



CITY OF LONG BEACH AIRPORT ENTERPRISE FUND

Schedules of Passenger Facility Charges
Collected and Expended and Interest Credited

Year ended September 30, 2011

(With Independent Auditors' Reports Thereon)

CITY OF LONG BEACH AIRPORT ENTERPRISE FUND

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Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on the Passenger Facility Charge Program and on Internal Control over Compliance and 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:

Compliance

We have audited the City of Long Beach 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 passenger facility charge program for the year ended September 30, 2011. Compliance with the requirements of laws, regulations, contracts, and grants applicable to the passenger facility charge program is the responsibility of the Airport's management. Our responsibility is to express an opinion on the Airport's compliance based on our audit.

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 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. Our audit does not provide a legal determination on the Airport's compliance with those requirements.

In our opinion, the City of Long Beach Airport Enterprise Fund complied, in all material respects, with the 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, 2011.

Internal Control over Compliance

Management of the Airport is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to the passenger facility charge program. In planning and performing our audit, we considered the Airport's internal control over compliance with requirements that could have a direct and material effect on the passenger facility charge program in order to determine the auditing procedures for the purpose of expressing our opinion on compliance, 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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedules of Passenger Facility Charges Collected and Expended and Interest Credited

We have audited the financial statements of the Airport as of and for the year ended September 30, 2011 and have issued our report thereon dated August 10, 2012. Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the Airport taken as a whole. The accompanying schedules of passenger facility charges collected and expended and interest credited are presented for purposes of additional analysis as specified in the Guide, and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. As described in note 1 to the schedules of passenger facility charges collected and expended and interest credited, the schedules were prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

This report is intended solely for the information and use of the City Council, management, and officials of the City of Long Beach, 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

September 5, 2013



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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) as of and for the year ended September 30, 2011, and have issued our report thereon dated August 10, 2012. 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

August 10, 2012

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, 2011

Passenger facility charges collected	\$ 3,959,336
Interest credited (note 2)	<u>17,649</u>
	3,976,985
Expenditures for passenger facility charge approved projects	(1,090,235)
Reversal of previous charges (note 5)	11,905,064
Transfer of excess charges to other applications (note 4)	<u>(5,550,989)</u>
Change in passenger facility charges	9,240,825
Unexpended passenger facility charges as of September 30, 2010	<u>6,676,426</u>
Excess of passenger facility charges collected over charges expended as of September 30, 2011 (note 3)	\$ <u><u>15,917,251</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, 2011

Passenger facility charges collected	\$ 1,483,366
Excess charges transferred from other applications (note 4)	1,293,851
Interest credited (note 2)	<u>16,969</u>
	2,794,186
Expenditures for passenger facility charge approved projects	<u>(18,329)</u>
Change in passenger facility charges	2,775,857
Unexpended passenger facility charges as of September 30, 2010	<u>(2,775,857)</u>
Excess of passenger facility charges expended over charges collected as of September 30, 2011 (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 10-05-C-00-LGB

Year ended September 30, 2011

Passenger facility charges collected	\$ 1,562,108
Excess charges transferred from other applications (note 4)	4,257,138
Interest credited (note 2)	<u>48,749</u>
	5,867,995
Expenditures for passenger facility charge approved projects	<u>(5,867,995)</u>
Change in passenger facility charges	—
Unexpended passenger facility charges as of September 30, 2010	—
Excess of passenger facility charges expended over charges collected as of September 30, 2011 (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 03-02-C-03-LGB

Quarters ended December 31, 2010, March 31, 2011, June 30, 2011, and September 30, 2011

