u>

CITY OF LONG BEACH AIRPORT ENTERPRISE FUND

Schedule of Passenger Facility Charges Collected and
Expended and Interest Credited

Amended Application 10-05-C-01-LGB

Year ended September 30, 2014

Passenger facility charges collected	\$ 38,504
Interest credited (note 2)	<u>538</u>
	39,042
Excess charges transferred to application 03-02-C-04-LGB (note 4)	(147)
Expenditures for passenger facility charge approved projects	(43,018)
Expenditure correction transferred to Grant AIP 32 (note 4)	<u>4,173</u>
Change in unexpended passenger facility charges	50
Unexpended passenger facility charges as of September 30, 2013	<u>—</u>
Excess of passenger facility charges collected over charges expended as of September 30, 2014 (note 3)	\$ <u><u>50</u></u>

CITY OF LONG BEACH AIRPORT ENTERPRISE FUND

Schedule of Passenger Facility Charges Collected and
Expended and Interest Credited

Application 11-06-U-00-LGB

Year ended September 30, 2014

Passenger facility charges collected	\$ 2,714,679
Interest credited (note 2)	<u>30,329</u>
	2,745,008
Expenditures for passenger facility charge approved projects	<u>(2,745,008)</u>
Change in passenger facility charges	—
Unexpended passenger facility charges as of September 30, 2013	<u>—</u>
Excess of passenger facility charges expended over charges collected as of September 30, 2014 (note 3)	\$ <u><u>—</u></u>

See accompanying notes to schedules of passenger facility charges collected and expended and interest credited, and independent auditors' report on compliance with requirements applicable to the passenger facility charge program and on internal control over compliance and schedules of passenger facility charges collected and expended and interest credited.

CITY OF LONG BEACH AIRPORT ENTERPRISE FUND

Schedule of Passenger Facility Charges Collected and Expended and Interest Credited

Amended Application 03-02-C-04-LGB

Quarters ended December 31, 2013, March 31, 2014, June 30, 2014, and September 30, 2014

	<u>December 31, 2013</u>	<u>March 31, 2014</u>	<u>June 30, 2014</u>	<u>September 30, 2014</u>	<u>Total</u>
Passenger facility charges collected	\$ 724,607	1,021,823	553,076	940,502	3,240,008
Transfer of excess charges from application 06-03-C-01-LGB	—	508	—	—	508
Transfer of excess charges from application 10-05-C-01-LGB	—	—	—	147	147
Interest credited (note 2)	5,303	3,625	3,743	9,545	22,216
	<u>729,910</u>	<u>1,025,956</u>	<u>556,819</u>	<u>950,194</u>	<u>3,262,879</u>
Expenditures for passenger facility charge approved projects	(434,924)	(282,662)	(274,149)	(1,716,273)	(2,708,008)
Change in unexpended passenger facility charges	294,986	743,294	282,670	(766,079)	\$ 554,871
Unexpended passenger facility charges at beginning of quarter	<u>19,873,412</u>	<u>20,168,398</u>	<u>20,911,692</u>	<u>21,194,362</u>	
Excess of passenger facility charges collected over charges expended at end of quarter (note 3)	\$ <u>20,168,398</u>	<u>20,911,692</u>	<u>21,194,362</u>	<u>20,428,283</u>	

CITY OF LONG BEACH AIRPORT ENTERPRISE FUND

Schedule of Passenger Facility Charges Collected and Expended and Interest Credited

Application 06-03-C-01-LGB

Quarters ended December 31, 2013, March 31, 2014, June 30, 2014, and September 30, 2014

	<u>December 31, 2013</u>	<u>March 31, 2014</u>	<u>June 30, 2014</u>	<u>September 30, 2014</u>	<u>Total</u>
Passenger facility charges collected	\$ 558	—	1	969	1,528
Interest credited (note 2)	—	—	—	13	13
	<u>558</u>	<u>—</u>	<u>1</u>	<u>982</u>	<u>1,541</u>
Excess charges transferred to application 03-02-C-04-LGB (note 4)	—	(508)	—	—	(508)
Expenditures for passenger facility charge approved projects	(558)	(36)	(1)	(982)	(1,577)
Expenditure correction transferred to Capital – Operating (note 4)	—	544	—	—	544
Change in passenger facility charges	—	—	—	—	\$ —
Excess of passenger facility charges expended over charges collected at beginning of quarter	—	—	—	—	
Excess of passenger facility charges expended over charges collected at end of quarter (note 3)	\$ <u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	

CITY OF LONG BEACH AIRPORT ENTERPRISE FUND

Schedule of Passenger Facility Charges Collected and Expended and Interest Credited

Amended Application 10-05-C-01-LGB

Quarters ended December 31, 2013, March 31, 2014, June 30, 2014, and September 30, 2014

	December 31, 2013	March 31, 2014	June 30, 2014	September 30, 2014	Total
Passenger facility charges collected	\$ 15,665	3,471	19,368	—	38,504
Interest credited (note 2)	193	37	268	40	538
	<u>15,858</u>	<u>3,508</u>	<u>19,636</u>	<u>40</u>	<u>39,042</u>
Excess charges transferred to application 03-02-C-04-LGB (note 4)	—	—	—	(147)	(147)
Expenditures for passenger facility charge approved projects	(15,858)	(3,508)	(19,636)	(4,016)	(43,018)
Expenditure correction transferred to Grant AIP 32 (note 4)	—	—	—	4,173	4,173
Change in unexpended passenger facility charges	—	—	—	50	\$ <u>50</u>
Unexpended passenger facility charges at beginning of quarter	—	—	—	—	
Excess of passenger facility charges collected over charges expended at end of quarter (note 3)	\$ <u>—</u>	<u>—</u>	<u>—</u>	<u>50</u>	

