



CITY OF LONG BEACH AIRPORT ENTERPRISE FUND

Schedules of Passenger Facility Charges
Collected and Expended and Interest Credited

Year ended September 30, 2023

(With Independent Auditors' Reports 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

Opinion 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 identified as subject to audit in the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration (the Guide), that could have a direct and material effect on the Airport's Passenger Facility Charge (PFC) Program for the year ended September 30, 2023. 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.

In our opinion, the Airport complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the PFC Program for the year ended September 30, 2023.

Basis for Opinion on the Passenger Facility Charge Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); 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. Our responsibilities under those standards and the Guide are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Airport and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the PFC Program. Our audit does not provide a legal determination of the Airport's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of the PFC program.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Airport's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Guide will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may



involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Airport's compliance with the requirements of the PFC Program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Guide, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Airport's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Airport's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Airport's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 PFC Program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a 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 PFC 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 Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 Schedule of Passenger Facility Charges Collected and Expended and Interest Credited

We have audited the basic financial statements of the City as of and for the year ended September 30, 2023, and have issued our report thereon dated May 2, 2024, which contained unmodified opinions on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule 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 GAAS. In our opinion, the schedule of passenger facility charges collected and expended and Interest Credited is fairly stated in all material respects in relation to the basic financial statements as a whole.

KPMG LLP

Los Angeles, California
June 27, 2024



KPMG LLP
Suite 1500
550 South Hope Street
Los Angeles, CA 90071-2629

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
City of Long Beach, 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 (the City) as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 2, 2024. Our report includes a reference to other auditors who audited the financial statements of the Long Beach Public Transportation Company (the Company), which is the City's only 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 control over financial reporting or compliance and other matters that are reported upon separately by those auditors.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing our 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 City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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 a 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as item 2023-001 that we consider to be a significant deficiency.



Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's basic 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 financial statement. 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*.

The City's Response to the Finding

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the finding identified in our audit are described in the accompanying schedule of findings and responses. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Los Angeles, California
May 2, 2024

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, 2023

Passenger facility charges collected	\$ 1,989,645
Interest credited (note 2)	<u>19,436</u>
	2,009,081
Expenditures for passenger facility charge approved projects	(826,908)
Transfer of excess charges to application 20-09-C-00-LGB (note 4)	<u>(3,034,035)</u>
Change in unexpended passenger facility charges	(1,851,862)
Unexpended passenger facility charges as of September 30, 2022	<u>7,119,941</u>
Excess of passenger facility charges collected over charges expended as of September 30, 2023	\$ <u><u>5,268,079</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, 2023

Passenger facility charges collected	\$ 2,649,830
Interest credited (note 2)	<u>63,991</u>
	2,713,821
Expenditures for passenger facility charge approved projects	<u>(2,713,821)</u>
Change in passenger facility charges	—
Unexpended passenger facility charges as of September 30, 2022	<u>—</u>
Excess of passenger facility charges expended over charges collected as of September 30, 2023	\$ <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-01-LGB

Year ended September 30, 2023

Passenger facility charges collected	\$	—
Excess charges transferred from application 03-02-C-04-LGB (note 4)		(320)
Interest credited (note 2)		—
		<hr/>
		(320)
Expenditures for passenger facility charge approved projects		<hr/>
		320
Change in unexpended passenger facility charges		—
Unexpended passenger facility charges as of September 30, 2022		<hr/>
		—
Excess of passenger facility charges collected over charges expended as of September 30, 2023	\$	<hr/> <hr/>
		—

CITY OF LONG BEACH AIRPORT ENTERPRISE FUND

Schedule of Passenger Facility Charges Collected and
Expended and Interest Credited

Application 20-09-C-01-LGB

Year ended September 30, 2023

Passenger facility charges collected	\$	1,900,762
Excess charges transferred from application 03-02-C-04-LGB (note 4)		3,034,355
Interest credited (note 2)		80,194
		<hr/>
		5,015,311
Expenditures for passenger facility charge approved projects		<hr/>
		(5,015,311)
Change in unexpended passenger facility charges		—
Unexpended passenger facility charges as of September 30, 2022		<hr/>
		—
Excess of passenger facility charges collected over charges expended as of September 30, 2023	\$	<hr/> <hr/>
		—

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, 2022, March 31, 2023, June 30, 2023, and September 30, 2023

	<u>December 31, 2022</u>	<u>March 31, 2023</u>	<u>June 30, 2023</u>	<u>September 30, 2023</u>	<u>Total</u>
Passenger facility charges collected	\$ 319,048	591,644	919,412	159,541	1,989,645
Interest credited (note 2)	3,610	5,520	8,030	2,276	19,436
	<u>322,658</u>	<u>597,164</u>	<u>927,442</u>	<u>161,817</u>	<u>2,009,081</u>
Expenditures for passenger facility charge approved projects	(322,658)	(171,750)	(170,683)	(161,817)	(826,908)
Transfer of excess charges to application 20-09-C-00-LGB (note 4)	(1,119,864)	320	—	(1,914,491)	(3,034,035)
Change in unexpended passenger facility charges	(1,119,864)	425,734	756,759	(1,914,491)	\$ <u>(1,851,862)</u>
Unexpended passenger facility charges at beginning of quarter	<u>7,119,941</u>	<u>6,000,077</u>	<u>6,425,811</u>	<u>7,182,570</u>	
Excess of passenger facility charges collected over charges expended at end of quarter	\$ <u>6,000,077</u>	<u>6,425,811</u>	<u>7,182,570</u>	<u>5,268,079</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, 2022, March 31, 2023, June 30, 2023, and September 30, 2023

