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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, 2015.

***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, 2015.

**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 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 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 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 (the City), which includes the Airport Enterprise Fund, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated March 25, 2016, which contained unmodified opinions on those financial statements. Our report included a reference to another auditor who audited the City's basic financial statements discretely presented component unit. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's 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 are not a required part of the City's 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 City's basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the City's 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 City's basic financial statements or to the City's 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 City's basic financial statements as a whole.

**KPMG LLP**

Irvine, California  
June 9, 2016



**KPMG LLP**  
Two Financial Center  
60 South Street  
Boston, MA 02111

**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 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, 2015, 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 25, 2016. Another auditor audited the financial statements of the discretely presented component unit, as described in our report on the City's basic financial statements. This report does not include the results of the other auditors testing of internal controls over financial reporting or compliance with other matters that are reported on separately by that auditor.

**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 the 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  
June 9, 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, 2015

Passenger facility charges collected	\$ 1,216,075
Interest credited	<u>9,231</u>
	1,225,306
Expenditures for passenger facility charge approved projects	(1,222,306)
Transfer of excess charges to application 14-07-C-00-LGB	(4,692,959)
Expenditure correction transferred to Grant AIP 41	<u>355,626</u>
Change in unexpended passenger facility charges	(4,334,333)
Unexpended passenger facility charges as of September 30, 2014	<u>20,428,283</u>
Excess of passenger facility charges collected over charges expended as of September 30, 2015	<u>\$ 16,093,950</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, 2015

Passenger facility charges collected	\$ 290,166
Interest credited	<u>1,218</u>
	291,384
Expenditures for passenger facility charge approved projects	<u>(291,384)</u>
Change in passenger facility charges	—
Unexpended passenger facility charges as of September 30, 2014	<u>—</u>
Excess of passenger facility charges expended over charges collected as of September 30, 2015	<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-LAB

Year ended September 30, 2015

Passenger facility charges collected	\$	758,613
Revenue correction transferred to application 03-02-C-04-LGB		(218,129)
Interest credited		4,473
		<u>544,957</u>
Expenditures for passenger facility charge approved projects		(763,633)
Expenditure correction transferred from application 03-02-C-04-LGB		218,626
		<u>(50)</u>
Change in unexpended passenger facility charges		(50)
Unexpended passenger facility charges as of September 30, 2014		<u>50</u>
Excess of passenger facility charges collected over charges expended as of September 30, 2015	\$	<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, 2015

Passenger facility charges collected	\$	2,724,525
Interest credited		19,682
		<u>2,744,207</u>
Expenditures for passenger facility charge approved projects		(2,744,207)
		<u>—</u>
Change in passenger facility charges		—
Unexpended passenger facility charges as of September 30, 2014		<u>—</u>
Excess of passenger facility charges expended over charges collected as of September 30, 2015	\$	<u><u>—</u></u>

**CITY OF LONG BEACH AIRPORT ENTERPRISE FUND**

Schedule of Passenger Facility Charges Collected and  
Expended and Interest Credited

Application 14-07-C-00-LGB

Year ended September 30, 2015

Passenger facility charges collected	\$ 912,379
Excess charges transferred from application 03-02-C-04-LGB	4,692,959
Interest credited	<u>21,548</u>
	5,626,886
Expenditures for passenger facility charge approved projects	<u>(5,626,886)</u>
Change in passenger facility charges	—
Unexpended passenger facility charges as of September 30, 2014	<u>                    </u>
Excess of passenger facility charges expended over charges collected as of September 30, 2015	<u><u>\$ —</u></u>

See accompanying notes.

**CITY OF LONG BEACH AIRPORT ENTERPRISE FUND**

Schedule of Passenger Facility Charges Collected and Expended and Interest Credited

Application 03-02-C-04-LGB

Quarters ended December 31, 2014, March 31, 2015, June 30, 2015, and September 30, 2015

	<u>December 31, 2014</u>	<u>March 31, 2015</u>	<u>June 30, 2015</u>	<u>September 30, 2015</u>	<u>Total</u>
Passenger facility charges collected	\$ 230,925	277,073	236,451	471,626	1,216,075
Interest credited	523	2,025	2,388	4,295	9,231
	<u>231,448</u>	<u>279,098</u>	<u>238,839</u>	<u>475,921</u>	<u>1,225,306</u>
Expenditures for passenger facility charge approved projects	(238,832)	(279,099)	(238,838)	(465,537)	(1,222,306)
Transfer of excess charges to application 14-07-C-00-LGB	(4,329,449)	(34,718)	(328,792)	—	(4,692,959)
Expenditure correction transferred to Grant AIP 41	355,626	—	—	—	355,626
Change in unexpended passenger facility charges	(3,981,207)	(34,719)	(328,791)	10,384	\$ <u>(4,334,333)</u>
Unexpended passenger facility charges at beginning of quarter	<u>20,428,283</u>	<u>16,447,076</u>	<u>16,412,357</u>	<u>16,083,566</u>	
Excess of passenger facility charges collected over charges expended at end of quarter	\$ <u>16,447,076</u>	<u>16,412,357</u>	<u>16,083,566</u>	<u>16,093,950</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, 2014, March 31, 2015, June 30, 2015, and September 30, 2015