CITY OF LONG BEACH AIRPORT ENTERPRISE FUND

Schedule of Passenger Facility Charges Collected and Expended and Interest Credited

Application 11-06-U-00-LGB

Quarters ended December 31, 2013, March 31, 2014, June 30, 2014, and September 30, 2014

	December 31, 2013	March 31, 2014	June 30, 2014	September 30, 2014	Total
Passenger facility charges collected	\$ 678,076	677,631	676,893	682,079	2,714,679
Interest credited (note 2)	8,349	8,795	9,359	3,826	30,329
	<u>686,425</u>	<u>686,426</u>	<u>686,252</u>	<u>685,905</u>	<u>2,745,008</u>
Expenditures for passenger facility charge approved projects	(686,425)	(686,426)	(686,252)	(685,905)	(2,745,008)
Change in passenger facility charges	—	—	—	—	\$ <u>—</u>
Excess of passenger facility charges expended over charges collected at beginning of quarter	—	—	—	—	
Excess of passenger facility charges expended over charges collected at end of quarter (note 3)	\$ <u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	

See accompanying notes to schedules of passenger facility charges collected and expended and interest credited, and report on compliance with requirements applicable to the passenger facility charge program and on internal control over compliance and schedules of passenger facility charges collected and expended and interest credited.

CITY OF LONG BEACH AIRPORT ENTERPRISE FUND

Notes to Schedules of Passenger Facility Charges Collected and Expended and Interest Credited

Year ended September 30, 2014

(1) Basis of Accounting

The schedules of passenger facility charges (PFC) collected and expended and interest credited are prepared on the basis of cash receipts and disbursements, as prescribed by Sections 9110 and 9111 of the Aviation Safety and Capacity Expansion Act of 1990, issued by the Federal Aviation Administration (FAA) of the U.S. Department of Transportation, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

PFC collected include amounts collected by the airlines and transferred to the City of Long Beach Airport Enterprise Fund (the Airport). Expenditures for passenger facility charge approved projects are presented on a cash basis and include only the expenditures for approved PFC projects.

(2) Interest Credited

Interest credited represents interest income allocated to the PFC Program (the Program) based on the ratio of the Program's unexpended PFC cash balance to the Airport's total cash and investments balance included in the pooled cash funds of the City of Long Beach.

(3) Amendments

On July 25, 2014, the Airport received the approval to amend applications 03-02-C-03-LGB and 10-05-C-00-LGB.

Amendment 03-02-C-04-LGB expands the original scope of work for Taxiway J, which was approved for approximately 2,100 feet by 75 feet. An additional 4,180 feet was added to cover the entire length of the taxiway (approximately 6,280 feet by 75 feet). The charge expiration date for the application was also changed from October 1, 2014 to February 1, 2015.

Amendment 10-05-C-01-LGB increased the original approved amount of \$1,820,000 for the Airfield Pavement and Infrastructure Improvements project to \$2,670,000. The additional \$850,000 will cover additional infield pavements including areas surrounding the end of Runway 07R/25L, areas between the access to Taxiways E and F, and areas adjacent to leaseholds and perimeter roads. The increase will also cover the required local match associated with existing Airport Improvement Program (AIP) funding. The charge expiration date for the application was also changed from July 1, 2030 to June 1, 2032.

(4) Transfers of Excess Charges to Other Applications

In March 2014, expenditure corrections were made in application 06-03-C-01-LGB to move the costs to the Capital – Operating Fund. Labor and pension bond allocation costs were posted in error in the Airfield Fencing Upgrade project (AP1130-11). The expenditures were for the South Perimeter Security Improvements project (AP1130-13), which does not have PFC funding.

In September 2014, in application 10-05-C-01-LGB, a movement of expenditures was made in the Airfield Sign Replacement project (AP1100-03). Since PFC funds were approved as a match to AIP 3-06-0127-032 grant, expenditure corrections were made to meet the 95/5 split that was required by the grant.

CITY OF LONG BEACH AIRPORT ENTERPRISE FUND

Schedule of Findings and Responses

Year ended September 30, 2014

(1) Summary of Auditors' Results

Financial Statements

(a) The type of report issued on the financial statements: **Unmodified.**

(b) Internal control over financial reporting:

- Material weakness(es): **No.**
- Significant deficiencies identified that are not considered to be material weaknesses: **None reported.**

(c) Noncompliance that is material to the financial statements: **No.**

Passenger Facility Charges Program

(d) Internal control over the passenger facility charge program:

- Material weakness(es) identified: **No.**
- Significant deficiencies identified that are not considered to be material weaknesses: **None reported.**

(e) The type of report issued on compliance for the passenger facility charge program: **Unmodified.**

(f) Any audit findings required to be reported for the Passenger Facility Charges program: **No.**

(2) Findings Related to the Basic Financial Statements Reported in accordance with *Government Auditing Standards*

None noted.

(3) Findings and Questioned Costs Related to the Passenger Facility Charge Program

None noted.