	<u>December 31, 2022</u>	<u>March 31, 2023</u>	<u>June 30, 2023</u>	<u>September 30, 2023</u>	<u>Total</u>
Passenger facility charges collected	\$ 1,047,608	545,532	535,572	521,118	2,649,830
Interest credited (note 2)	11,913	18,177	26,351	7,550	63,991
	<u>1,059,521</u>	<u>563,709</u>	<u>561,923</u>	<u>528,668</u>	<u>2,713,821</u>
Expenditures for passenger facility charge approved projects	(1,059,521)	(563,709)	(561,923)	(528,668)	(2,713,821)
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 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

Amended Application 14-07-C-01-LGB

Quarters ended December 31, 2022, March 31, 2023, June 30, 2023, and September 30, 2023

	December 31, 2022	March 31, 2023	June 30, 2023	September 30, 2023	Total
Passenger facility charges collected	\$ —	—	—	—	—
Excess charges transferred from application 03-02-C-04-LGB (note 4)		(320)			(320)
Interest credited (note 2)	—	—	—	—	—
	—	(320)	—	—	(320)
Expenditures for passenger facility charge approved projects (note 4)	—	320	—	—	320
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	\$ —	—	—	—	

CITY OF LONG BEACH AIRPORT ENTERPRISE FUND

Schedule of Passenger Facility Charges Collected and Expended and Interest Credited

Application 20-08-C-00-LGB

Quarters ended December 31, 2022, March 31, 2023, June 30, 2023, and September 30, 2023

	December 31, 2022	March 31, 2023	June 30, 2023	September 30, 2023	Total
Passenger facility charges collected	\$ 158,738	298,560	202,640	1,240,824	1,900,762
Excess charges transferred from application 03-02-C-04-LGB (note 4)	1,119,864	—	—	1,914,491	3,034,355
Interest credited (note 2)	14,560	9,964	9,981	45,689	80,194
	1,293,162	308,524	212,621	3,201,004	5,015,311
Expenditures for passenger facility charge approved projects	(1,293,162)	(308,524)	(212,621)	(3,201,004)	(5,015,311)
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 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, 2023

(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. The Program's interest is allocated to each application based on the applications expenditures in proportion to the total program expenditures.

(3) Application Amendments and Closeout

On November 15, 2022, the Airport received amendment approval for Application 20-09-C-01-LGB that increased the impose and use authority total by \$21,146,251. The total increase includes PFC Bond Capital, Financing and Interest for the Ticketing Lobby and Baggage Claim Improvement projects. Amendment approval was also received on March 24, 2023 for Application 06-03-C-02-LGB that increased the impose use total by \$3,467. A third Amendment approval was received on May 20, 2023 for Application 14-07-C-01-LGB, unlike the previous amendments, this amendment decreased the impose and use authority total by \$4,610,984.

Additionally, a Closeout was approved on September 20, 2023 for Application 06-03-C-03-LGB.

(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, 2023, the Airport transferred a portion of unused PFC funding from application 03-02-C-04-LGB to fund approved projects in application 20-09-C-01-LGB. Additionally, \$320 was returned to application 03-02-C-04-LGB from application 14-07-C-01-LGB for the expenditure that was transferred out from PFC to Airport Capital for the Terminal Access Road Improvement project that was deferred and did not proceed as planned.

CITY OF LONG BEACH AIRPORT ENTERPRISE FUND

Schedule of Findings and Responses

Year ended September 30, 2023

(1) Summary of Auditors' Results

Airport Financial Statements

- a. 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 financial statements:
 - Material weaknesses: **No**
 - Significant deficiencies: **2023-001**
- c. Noncompliance material to the financial statements: **No**

Passenger Facility Charges Program

- d. Internal control deficiencies over the PFC Program disclosed by the audit:
 - Material weaknesses: **No**
 - Significant deficiencies: **None reported**
- e. Type of report issued on compliance for the PFC Program: **Unmodified**
- f. Audit findings that are required to be reported in accordance with Passenger Facility Charges Program: **No**

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

Finding 2023-001 – Financial Reporting

During our audit, we identified several instances of inaccurate and/or incomplete reporting in the City's draft annual comprehensive financial report (ACFR), including the presentation in the governmental funds and corresponding budgetary information for the activity related to the MWN Community Hospital. In addition, the approved budgetary balances for the General fund were not accurately reflected in the draft ACFR. We also noted a subsequent version of the draft ACFR inconsistently reported certain components of net position for its major Water Utility fund as well as certain cash flow activity of its major Water Utility, Gas Utility, and Harbor funds as compared to the separately issued, stand-alone audited financial statements of the City's Utilities and Harbor departments. All of these items were corrected in the City's final ACFR.

Recommendation

We understand that the ACFR reporting process involves a complex series of steps to accumulate and aggregate information from numerous departments and that management uses its judgment in determining the level and detail of disclosures contained in the ACFR. Additionally, because the current reporting process relies on manual spreadsheets, the time and effort necessary to finalize its financial statements oftentimes becomes a barrier to making incremental improvements to its overall ACFR. As such, we recommend that the City explore enhancing internal controls of financial reporting to leverage City resources when drafting its ACFR.

CITY OF LONG BEACH AIRPORT ENTERPRISE FUND

Schedule of Findings and Responses

Year ended September 30, 2023

Views of Responsible Officials

The City of Long Beach will remedy the audit finding in the next reporting period. The City will further develop processes to improve reporting of budgetary information and ensure accuracy and completeness, including the review of budget amounts by the Budget Office prior to inclusion in the financial statements. Additionally, City Management will enhance coordination with financial staff in the Harbor and Utilities Departments, that includes review and validation of amounts reported prior to their submission of their stand-alone ACFRs to ensure accuracy and consistency in reporting.

(3) Findings and Questioned Costs Relating to the PFC Program

None