

City of Palm Springs

Palm Springs, California

Independent Auditors' Report on Compliance with Requirements Applicable to the Passenger Facility Charge Program

For the Year Ended June 30, 2023



City of Palm Springs
Passenger Facility Charge Program
For the Year Ended June 30, 2023

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO THE PASSENGER FACILITY CHARGE PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF
PASSENGER FACILITY CHARGES COLLECTION AND EXPENDITURES**

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

Report on Compliance for Passenger Facility Charge Program

Opinion on Compliance

We have audited the City of Palm Springs, California's (the "City") compliance with the type of compliance requirements described in the Passenger Facility Charge Audit Guide for Public Agencies, issued by the Federal Aviation Administration (the "PFC Audit Guide"), for the year ended June 30, 2023.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that are applicable to the City's passenger facility charge program for the year ended June 30, 2023.

Basis for Opinion

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* ("*Government Auditing Standards*"), issued by the Comptroller General of the United States, and the PFC Audit Guide. Our responsibilities under those standards and the PFC Audit Guide are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City 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. Our audit does not provide a legal of the City'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 contracts or grant agreements applicable to the City's passenger facility charge 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 City’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 PFC Audit Guide will always detect material noncompliance when it exists. The risk of not 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 City’s compliance with the requirements of the government program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the PFC Audit 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 City’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 City’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 PFC Audit Guide, but not for the purpose of expressing an opinion on the effectiveness of the City’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 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 the compliance requirement 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 the compliance requirement 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 have not been identified.

To the Honorable Mayor and Members of the City Council
of the City of Palm Springs
Palm Springs, California
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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 PFC Audit Guide. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Passenger Facility Charge Collections and Expenditures

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We have issued our report thereon dated December 30, 2023, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming our opinions on the City's financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Passenger Facility Charges Collections and Expenditures – Cash Basis is presented for purposes of additional analysis as required by PFC Audit 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 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 – Cash Basis is fairly stated in all material respects in relation to the basic financial statements as a whole.

The PwC Group, LLP

Santa Ana, California
January 17, 2024, except for the Schedule of Passenger Facility Charges Collections and Expenditures – Cash Basis, which is as of December 30, 2023

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City of Palm Springs
Passenger Facility Charge Program
Schedule of Passenger Facility Charge Collections and Expenditures - Cash Basis
For the Year Ended June 30, 2023

Description	Adjusted Beginning Balance Unliquidated PFC	PFC Collections	Interest Received
Cash receipts and disbursement month ended July 31, 2022	\$ 8,991,127	\$ 100,812	\$ 5,312
Cash receipts and disbursement month ended August 31, 2022	9,097,251	326,310	7,994
Cash receipts and disbursement month ended September 30, 2022	9,431,555	366,094	-
Cash receipts and disbursement month ended October 31, 2022	9,797,649	451,416	34,832
Cash receipts and disbursement month ended November 30, 2022	10,283,897	456,360	19,020
Cash receipts and disbursement month ended December 31, 2022	8,387,567	747,526	25,945
Cash receipts and disbursement month ended January 31, 2023	8,717,288	571,226	22,127
Cash receipts and disbursement month ended February 28, 2023	9,307,946	622,752	22,731
Cash receipts and disbursement month ended March 31, 2023	9,953,429	830,961	36,178
Cash receipts and disbursement month ended April 30, 2023	10,820,568	584,564	30,680
Cash receipts and disbursement month ended May 31, 2023	11,435,812	426,075	34,411
Cash receipts and disbursement month ended June 30, 2023	11,890,608	486,811	66,009
		<u>\$ 5,970,907</u>	<u>\$ 305,239</u>

See Notes to Schedule of Passenger Facility Charge Collections and Expenditures.

City of Palm Springs
Passenger Facility Charge Program
Schedule of Passenger Facility Charge Collections and Expenditures - Cash Basis (Continued)
For the Year Ended June 30, 2023

Description	Bond Payment	Expenditures Total	Transfers Total	Ending Balance Unliquidated PFC ¹
Cash receipts and disbursement month ended July 31, 2022	\$ -	\$ -	\$ -	\$ 9,097,251
Cash receipts and disbursement month ended August 31, 2022	-	-	-	9,431,555
Cash receipts and disbursement month ended September 30, 2022	-	-	-	9,797,649
Cash receipts and disbursement month ended October 31, 2022	-	-	-	10,283,897
Cash receipts and disbursement month ended November 30, 2022	-	-	(2,371,710)	8,387,567
Cash receipts and disbursement month ended December 31, 2022	(443,750)	-	-	8,717,288
Cash receipts and disbursement month ended January 31, 2023	-	(2,695)	-	9,307,946
Cash receipts and disbursement month ended February 28, 2023	-	-	-	9,953,429
Cash receipts and disbursement month ended March 31, 2023	-	-	-	10,820,568
Cash receipts and disbursement month ended April 30, 2023	-	-	-	11,435,812
Cash receipts and disbursement month ended May 31, 2023	-	(5,690)	-	11,890,608
Cash receipts and disbursement month ended June 30, 2023	(2,047,042)	(20,366)	-	10,376,020
	<u>\$ (2,490,792)</u>	<u>\$ (28,751)</u>	<u>\$ (2,371,710)</u>	

¹ Unliquidated PFC are collections that have not been applied to approved PFC projects.

City of Palm Springs
Passenger Facility Charge Program
Notes to Schedule of Passenger Facility Charge Collections and Expenditures
For the Year Ended June 30, 2023

Note 1 – Basis of Presentation

The accompanying Schedule of Passenger Facility Charge Collections and Expenditures – Cash Basis (the “Schedule”) includes all the Passenger Facility Charges (“PFC”) Program’s collections, interest received, bond payment, expenditures, and transfers paid by the City of Palm Springs from July 1, 2022 through June 30, 2023. This schedule is presented on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

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 the preparation of, the basic financial statements of the City.

PFC expenditures may consist of approved capital projects costs, administrative costs and bond financing costs, if requested in application. Eligible expenditures not requested or approved in the application are not applied against PFC collection. The accompanying Schedule includes the eligible expenditures that have been applied against PFC collection for the year ended June 30, 2023.

City of Palm Springs
Passenger Facility Charge Program
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2023

Section I – Summary of Auditors’ Results

A. Current Year Findings and Questioned Costs – Passenger Facility Charge Program

No findings or questioned costs were noted on the City’s compliance with requirements of the passenger facility charge program for the year ended June 30, 2023.

B. Prior Year Findings and Questioned Costs – Passenger Facility Charge Program

No findings or questioned costs were noted on the City’s compliance with requirements of the passenger facility charge program for the year ended June 30, 2022.