



CITY OF LONG BEACH AIRPORT ENTERPRISE FUND

Schedules of Passenger Facility Charges
Collected and Expended and Interest Credited

Year ended September 30, 2012

(With Independent Auditors' Report Thereon)

CITY OF LONG BEACH AIRPORT ENTERPRISE FUND

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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, 2012. 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 of 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, 2012.



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, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated March 29, 2013, 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 is 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
December 18, 2015



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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 the financial statements of the City of Long Beach Airport Enterprise Fund (the Airport) included in the City of Long Beach, California's comprehensive annual financial report as of and for the year ended September 30, 2012, and have issued our report thereon dated March 29, 2013. We conducted our audit 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.

Internal Control over Financial Reporting

Management of the Airport is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Airport's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Airport's internal control over financial reporting.

A deficiency in internal control over financial reporting 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 over financial reporting, such that there is a reasonable possibility that a material misstatement of the Airport's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be a material weakness, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Airport's financial statements are free of 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*.



This report is intended solely for the information and use of the City Council, management, and officials of the City of Long Beach Airport Enterprise Fund, the U.S. Department of Transportation, the Federal Aviation Administration, and other federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

March 29, 2013

CITY OF LONG BEACH AIRPORT ENTERPRISE FUND

Schedule of Passenger Facility Charges Collected and
Expended and Interest Credited

Amended Application 03-02-C-03-LGB

Year ended September 30, 2012

Passenger facility charges collected	\$ 4,961,930
Transfer of excess charges from application 06-03-C-01-LGB (note 4)	33,000
Interest credited (note 2)	<u>25,934</u>
	5,020,864
Expenditures for passenger facility charge approved projects	(1,280,577)
Transfer of excess charges to application 10-05-C-00-LGB (note 4)	<u>(1,489,519)</u>
Change in unexpended passenger facility charges	2,250,768
Unexpended passenger facility charges as of September 30, 2011	<u>15,917,251</u>
Excess of passenger facility charges collected over charges expended as of September 30, 2012 (note 3)	\$ <u><u>18,168,019</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, 2012

Passenger facility charges collected	\$ 218,901
Interest credited (note 2)	<u>4,168</u>
	223,069
Excess charges transferred to application 03-02-C-03 (note 4)	(33,000)
Expenditures for passenger facility charge approved projects	<u>(190,069)</u>
Change in passenger facility charges	—
Unexpended passenger facility charges as of September 30, 2011	<u>—</u>
Excess of passenger facility charges expended over charges collected as of September 30, 2012 (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-00-LGB

Year ended September 30, 2012

Passenger facility charges collected	\$	987,378
Excess charges transferred from application 03-02-C-03-LGB (note 4)		1,489,519
Interest credited (note 2)		<u>30,380</u>
		2,507,277
Expenditures for passenger facility charge approved projects		<u>(2,507,277)</u>
Change in unexpended passenger facility charges		—
Unexpended passenger facility charges as of September 30, 2011		<u>—</u>
Excess of passenger facility charges collected over charges expended as of September 30, 2012 (note 3)	\$	<u><u>—</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, 2012

Passenger facility charges collected	\$	903,695
Interest credited (note 2)		<u>10,561</u>
		914,256
Expenditures for passenger facility charge approved projects		<u>(914,256)</u>
Change in passenger facility charges		—
Unexpended passenger facility charges as of September 30, 2011		<u>—</u>
Excess of passenger facility charges expended over charges collected as of September 30, 2012 (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-03-LGB

Quarters ended December 31, 2011, March 31, 2012, June 30, 2012, and September 30, 2012

	<u>December 31, 2011</u>	<u>March 31, 2012</u>	<u>June 30, 2012</u>	<u>September 30, 2012</u>	<u>Total</u>
Passenger facility charges collected	\$ 1,514,764	1,209,587	1,363,786	873,793	4,961,930
Transfer of excess charges from application 06-03-C-01 (note 4)	—	33,000	—	—	33,000
Interest credited (note 2)	13,522	3,418	6,329	2,665	25,934
	<u>1,528,286</u>	<u>1,246,005</u>	<u>1,370,115</u>	<u>876,458</u>	<u>5,020,864</u>
Expenditures for passenger facility charge approved projects	(318,829)	(331,341)	(338,432)	(291,975)	(1,280,577)
Transfer of excess charges to application 10-05-C-00 (note 4)	—	(1,489,519)	—	—	(1,489,519)
Change in unexpended passenger facility charges	1,209,457	(574,855)	1,031,683	584,483	2,250,768
Unexpended passenger facility charges at beginning of quarter	15,917,251	17,126,708	16,551,853	17,583,536	
Excess of passenger facility charges collected over charges expended at end of quarter (note 3)	\$ <u>17,126,708</u>	<u>16,551,853</u>	<u>17,583,536</u>	<u>18,168,019</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, 2011, March 31, 2012, June 30, 2012, and September 30, 2012