	<u>December 31, 2014</u>	<u>March 31, 2015</u>	<u>June 30, 2015</u>	<u>September 30, 2015</u>	<u>Total</u>
Passenger facility charges collected	\$ —	218,129	71,742	295	290,166
Interest credited	—	497	721	—	1,218
	<u>—</u>	<u>218,626</u>	<u>72,463</u>	<u>295</u>	<u>291,384</u>
Expenditures for passenger facility charge approved projects	—	(218,626)	(72,463)	(295)	(291,384)
Change in passenger facility charges	—	—	—	—	\$ <u>—</u>
Excess of passenger facility charges expended over charges collected at beginning of quarter	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	
Excess of passenger facility charges expended over charges collected at end of quarter	\$ <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 10-05-C-01-LGB

Quarters ended December 31, 2014, March 31, 2015, June 30, 2015, and September 30, 2015

	<u>December 31, 2014</u>	<u>March 31, 2015</u>	<u>June 30, 2015</u>	<u>September 30, 2015</u>	<u>Total</u>
Passenger facility charges collected	\$ 325,039	1,798	249,123	182,653	758,613
Revenue correction transferred to application 03-02-C-04-LGB	—	(218,129)	—	—	(218,129)
Interest credited	745	(474)	2,525	1,677	4,473
	<u>325,784</u>	<u>(216,805)</u>	<u>251,648</u>	<u>184,330</u>	<u>544,957</u>
Expenditures for passenger facility charge approved projects	(325,834)	(1,821)	(251,648)	(184,330)	(763,633)
Expenditure correction transferred from application 03-02-C-04-LGB	—	218,626	—	—	218,626
Change in unexpended passenger facility charges	(50)	—	—	—	\$ (50)
Unexpended passenger facility charges at beginning of quarter	50	—	—	—	
Excess of passenger facility charges collected over charges expended at end of quarter	\$ —	—	—	—	

**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, 2014, March 31, 2015, June 30, 2015, and September 30, 2015

	<u>December 31, 2014</u>	<u>March 31, 2015</u>	<u>June 30, 2015</u>	<u>September 30, 2015</u>	<u>Total</u>
Passenger facility charges collected	\$ 684,336	680,939	679,111	680,139	2,724,525
Interest credited	1,569	4,966	6,871	6,276	19,682
	<u>685,905</u>	<u>685,905</u>	<u>685,982</u>	<u>686,415</u>	<u>2,744,207</u>
Expenditures for passenger facility charge approved projects	(685,905)	(685,905)	(685,982)	(686,415)	(2,744,207)
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	\$ —	—	—	—	

**CITY OF LONG BEACH AIRPORT ENTERPRISE FUND**

Schedule of Passenger Facility Charges Collected and Expended and Interest Credited

Application 14-07-C-00-LGB

Quarters ended December 31, 2014, March 31, 2015, June 30, 2015, and September 30, 2015

	<u>December 31, 2014</u>	<u>March 31, 2015</u>	<u>June 30, 2015</u>	<u>September 30, 2015</u>	<u>Total</u>
Passenger facility charges collected	\$ 147,976	564,399	130,502	69,502	912,379
Excess charges transferred from application 03-02-C-04-LGB	4,329,449	34,718	328,792	—	4,692,959
Interest credited	10,236	4,428	4,672	2,212	21,548
	<u>4,487,661</u>	<u>603,545</u>	<u>463,966</u>	<u>71,714</u>	<u>5,626,886</u>
Expenditures for passenger facility charge approved projects	<u>(4,487,661)</u>	<u>(603,545)</u>	<u>(463,966)</u>	<u>(71,714)</u>	<u>(5,626,886)</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	\$ <u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	

See accompanying notes.

## **CITY OF LONG BEACH AIRPORT ENTERPRISE FUND**

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

Year ended September 30, 2015

#### **(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) New Application**

On October 24, 2014, the Airport received approval for Application 14-07-C-00-LGB to impose and use PFC funds for eight projects. Application 14-07-C-00-LGB covers the following projects: Reconstruction of Air Carrier Apron – Phases II and III; Pavement Management and Maintenance Program; Airfield Geometry Study and Strategic Planning; Runway 30 Safety Area Improvements; Runway 07L/25R Rehabilitation; Perimeter Security Improvements; Terminal Access Road Improvements; and PFC Application and Program Administration. Collection of PFC under this application follows previously approved Application 10-05-C-01-LGB.

#### **(4) Transfers of Excess Charges to Other Applications**

During the year ended September 30, 2015, the Airport transferred a portion of unused PFC funding from application 03-02-C-04-LGB to fund approved PFC projects in application 14-07-C-00-LGB. Although the funding was earned in application 03-02-C-04-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.

In December 2015, adjustments were made to application 03-02-C-04-LGB. FAA AIP Grant #AIP 3-06-0127-41 was approved on September 23, 2014 and a transfer of 90.66% of expenditures was made in the Taxiway J Improvements – West of Taxiway D project (AP1070-64) in accordance with the terms of the AIP Grant.

In March 2015, adjustments were made to applications 06-03-C-01-LGB and 10-05-C-01-LGB. The project for the slurry seal of Runway 7R/25L (AP1070-58) was listed under application 10-05C-01-LGB, it was actually approved by FAA under application 06-03-C-01-LGB.

**CITY OF LONG BEACH AIRPORT ENTERPRISE FUND**

Schedule of Findings and Responses

Year ended September 30, 2015

**(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.