



**CITY OF LONG BEACH AIRPORT ENTERPRISE FUND**

Schedules of Passenger Facility Charges  
Collected and Expended and Interest Credited

Year ended September 30, 2018

(With Independent Auditors' Reports Thereon)

## CITY OF LONG BEACH AIRPORT ENTERPRISE FUND

### Table of Contents

	<b>Page(s)</b>
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>	1–3
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>	4–5
Schedule of Passenger Facility Charges Collected and Expended and Interest Credited – Year ended September 30, 2018	6–7
Schedule of Passenger Facility Charges Collected and Expended and Interest Credited – Quarters ended December 31, 2017, March 31, 2018, June 30, 2018, and September 30, 2018	8–9
Notes to Schedules of Passenger Facility Charges Collected and Expended and Interest Credited	10
Schedule of Findings and Questioned Costs	11



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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's) 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, 2018. The Airport's passenger facility charge program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

*Management's Responsibility*

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its 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 *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of the Guide. Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the passenger facility charge program occurred. An audit includes examining, on a test basis, evidence about the 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 charge 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, 2018.



## **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 the passenger facility charge 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 the passenger facility charge 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 the passenger facility charge 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, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated March 26, 2019, 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 are 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*

Los Angeles, California  
July 18, 2019



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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, 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 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 (the Airport), as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated March 26, 2019, which contained unmodified opinions on those financial statements. Our report includes a reference to other auditors who audited the financial statements of the Long Beach Public Transportation Company (the discretely presented component unit), as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

### **Internal Control over Financial Reporting**

In planning and performing our audit of the Airport's 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 opinions on the City's 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

Los Angeles, California  
March 26, 2019

**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, 2018

Passenger facility charges collected	\$	5,356,903
Transfer of excess PFC collections charges from application 10-05-C-01-LGB		101,511
Transfer of excess PFC collections charges from application 14-07-C-00-LGB		38,018
Interest credited (note 2)		<u>68,022</u>
		5,564,454
Expenditures for passenger facility charge approved projects		<u>(1,052,839)</u>
Change in unexpended passenger facility charges		4,511,615
Unexpended passenger facility charges as of September 30, 2017		<u>19,589,614</u>
Excess of passenger facility charges collected over charges expended as of September 30, 2018	\$	<u><u>24,101,229</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, 2018

Passenger facility charges collected	\$	160,178
Interest credited (note 2)		<u>9,965</u>
		170,143
Excess PFC collections transferred to application 03-02-C-04-LGB (note 4)		(101,511)
Expenditures for passenger facility charge approved projects		(219,936)
Expenditure correction transferred to Capital – Operating (note 3)		<u>151,304</u>
Change in unexpended passenger facility charges		—
Unexpended passenger facility charges as of September 30, 2017		<u>—</u>
Excess of passenger facility charges collected over charges expended as of September 30, 2018	\$	<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, 2018

Passenger facility charges collected	\$ 2,567,317
Interest credited (note 2)	<u>186,055</u>
	2,753,372
Expenditures for passenger facility charge approved projects	<u>(2,753,372)</u>
Change in passenger facility charges	—
Unexpended passenger facility charges as of September 30, 2017	<u>—</u>
Excess of passenger facility charges expended over charges collected as of September 30, 2018	<u><u>\$ —</u></u>

**CITY OF LONG BEACH AIRPORT ENTERPRISE FUND**

Schedule of Passenger Facility Charges  
Collected and Expended and Interest Credited

Amended Application 14-07-C-00-LGB

Year ended September 30, 2018

Passenger facility charges collected	\$ 39,766
Interest credited (note 2)	<u>3,288</u>
	43,054
Excess PFC collections transferred to application 03-02-C-04-LGB (note 4)	(38,018)
Expenditures for passenger facility charge approved projects	(45,127)
Expenditures transferred to Grant AIP 42 (note 3)	<u>40,091</u>
Change in unexpended passenger facility charges	—
Unexpended passenger facility charges as of September 30, 2017	<u>—</u>
Excess of passenger facility charges collected over charges expended as of September 30, 2018	<u><u>\$ —</u></u>

**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, 2017, March 31, 2018, June 30, 2018, and September 30, 2018

	<u>December 31, 2017</u>	<u>March 31, 2018</u>	<u>June 30, 2018</u>	<u>September 30, 2018</u>	<u>Total</u>
Passenger facility charges collected	\$ 1,126,969	1,309,057	1,458,822	1,462,055	5,356,903
Transfer of excess PFC collections charges from application 10-05-C-01-LGB	—	—	101,511	—	101,511
Transfer of excess PFC collections charges from application 14-07-C-00-LGB	—	38,018	—	—	38,018
Interest credited (note 2)	20,236	12,290	15,965	19,531	68,022
	<u>1,147,205</u>	<u>1,359,365</u>	<u>1,576,298</u>	<u>1,481,586</u>	<u>5,564,454</u>
Expenditures for passenger facility charge approved projects	<u>(475,447)</u>	<u>(155,976)</u>	<u>(208,762)</u>	<u>(212,654)</u>	<u>(1,052,839)</u>
Change in unexpended passenger facility charges	671,758	1,203,389	1,367,536	1,268,932	\$ <u>4,511,615</u>
Unexpended passenger facility charges at beginning of quarter	<u>19,589,614</u>	<u>20,261,372</u>	<u>21,464,761</u>	<u>22,832,297</u>	
Excess of passenger facility charges collected over charges expended at end of quarter	\$ <u>20,261,372</u>	<u>21,464,761</u>	<u>22,832,297</u>	<u>24,101,229</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, 2017, March 31, 2018, June 30, 2018, and September 30, 2018