	<u>December 31, 2011</u>	<u>March 31, 2012</u>	<u>June 30, 2012</u>	<u>September 30, 2012</u>	<u>Total</u>
Passenger facility charges collected	\$ 58,843	—	45,740	114,318	218,901
Refund from All American Asphalt (note 4)	—	44,028	(44,028)	—	—
Interest credited (note 2)	2,616	(355)	860	1,047	4,168
	<u>61,459</u>	<u>43,673</u>	<u>2,572</u>	<u>115,365</u>	<u>223,069</u>
Excess charges transferred to application 03-02-C-03 (note 4)	—	(33,000)	—	—	(33,000)
Expenditures for passenger facility charge approved projects	(61,459)	(10,673)	(2,572)	(115,365)	(190,069)
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-00-LGB

Quarters ended December 31, 2011, March 31, 2012, June 30, 2012, and September 30, 2012

	December 31, 2011	March 31, 2012	June 30, 2012	September 30, 2012	Total
Passenger facility charges collected	\$ 86,947	—	264,754	635,677	987,378
Excess charges transferred from application 03-02-C-03 (note 4)	—	1,489,519	—	—	1,489,519
Interest credited (note 2)	3,835	15,619	5,057	5,869	30,380
	<u>90,782</u>	<u>1,505,138</u>	<u>269,811</u>	<u>641,546</u>	<u>2,507,277</u>
Expenditures for passenger facility charge approved projects	<u>(90,782)</u>	<u>(1,505,138)</u>	<u>(269,811)</u>	<u>(641,546)</u>	<u>(2,507,277)</u>
Change in unexpended passenger facility charges	—	—	—	—	—
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>—</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, 2011, March 31, 2012, June 30, 2012, and September 30, 2012

	December 31, 2011	March 31, 2012	June 30, 2012	September 30, 2012	Total
Passenger facility charges collected	\$ —	—	224,284	679,411	903,695
Interest credited (note 2)	—	—	4,280	6,281	10,561
	<u>—</u>	<u>—</u>	<u>228,564</u>	<u>685,692</u>	<u>914,256</u>
Expenditures for passenger facility charge approved projects	<u>—</u>	<u>—</u>	<u>(228,564)</u>	<u>(685,692)</u>	<u>(914,256)</u>
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>	

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, 2012

(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 and New Application

The FAA approved the Airport's amendment request to increase the collection level from \$3.00 to \$4.50 to be effective May 1, 2008 for the two approved PFC applications on March 21, 2008. The charge expiration date was also changed from May 1, 2017 to October 14, 2014 for amended Application 03-02-C-03-LGB. The estimated charge expiration date for Application 06-03-C-01-LGB was also changed from December 1, 2018 to November 1, 2015.

On April 22, 2008, the Airport was given approval for a third application for the design and construction of a new terminal building. The collection of PFC under Application 08-04-I-00-LGB will begin once Application 06-03-C-01-LGB expires.

A fourth application for five projects was approved on September 2, 2010. Application 10-05-C-00-LGB covers the following projects: airfield pavement and infrastructure, airport aircraft rescue and firefighting station modifications, terminal areas access road, residential sound attenuation program, and airfield signage replacement. Collection of PFC under this application follows previously approved Application 08-04-I-00-LGB.

On March 1, 2011, the Airport received the approval for Application 11-06-U-00-LGB for the use of PFC funds to design and construct the new terminal building. This is the project that was approved for collection under Application 08-04-I-00-LGB. The approval for use included an increase in the amount approved and eliminated the Pay-as-you-go portion and increased the Bond Capital and Bond Financing and Interest portions.

CITY OF LONG BEACH AIRPORT ENTERPRISE FUND

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

Year ended September 30, 2012

(4) Transfers of Excess Charges to Other Applications

In March 2012, a refund for \$44,028 was received for application 06-03-C-01-LGB. The refund was due to payment that was inadvertently made to All American Asphalt's escrow account. The refund was recorded as an adjustment to expenditures. The excess revenue was transferred back to application 03-02-C-03-LGB where the Excess of passenger facility charges collected over charges expended is held. A payment of \$44,028 was reissued to All American Asphalt's vendor account in April 2012.

During the year ended September 30, 2012, the Airport transferred a portion of unused PFC funding from application 03-02-C-03-LGB to fund approved PFC projects in applications 10-05-C-00-LGB. Although the funding was earned in application 03-02-C-03-LGB, the FAA permits the Airport to use the funds on any PFC approved project regardless of application. Therefore, the Airport, elected to transfer fees from one application to the other to cover the costs of various projects.

CITY OF LONG BEACH AIRPORT ENTERPRISE FUND

Schedule of Findings and Responses

Year ended September 30, 2012

(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.