



PASSENGER FACILITY  
CHARGE  
REVENUE AND  
DISBURSEMENT  
SCHEDULE

**FOR YEAR ENDED**  
SEPTEMBER 30, 2014

MIDLAND, TEXAS

CITY OF MIDLAND, TEXAS  
MIDLAND INTERNATIONAL AIR AND SPACE PORT

PASSENGER FACILITY CHARGE  
REVENUE AND DISBURSEMENT SCHEDULE

FISCAL YEAR ENDED  
SEPTEMBER 30, 2014

(With Independent Auditors' Report Thereon)

CITY OF MIDLAND, TEXAS  
MIDLAND INTERNATIONAL AIR AND SPACE PORT  
YEAR ENDED SEPTEMBER 30, 2014

<u>TABLE OF CONTENTS</u>	<u>PAGE</u>
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 <i>Government Auditing Standards</i>	1
Independent Auditors' Report on Compliance with Requirements Applicable to the Passenger Facility Charge Program and on Internal Control over Compliance in Accordance with the Passenger Facility Charge Program Audit Guide and on the Passenger Facility Charge Revenue and Disbursements Schedule	3
Passenger Facility Charge Revenue and Disbursement Schedule	5
Notes to Passenger Facility Charge Revenue and Disbursement Schedule	6
Passenger Facility Charge Audit Summary	7
Summary of Findings and Questioned Costs	8



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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, City Council, and City Manager  
City of Midland, Texas:

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, each major fund, and the aggregate remaining fund information of the City of Midland (the City), as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 20, 2015. We audited separately the financial statements of the Midland Development Corporation (MDC) and the Midland Football/Soccer and Baseball Complex Development Corporation (SCDC) as of and for the year ended September 30, 2014, which represent all of the assets, net assets, and revenues of the aggregate discretely presented component units. Please refer to our separate reports dated March 20, 2015 for the aggregate discretely presented component units' 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*.

**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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions 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 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



### **Compliance and Other Matters**

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

### **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**

Dallas, Texas  
March 20, 2015



KPMG LLP  
Suite 3100  
717 North Harwood Street  
Dallas, TX 75201-6585

**Independent Auditors' Report on Compliance with Requirements Applicable to the Passenger Facility Charge Program and on Internal Control over Compliance in Accordance with the Passenger Facility Charge Program Audit Guide and on the Passenger Facility Charge Revenue and Disbursement Schedule**

The Honorable Mayor, City Council, and City Manager  
City of Midland, Texas:

**Report on Compliance**

We have audited the compliance of the City of Midland, Texas (the City) with compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies* (Guide), issued by the Federal Aviation Administration, for its Passenger Facility Charge (PFC) Program for the year ended September 30, 2014.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to the PFC Program.

***Auditors' Responsibility***

Our responsibility is to express an opinion on the City's compliance based on our audit of the types of compliance requirements referred to above. 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 PFC program occurred. 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 for the PFC program. However, our audit does not provide a legal determination of the City's compliance.

***Opinion***

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the PFC program for the year ended September 30, 2014.

**Report on Internal Control over Compliance**

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of



requirements that could have a direct and material effect on the PFC program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the PFC program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City'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 the PFC 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 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 the PFC 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 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.

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.

### **Passenger Facility Charge Revenue and Disbursement Schedule**

We have audited the financial statements of governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of and for the year ended September 30, 2014, and have issued our report thereon dated March 20, 2015, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Passenger Facility Charge Revenue and Disbursement Schedule is presented for purposes of additional analysis as required by the Guide and is not a required part of the 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 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 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 Passenger Facility Charge Revenue and Disbursement Schedule is fairly stated in all material respects in relation to the financial statements as a whole.

