

CITY OF PALM SPRINGS
PASSENGER FACILITY CHARGE
COMPLIANCE REPORT

JUNE 30, 2019

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PASSENGER FACILITY CHARGE COMPLIANCE REPORT
JUNE 30, 2019

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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of the City Council
City of Palm Springs, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Palm Springs, California, (the City) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



To the Honorable Mayor and Members of the City Council
City of Palm Springs, California

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Palm Springs, California, as of June 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

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 schedule of passenger facility charge collections and expenditures is presented for purposes of additional analysis as specified in the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration, and is not a required part of the basic financial statements.

The 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. Such information has been subjected to the auditing procedures applied in the audit of the 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 schedule of passenger facility charge collections and expenditures is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Lance, Solt & Lughard, LLP

Brea, California
December 16, 2019



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO THE PASSENGER FACILITY CHARGE PROGRAM
AND INTERNAL CONTROL OVER COMPLIANCE

To the Honorable Mayor and Members of the City Council
City of Palm Springs, California

We have audited the compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies* (the Guide), issued by the Federal Aviation Administration, for the City of Palm Springs, California (the City) passenger facility charge program for the year ended June 30, 2019.

Management's Responsibility

Management is responsible for compliance with the requirements of the Guide.

Auditor's Responsibility

Our responsibility is to express opinions on compliance with the requirements described in the Guide 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 the *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 material effect on the City's passenger facility charge program. An audit includes examining, on a test basis, evidence about the City'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. However, our audit does not provide a legal determination of the City's compliance with those requirements.

Opinion

In our opinion, the City is in compliance, in all material respects, with the requirements referred to above that are applicable to the passenger facility charge program for the year ended June 30, 2019.

Report on Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with the type of compliance requirements referred to above. In planning and performing our audit, we considered the City's internal control over compliance to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an 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 City's internal control over compliance.





To the Honorable Mayor and Members of the City Council
City of Palm Springs, California

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 described in the Guide 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 a material noncompliance 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 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.

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.

Lance, Soll & Lughard, LLP

Brea, California
December 16, 2019

**CITY OF PALM SPRINGS
PASSENGER FACILITY CHARGE (PFC)**

**SCHEDULE OF PASSENGER FACILITY CHARGE (PFC) COLLECTIONS AND EXPENDITURES
YEAR ENDED JUNE 30, 2019 AND FOR EACH MONTH DURING THE YEAR ENDED JUNE 30, 2019**

Description	Adjusted Beginning Balance Unliquidated PFC	PFC Revenues ¹	Interest Earned	Expenditures Total	Transfers Total	Ending Balance Unliquidated PFC ²
Cash receipts and disbursements month ended July 31, 2018	\$ 4,379,102	\$ 240,213	\$ 3,519	\$ 1,679,414	\$ 65,181	\$ 3,008,601
Cash receipts and disbursements month ended August 31, 2018	3,008,601	211,116	624	-	-	3,220,341
Cash receipts and disbursements month ended September 30, 2018	3,220,341	258,957	8,238	-	-	3,487,536
Cash receipts and disbursements month ended October 31, 2018	3,487,536	345,223	1,018	1,104	-	3,832,673
Cash receipts and disbursements month ended November 30, 2018	3,832,673	410,735	1,376	235,000	-	4,009,784
Cash receipts and disbursements month ended December 31, 2018	4,009,784	493,462	14,253	-	-	4,517,499
Cash receipts and disbursements month ended January 31, 2019	4,517,499	558,270	1,978	734,940	501,130	4,843,937
Cash receipts and disbursements month ended February 28, 2019	4,843,937	477,057	1,013	-	-	5,322,007
Cash receipts and disbursements month ended March 31, 2019	5,322,007	761,027	1,999	-	117	6,085,150
Cash receipts and disbursements month ended April 30, 2019	6,085,150	563,069	2,371	1,104	-	6,649,486
Cash receipts and disbursements month ended May 31, 2019	6,649,486	485,261	2,638	-	-	7,137,385
Cash receipts and disbursements month ended June 30, 2019	7,137,385	<u>292,854</u>	<u>54,310</u>	<u>44,729</u>	<u>1,409,132</u>	8,848,952
		<u>\$ 5,097,244</u>	<u>\$ 93,337</u>	<u>\$ 2,696,291</u>	<u>\$ 1,975,560</u>	

¹ PFC revenues are reported when the cash is received.

² Unliquidated PFC's are collections that have not been applied to approved PFC projects.

**CITY OF PALM SPRINGS
PASSENGER FACILITY CHARGE (PFC)**

**NOTES TO SCHEDULE OF PASSENGER FACILITY CHARGE (PFC)
COLLECTIONS AND EXPENDITURES
JUNE 30, 2019**

Note 1: Basis of Presentation

The accompanying schedule of passenger facility charge (PFC) collections and expenditures includes the PFC activity of the City of Palm Springs and is presented on the cash basis of accounting. The information in this schedule is presented for purposes of additional analysis as specified in the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in preparation of, the basic financial statements.

PFC expenditures may consist of direct project costs, administrative costs, debt service costs and bond financing costs, if requested in the application. Eligible expenditures not requested or approved in the application are not applied against PFCs collected. The accompanying schedule of PFC collections and expenditures includes the eligible expenditures that have been applied against PFCs collected as of June 30, 2019.

**CITY OF PALM SPRINGS
PASSENGER FACILITY CHARGE (PFC)**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2019**

No matters reported.

**CITY OF PALM SPRINGS
PASSENGER FACILITY CHARGE (PFC)**

**STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR
YEAR ENDED JUNE 30, 2018**

No matters were reported.