	<u>December 31, 2010</u>	<u>March 31, 2011</u>	<u>June 30, 2011</u>	<u>September 30, 2011</u>	<u>Total</u>
Passenger facility charges collected	\$ 2,054,991	—	727,944	1,176,401	3,959,336
Interest credited (note 2)	647	354	9,891	6,757	17,649
	<u>2,055,638</u>	<u>354</u>	<u>737,835</u>	<u>1,183,158</u>	<u>3,976,985</u>
Expenditures for passenger facility charge approved projects	(129,939)	(54,860)	(365,057)	(540,379)	(1,090,235)
Reversal of previous charges (note 5)	—	11,905,064	—	—	11,905,064
Transfer of excess charges to other applications (note 4)	(3,646,843)	(1,904,146)	—	—	(5,550,989)
Change in passenger facility charges	(1,721,144)	9,946,412	372,778	642,779	<u>9,240,825</u>
Unexpended passenger facility charges at beginning of quarter	6,676,426	4,955,282	14,901,694	15,274,472	
Excess of passenger facility charges collected over charges expended at end of quarter (note 3)	\$ <u>4,955,282</u>	<u>14,901,694</u>	<u>15,274,472</u>	<u>15,917,251</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, 2010, March 31, 2011, June 30, 2011, and September 30, 2011

	<u>December 31, 2010</u>	<u>March 31, 2011</u>	<u>June 30, 2011</u>	<u>September 30, 2011</u>	<u>Total</u>
Passenger facility charges collected	\$ —	1,468,895	11	14,460	1,483,366
Excess charges transferred from other applications (note 4)	—	1,293,851	—	—	1,293,851
Interest credited (note 2)	—	16,755	22	192	16,969
	<u>—</u>	<u>2,779,501</u>	<u>33</u>	<u>14,652</u>	<u>2,794,186</u>
Expenditures for passenger facility charge approved projects	(3,498)	(146)	(33)	(14,652)	(18,329)
Change in passenger facility charges	(3,498)	2,779,355	—	—	<u>2,775,857</u>
Excess of passenger facility charges expended over charges collected at beginning of quarter	(2,775,857)	(2,779,355)	—	—	
Excess of passenger facility charges expended over charges collected at end of quarter (note 3)	\$ <u>(2,779,355)</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-00-LGB

Quarters ended December 31, 2010, March 31, 2011, June 30, 2011, and September 30, 2011

	<u>December 31, 2010</u>	<u>March 31, 2011</u>	<u>June 30, 2011</u>	<u>September 30, 2011</u>	<u>Total</u>
Passenger facility charges collected	\$ —	—	417,447	1,144,661	1,562,108
Excess charges transferred from other applications (note 4)	3,646,843	610,295	—	—	4,257,138
Interest credited (note 2)	18,948	3,730	11,636	14,435	48,749
	<u>3,665,791</u>	<u>614,025</u>	<u>429,083</u>	<u>1,159,096</u>	<u>5,867,995</u>
Expenditures for passenger facility charge approved projects	(3,665,791)	(614,025)	(429,083)	(1,159,096)	(5,867,995)
Change in passenger facility charges	—	—	—	—	—
Unexpended passenger facility charges 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, 2011

(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, 2011

(4) Transfers of Excess Charges to Other Applications

During the year ended September 30, 2011, the Airport transferred a portion of unused PFC funding from Application 03-02-C-03-LGB to fund approved PFC projects in Applications 06-03-C-01-LGB and 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 others to cover the costs of various projects.

(5) Reversal of Previous Charges

A reversal of previous charges for PFC Application 03-02-C-03-LGB in the amount of \$11,905,064 was made in the March 2011 FAA quarterly report. These charges for approved PFC projects were previously reported from December 2006 through December 2010 in the quarters that they were incurred. However, the project charges were paid with the Commercial Paper proceeds, rather than PFC revenues. The Commercial Paper was to be paid with future PFC revenues.

In December 2010, the Commercial Paper was refunded with proceeds from the Series 2010B Bonds. Therefore, the charges that were previously reported were reversed as PFC revenues were not used to fund them; rather the bond proceeds were used. The FAA's System of Airport Reporting was also updated with the corrected expenditures amount for each quarter that was affected.

CITY OF LONG BEACH AIRPORT ENTERPRISE FUND

Schedule of Findings and Responses

Year ended September 30, 2011

(1) Summary of Auditors' Results

Financial Statements

- (a) The type of report issued on the financial statements: Unqualified.
- (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: Unqualified.
- (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.