**KPMG LLP**

May 4, 2015

**PFC Revenue and Disbursement Schedule**

**City of Midland, Texas  
Midland International Air and Space Port  
FY - 14  
10/1/13-9/30/14**

	FY-13 Program Total	Quarter 1 Oct. - Dec.	Quarter 2 Jan. - Mar.	Quarter 3 Apr. - Jun.	Quarter 4 Jul. - Sep.	FY-14 Total	FY-14 Program Total
<b>Revenue</b>							
Collections	\$ 32,949,746	\$ 590,192	299,339	\$ 366,961	\$ 376,736	\$ 1,633,228	\$ 34,582,974
Interest	\$ 2,564,303	\$ (477)	2,002	\$ 1,970	\$ (599)	\$ 2,896	\$ 2,567,199
<b>Total Revenue</b>	<b>\$ 35,514,049</b>	<b>\$ 589,715</b>	<b>\$ 301,341</b>	<b>\$ 368,931</b>	<b>\$ 376,137</b>	<b>\$ 1,636,124</b>	<b>\$ 37,150,173</b>
<b>Disbursements</b>							
<b>App 94-02</b>							
Proj. 2-1 - Rehab. RW 4-22	\$ 119,012	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 119,012
Proj. 2-2 - Rehab. RW 16L-34R	\$ 79,340	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 79,340
Proj. 2-3 - Rehab. Airf. Taxiways	\$ 223,673	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 223,673
Proj. 2-4 - Const. New Terminal	\$ 27,476,628	\$ 292,803	\$ 292,803	\$ 292,803	\$ 292,803	\$ 1,171,212	\$ 28,647,840
<b>Total App - 02</b>	<b>\$ 27,898,653</b>	<b>\$ 292,803</b>	<b>\$ 292,803</b>	<b>\$ 292,803</b>	<b>\$ 292,803</b>	<b>\$ 1,171,212</b>	<b>\$ 29,069,865</b>
<b>App 01-04</b>							
Proj. 4-1 - Recon. N. Apron & Dm.	\$ 364,099	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 364,099
Proj. 4-2 - Rehab. RW & Txwy.	\$ 60,187	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 60,187
Proj. 4-3 - Reloc. & Recon Txwy. Z	\$ 213,215	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 213,215
Proj. 4-4 - Replace ARFF Facility	\$ 190,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 190,000
Proj. 4-5 - Recon. Txwy C,H,P Intr.	\$ 109,988	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 109,988
Proj. 4-6 - Recon. S. Apron	\$ 378,432	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 378,432
Proj. 4-7 - Acquire 2 ARFF Veh.	\$ 80,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 80,000
<b>Total App - 04</b>	<b>\$ 1,395,921</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,395,921</b>
<b>App 07-05</b>							
Proj. 5-1 - PFC Admin. Fee	\$ 25,000	\$ -	\$ -	\$ -	\$ (53)	\$ (53)	\$ 24,947
Proj. 5-2 - 10/28 Shoulder	\$ 108,702	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 108,702
Proj. 5-3 - Repl. FIDS/BIDS	\$ 27,815	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 27,815
Proj. 5-4 - Swpr. Snow Rem. Veh.	\$ 36,596	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 36,596
Proj. 5-5 - Airp. Master Drng. Plan	\$ 3,750	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,750
Proj. 5-6 - Rehab. RW 16R/34L	\$ 227,731	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 227,731
Proj. 5-7 - Rehab. RW 10/28	\$ 184,490	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 184,490
Proj. 5-8 - Swpr. Snow Rem. Eq.	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Proj. 5-9 - Airf. Light/Sign	\$ 82,320	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 82,320
Proj. 5-10 - Rehab. Txwys.	\$ 210,790	\$ -	\$ -	\$ -	\$ (45)	\$ (45)	\$ 210,745
<b>Total App - 05</b>	<b>\$ 907,194</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (98)</b>	<b>\$ (98)</b>	<b>\$ 907,096</b>
<b>App 12-06</b>							
Proj. 6-1 - Terminal Rehab.	\$ 204,917	\$ -	\$ -	\$ -	\$ (18,280)	\$ (18,280)	\$ 186,637
Proj. 6-2 - Exec. Apron Recon.	\$ 310,103	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 310,103
Proj. 6-3 - NW Taxilane, Emer Rdwy.	\$ 81,821	\$ -	\$ -	\$ -	\$ (8,235)	\$ (8,235)	\$ 73,586
Proj. 6-4 - Wildlife Hazard Asses.	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Proj. 6-5 - RW 4/22 16R/34L Reh. Design	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Proj. 6-6 - Emer. Perimeter Rdwy, Gate Reh.	\$ 44,984	\$ -	\$ -	\$ -	\$ (25,484)	\$ (25,484)	\$ 19,500
Proj. 6-7 - Airport Drng. Improvements	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Proj. 6-8 - Ent. Road Guidance Sign Reh.	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Proj. 6-9 - Airp. Radio Comm. Sys. Upgrade	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Proj. 6-10 - Airfield Lighting Cable Repl.	\$ -	\$ -	\$ -	\$ 1,366,361	\$ -	\$ 1,366,361	\$ 1,366,361
Proj. 6-11 - Txwy V Apron Expansion	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total App - 06</b>	<b>\$ 641,825</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,366,361</b>	<b>\$ (51,999)</b>	<b>\$ 1,314,362</b>	<b>\$ 1,956,187</b>
<b>Total Disbursements</b>	<b>\$ 30,843,593</b>	<b>\$ 292,803</b>	<b>\$ 292,803</b>	<b>\$ 1,659,164</b>	<b>\$ 240,706</b>	<b>\$ 2,485,476</b>	<b>\$ 33,329,069</b>
<b>Net PFC Revenue ( rev. - disb. )</b>		\$ 296,912	\$ 8,538	\$ (1,290,233)	\$ 135,431	\$ (849,352)	
<b>PFC Account Balance</b>	<b>\$ 4,670,456</b>	<b>\$ 4,967,368</b>	<b>\$ 4,975,906</b>	<b>\$ 3,685,673</b>	<b>\$ 3,821,104</b>	<b>\$ 3,821,104</b>	<b>\$ 3,821,104</b>