	<u>December 31, 2017</u>	<u>March 31, 2018</u>	<u>June 30, 2018</u>	<u>September 30, 2018</u>	<u>Total</u>
Passenger facility charges collected	\$ 55,809	78,538	—	25,831	160,178
Interest credited (note 2)	2,490	4,882	—	2,593	9,965
	<u>58,299</u>	<u>83,420</u>	<u>—</u>	<u>28,424</u>	<u>170,143</u>
Excess PFC collections transferred to application 03-02-C-04-LGB (note 4)	—	—	(101,511)	—	(101,511)
Expenditures for passenger facility charge approved projects	<u>(58,299)</u>	<u>(83,420)</u>	<u>(49,793)</u>	<u>(28,424)</u>	<u>(219,936)</u>
Expenditure correction transferred to Capital – Operating (note 3)			151,304		151,304
Change in unexpended passenger facility charges	—	—	—	—	\$ <u>—</u>
Unexpended passenger facility charges at beginning of quarter	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	
Excess of passenger facility charges collected over charges expended 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 11-06-U-00-LGB

Quarters ended December 31, 2017, March 31, 2018, June 30, 2018, and September 30, 2018

	<u>December 31, 2017</u>	<u>March 31, 2018</u>	<u>June 30, 2018</u>	<u>September 30, 2018</u>	<u>Total</u>
Passenger facility charges collected	\$ 655,310	646,113	633,108	632,786	2,567,317
Interest credited (note 2)	29,109	40,260	52,475	64,211	186,055
	<u>684,419</u>	<u>686,373</u>	<u>685,583</u>	<u>696,997</u>	<u>2,753,372</u>
Expenditures for passenger facility charge approved projects	<u>(684,419)</u>	<u>(686,373)</u>	<u>(685,583)</u>	<u>(696,997)</u>	<u>(2,753,372)</u>
Change in passenger facility charges	—	—	—	—	\$ —
Excess of passenger facility charges expended over charges collected at beginning of quarter	—	—	—	—	
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

Amended Application 14-07-C-00-LGB

Quarters ended December 31, 2017, March 31, 2018, June 30, 2018, and September 30, 2018

	<u>December 31, 2017</u>	<u>March 31, 2018</u>	<u>June 30, 2018</u>	<u>September 30, 2018</u>	<u>Total</u>
Passenger facility charges collected	\$ 1,618	36	37,734	378	39,766
Interest credited (note 2)	52	—	3,150	86	3,288
	<u>1,670</u>	<u>36</u>	<u>40,884</u>	<u>464</u>	<u>43,054</u>
Excess PFC collections transferred to application 03-02-C-04-LGB (note 4)	—	(38,018)	—	—	(38,018)
Expenditures for passenger facility charge approved projects	<u>(1,670)</u>	<u>(2,109)</u>	<u>(40,884)</u>	<u>(464)</u>	<u>(45,127)</u>
Expenditures transferred to Grant AIP 42 (note 3)		40,091			40,091
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	\$ —	—	—	—	

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**

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

Year ended September 30, 2018

#### **(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 includes 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, California (the City).

#### **(3) Transfers of Expenditures**

In March 2018, the Airport determined that \$40,091 of expenditures incurred in the prior year and recorded in application 14-07-C-00-LGB were more appropriately funded with Airport Improvement Grant (AIP) funds rather than PFC funds. Although these expenditures relate to projects approved by both PFC and AIP funding, the Airport made this determination because it is the Airport's preference that expenditures be funded first with AIP grants when both funding applies. Accordingly, the expenditures were reimbursed to application 14-07-C-00-LGB and AIP funds were used.

In June 2018, the Airport was notified by the FAA that \$151,304 of prior year expenditures in application 10-05-C-01-LGB were not deemed to be PFC eligible expenditures. The expenditures were labor related and incurred during the design and rehabilitation project of runway 7R-25L. Although the rehabilitation of runway 7R-25L is an allowable FAA project, the FAA determined that the costs did not meet the specific rehabilitation allowable activities as identified in the record of decision. As a result, the Airport reimbursed the application 10-05-C-01-LGB and used operating revenue to fund the expenditures.

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

The Airport's policy is to match PFC charges collected and interest earned (collectively referred to as PFC collections) with expenditures from approved PFC projects. Any excess PFC collections over eligible expenditures are reported in application 03-02-C-04-LGB. To the extent there are cost adjustments, PFC collections are transferred between appropriate applications to adhere to the Airport's policy. For the year ended September 30, 2018, the Airport transferred \$38,018 and \$101,511 from applications 14-07-C-00-LGB and 10-05-C-01-LGB, respectively, to application 03-02-C-04-LGB. These amounts were transferred as a result of expenditure adjustments to other funding sources as discussed in note 3.

**CITY OF LONG BEACH AIRPORT ENTERPRISE FUND**

Schedule of Findings and Questioned Costs

Year ended September 30, 2018

**(1) Summary of Auditors' Results**

*Airport Financial Statements*

- (a) The type of report issued on whether the financial statements were prepared in accordance with generally accepted accounting principles: **Unmodified**
- (b) Internal control deficiencies over financial reporting disclosed by the audit of the City of Long Beach Airport Enterprise Fund financial statements:
  - Material weaknesses: **No**
  - Significant deficiencies: **None reported**
- (c) Noncompliance that is material to the financial statements: **No**

*Passenger Facility Charges Program*

- (d) Internal control deficiencies over the passenger facility charge program disclosed by the audit:
  - Material weaknesses identified: **No**
  - Significant deficiencies: **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 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