

**JOHN WAYNE AIRPORT
(An Enterprise Fund of
the County of Orange, California)**

Schedule of Passenger Facility Charge
Revenues and Expenditures
With Independent Auditor's Reports

For the Year Ended June 30, 2022



JOHN WAYNE AIRPORT
Schedule of Passenger Facility Charge Revenues and Expenditures

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**Independent Auditor's Report on Schedule of Passenger Facility
Charge Revenues and Expenditures**

To the Board of Supervisors
County of Orange, California

We have audited the financial statements of John Wayne Airport (Airport), an enterprise fund of the County of Orange, California (County), as of and for the year ended June 30, 2022, and have issued our report thereon dated December 16, 2022, which contained an unmodified opinion on those financial statements. Our report included an emphasis of matter paragraph describing the Airport's adoption of the provisions of Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, for the year ended June 30, 2022. Our report includes an emphasis of matter paragraph stating the financial statements of the Airport do not purport to, and do not, present fairly the financial position of the County as of June 30, 2022.

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Airport taken as a whole. The accompanying Schedule of Passenger Facility Charge Revenues and Expenditures, prepared on a cash basis, for the year ended June 30, 2022, is presented for the 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 financial statements, and is not intended to be a presentation in conformity with accounting principles generally accepted in the United States of America or a complete presentation in accordance with the accounting basis used for cash basis purposes. Under the cash basis, Passenger Facility Charge revenues are recognized when received rather than when earned, and eligible expenditures are recognized when the related goods or services are paid. 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 financial statements. The information has been subjected to the auditing procedures applied in the audits 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 financial statements or to the 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 Revenues and Expenditures is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in black ink that reads "Eide Bailly LLP".

Laguna Hills, California
December 16, 2022

JOHN WAYNE AIRPORT
Schedule of Passenger Facility Charge Revenues and Expenditures
For the Year Ended June 30, 2022
(To the Nearest Thousand)

	Project Number	Amount Approved	Cumulative Total - July 1, 2021	Quarter Ended				Year Ended June 30, 2022	Cumulative Total - June 30, 2022
				September 30, 2021	December 31, 2021	March 31, 2022	June 30, 2022		
REVENUES									
Passenger Facility Charge Revenues Received		\$ 311,602	\$ 267,925	\$ 4,814	\$ 4,858	\$ 4,265	\$ 7,169	\$ 21,106	\$ 289,031
Interest Received		N/A	3,606	8	11	14	16	49	3,655
		<u>\$ 311,602</u>	<u>\$ 271,531</u>	<u>\$ 4,822</u>	<u>\$ 4,869</u>	<u>\$ 4,279</u>	<u>\$ 7,185</u>	<u>\$ 21,155</u>	<u>\$ 292,686</u>
EXPENDITURES									
In-line Baggage Screening	01-001	\$ 10,004	\$ 10,004	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 10,004
New South Remain Overnight (RON) Apron	01-002	9,600	9,600	--	--	--	--	--	9,600
Terminal Building Expansion	01-003	259,275	208,115	7,974	--	527	--	8,501	216,616
Common Use Terminal Equipment	01-004	32,697	29,817	450	--	30	--	480	30,297
Passenger Facility Charge Application Development	01-005	26	26	--	--	--	--	--	26
		<u>\$ 311,602</u>							
Total Amount Approved									
Total Expenditures			257,562	\$ 8,424	\$ --	\$ 557	\$ --	\$ 8,981	266,543
Unexpended Passenger Facility Charge Revenues and Interest			<u>\$ 13,969</u>						<u>\$ 26,143</u>

See accompanying Notes to Schedule of Passenger Facility Charge Revenues and Expenditures.

JOHN WAYNE AIRPORT

Notes to Schedule of Passenger Facility Charge Revenues and Expenditures
For the Year Ended June 30, 2022
(To the Nearest Thousand)

Note 1 – General

In 1990, the Aviation Safety and Capacity Expansion Act authorized the imposition of local Passenger Facility Charges (PFC) and use of resulting PFC revenue for allowable costs on Federal Aviation Administration (FAA) approved projects, including debt service.

The FAA approved the John Wayne Airport's (Airport) PFC application to collect \$4.50 (not in thousand) per enplaned passenger effective July 1, 2006. The total approved PFC revenue to be collected was \$321,351 through December 31, 2021. In March 2016, the FAA approved the Airport's PFC Amendment application. The amended total approved PFC revenue to be collected is \$311,602 through December 31, 2021. In June 2021, the FAA approved the Airport's request to change the charge expiration date from January 1, 2022 to January 1, 2024.

All PFC collected are restricted and are categorized as nonoperating revenues in the Airport's financial statements. PFC collected are maintained in an interest-bearing account administered by the Orange County Treasurer. Collected but unexpended PFC revenues are reported on the Airport's Statement of Net Position as current assets, restricted pooled cash and investments with Treasurer, and restricted cash and investments with trustee. Related PFC receivables are also reported as current restricted assets.

Note 2 – Schedule of Passenger Facility Charge Revenues and Expenditures

The accompanying Schedule of Passenger Facility Charge Revenues and Expenditures (Schedule) presents the revenues collected from PFC, interest earned thereon, and expenditures incurred on approved projects on the cash basis of accounting, as permitted by the FAA, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Revenues received and expenditures spent on approved projects in the accompanying Schedule represent amounts reported to the FAA on the Passenger Facility Charge Quarterly Reports.

During the year ended June 30, 2022, \$21,106 in PFC revenue was collected, \$49 in interest revenue was received, and \$8,981 was expended on approved PFC projects.

Note 3 – Reconciliation of PFC Revenues to the Airport's Financial Statements

The following is a reconciliation of PFC revenues shown in the accompanying Schedule of Passenger Facility Charge Revenues and Expenditures to amounts reported in the audited financial statements of the Airport for the year ended June 30, 2022:

PFC Revenues Received per Schedule	\$	21,106
Adjustments for Timing Differences Between the Cash Basis and Accrual Basis of Accounting		(526)
PFC Revenues per Audited Financial Statements	\$	<u>20,580</u>

Expenditures of PFC revenues can be reconciled with the amounts reported in the Airport's financial records.

JOHN WAYNE AIRPORT

Notes to Schedule of Passenger Facility Charge Revenues and Expenditures (Continued)
For the Year Ended June 30, 2022
(To the Nearest Thousand)

Note 4 – Passenger Facility Charge Bond Financing

On May 14, 2019, the Airport issued the Airport Revenue Refunding Bonds, Series 2019A and 2019B in the principal amount of \$85,030, with a premium of \$13,404, to refund the Airport Revenue Bonds, Series 2009A and 2009B. Per the bond indenture, the Airport may use available PFC revenues received to pay a portion of the debt service related to FAA approved projects. Available PFC revenues used for debt service for the year ended June 30, 2022 was \$4,249.



Independent Auditor's Report on Compliance for the Passenger Facility Charge Program and Report on Internal Control over Compliance

To the Board of Supervisors
County of Orange, California

Report on Compliance for the Passenger Facility Charge Program

Opinion on the Passenger Facility Charge Program

We have audited John Wayne Airport's (Airport), an enterprise fund of the County of Orange, California, compliance with the types of compliance requirements described in the Passenger Facility Charge Audit Guide for Public Agencies (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 June 30, 2022.

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 June 30, 2022.

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 described in the Guide. Our responsibilities under those standards and the 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 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 passenger facility charge 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 contracts or grant agreements applicable to the Airport's passenger facility charge program.

Auditor's 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 passenger facility charge program.

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 passenger facility charge 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 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 Auditor's 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.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Laguna Hills, California
December 16, 2022