CITY OF MIDLAND, TEXAS  
MIDLAND INTERNATIONAL AIR AND SPACE PORT

Notes to PFC Revenue and Disbursement Schedule  
For the Year Ended September 30, 2014

(1) Description of the Program

Sections 9110 and 9111 of the Aviation Safety and Capacity Expansion Act of 1990, enacted on November 5, 1990, authorized by the Secretary of Transportation, further delegated to the Federal Aviation Administration (FAA) Administrator, to approve the local imposition of an airport passenger facility charge (PFC) of \$1, \$2, or \$3 or \$4.50 per enplaned passenger for use on certain airport projects. On May 29, 1991, the FAA issued Part 158 of the Federal Aviation Regulations outlining policies and procedures for the PFC Program. Under Part 158, public agencies controlling commercial service airports can apply to the FAA for authority to impose a PFC for use on eligible projects. The Midland International Airport (the Airport) was initially authorized by the FAA to impose and use a \$3 passenger charge. In June of 2004, Midland International Airport was granted FAA approval to collect at the \$4.50 per enplaned passenger rate. Midland International Airport began collecting at the \$4.50 rate effective November 1, 2004. However, January 1, 2014 the passenger charge decreased from \$4.50 to \$3.00 temporarily for the period January 1, 2014 to October 30, 2014 and returned to \$4.50 November 1, 2014.

Passenger facility charges collected are deposited and separately held in a restricted account along with interest earned on such funds. Disbursements shown in the schedule of passenger facility charge revenue and disbursements represent those amounts transferred from the restricted account to reimburse the Airport for the PFC qualified portion of amounts expended on eligible projects.

(2) PFC Revenue and Disbursement Schedule

The accompanying PFC Revenue and Disbursement Schedule (Schedule) presents the revenues received from the Passenger Facility Charges and Disbursement paid on approved projects.

The Schedule is prepared on a cash basis and, consequently, does not agree to the basic financial statements, but is reconciled to the financial statements as follows:

PFC cash basis collections	\$ 1,633,228
Fiscal year 2013 accrual	(170,824)
Fiscal year 2014 accrual	<u>132,334</u>
PFC revenue per financial statement	\$ <u>1,594,738</u>

**PFC AUDIT SUMMARY**  
**CITY OF MIDLAND, TEXAS**  
**MIDLAND INTERNATIONAL AIR AND SPACE PORT**  
**Fiscal Year Ended September 30, 2014**

- |  |   |                                    |
|--|---|------------------------------------|
| 1. Type of report issued on the PFC revenue and disbursement schedule.   | <input checked="" type="checkbox"/> Unmodified                          | <input type="checkbox"/> Qualified |
| 2. Type of report on PFC compliance.   | <input checked="" type="checkbox"/> Unmodified                          | <input type="checkbox"/> Qualified |
| 3. Quarterly Revenue and Disbursement reconcile with submitted quarterly reports.  | <input checked="" type="checkbox"/> Yes                                 | <input type="checkbox"/> No        |
| 4. PFC Revenue and Interest is accurately reported on FAA Form 5100-126.   | <input checked="" type="checkbox"/> Yes                                 | <input type="checkbox"/> No        |
| 5. The Public Agency maintains a separate financial accounting record for each application.  | <input checked="" type="checkbox"/> Yes                                 | <input type="checkbox"/> No        |
| 6. Funds disbursed were for PFC eligible items as identified in the FAA Decision to pay only for the allowable costs of the projects.                | <input checked="" type="checkbox"/> Yes                                 | <input type="checkbox"/> No        |
| 7. Monthly carrier receipts were reconciled with quarterly carrier reports.  | <input checked="" type="checkbox"/> Yes                                 | <input type="checkbox"/> No        |
| 8. PFC revenues were maintained in a separate interest-bearing capital account or commingled only with other interest-bearing airport capital funds. | <input checked="" type="checkbox"/> Yes                                 | <input type="checkbox"/> No        |
| 9. Serving carriers were notified of PFC program actions/changes approved by FAA.  | <input checked="" type="checkbox"/> Yes                                 | <input type="checkbox"/> No        |
| 10. Quarterly reports were transmitted (or available via website) to remitting carriers.   | <input checked="" type="checkbox"/> Yes                                 | <input type="checkbox"/> No        |
| 11. The Public Agency is in compliance with Assurances 5, 6, 7, and 8.   | <input checked="" type="checkbox"/> Yes                                 | <input type="checkbox"/> No        |
| 12. Project administration is carried out in accordance with Assurance 10.   | <input checked="" type="checkbox"/> Yes                                 | <input type="checkbox"/> No        |
| 13. For those public agencies with excess revenue, a plan for the use of this revenue has been submitted to the FAA for review and concurrence.      | <input type="checkbox"/> Yes<br><input checked="" type="checkbox"/> N/A | <input type="checkbox"/> No        |

**CITY OF MIDLAND, TEXAS**  
**Summary of Findings and Questioned Costs**  
**September 30, 2014**

**Section I—Summary of Auditor's Results**

***Financial Statements***

Type of auditors' report issued: **Unmodified**

Internal control over financial reporting:

- Material weakness(es) identified?                     yes                     no
- Significant deficiency(ies) identified that are  
not considered to be material weaknesses?                     yes                     none reported

Noncompliance material to financial statements noted?                     yes                     no

***Passenger Facility Charge Program (PFC)***

Internal control over the PFC program:

- Material weakness(es) identified?                     yes                     no
- Significant deficiency(ies) identified that are  
not considered to be material weakness(es)?                     yes                     none reported

Type of auditor's report issued on compliance for PFC program: **Unmodified**

Any findings disclosed that are required to be reported                     yes                     no

**Section II- Schedule Findings**

**None Noted**

**Section III- PFC Findings and Questioned Costs**

**None Noted**

**END OF PFC REPORT  
PAMPHLET**

**PAGES TO FOLLOW ARE  
ASSOCIATED  
DOCUMENTS**

**CITY OF MIDLAND, TEXAS**  
**Schedule of Prior Year Findings and Questioned Costs**  
**Year ended September 30, 2014**

The status of prior year audit recommendations is summarized below:

Original  
Finding

PFC Non-compliance-allowable costs

Maximum PFC allowable costs were not reconciled to amount approved by FAA before Council meeting approval. Error was found and corrected.

Current Status of Prior Audit Finding

Corrective action plan: Management at the Midland International Air and Space Port, including the Director and accounting staff have reinforced a check and balance system regarding items submitted to Council for final approval. The appropriation language, amounts listed, and accounting codes will be tied out and agreed upon by this management team before the Council date.

Full corrective action has been taken.