



SCHEDULE OF PASSENGER
FACILITY CHARGE
REVENUE AND
DISBURSEMENTS

FISCAL YEAR ENDED

SEPTEMBER 30, 2019

MIDLAND, TEXAS

City of Midland, Texas
Midland International Air and Space Port
September 30, 2019

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**Report on Compliance for the Passenger Facility Charge Program,
Report on Internal Control Over Compliance; and Report on Schedule of
Passenger Facility Charge Revenue and Disbursements**

Independent Auditor's Report

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

Report on Compliance for the Passenger Facility Charge Program

We have audited the City of Midland, Texas's (City) 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 City's passenger facility charge program for the year ended September 30, 2019.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations and the terms and conditions of its passenger facility charge program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of the City's passenger facility charge program 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 passenger facility charge 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. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Passenger Facility Charge Program

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 its passenger facility charge program for the year ended September 30, 2019.

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 passenger facility charge program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for the passenger facility charge 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 passenger facility charge 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 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 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.

Report on Schedule of Passenger Facility Charge Revenue and Disbursements

We have audited the basic financial statements of the City of Midland, Texas, as of and for the year ended September 30, 2019, and have issued our report thereon dated March 31, 2020, which contained unmodified opinions on those basic financial statements and an emphasis of a matter paragraph regarding a restatement related to an error correction. Our audit was performed for the purpose of forming opinions on the basic financial statements as a whole. The accompanying Schedule of Passenger Facility Charge Revenue and Disbursements is presented for purposes of additional analysis, as specified in the 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 basic 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 Revenue and Disbursements is fairly stated in all material respects in relation to the basic financial statements as a whole.

BKD, LLP

Dallas, Texas
March 31, 2020

City of Midland, Texas
Midland International Air and Space Port
Schedule of Passenger Facility Charge Revenue and Disbursements
Year Ended September 31, 2019

	FY-18 Program Total	Quarter 1 Oct. - Dec.	Quarter 2 Jan. - Mar.	Quarter 3 Apr. - Jun.	Quarter 4 Jul. - Sep.	FY-19 Total	FY-19 Program Total
Revenue							
Collections	\$ 42,569,112	\$ 745,345	\$ 590,295	\$ 679,905	\$ 802,402	\$ 2,817,947	\$ 45,387,059
Interest	2,763,016	29,721	61,927	47,092	36,992	175,732	2,938,748
Total Revenue	45,332,128	775,066	652,222	726,997	839,394	2,993,679	48,325,807
Disbursements							
App 94-02							
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	30,303,864	-	-	-	-	-	30,303,864
Total App - 02	30,725,889	-	-	-	-	-	30,725,889
App 01-04							
Proj. 4-1 - Recon. N. Apron & Drn.	364,099	-	-	-	-	-	364,099
Proj. 4-2 - Rehab. RW & Txy.	60,187	-	-	-	-	-	60,187
Proj. 4-3 - Reloc. & Recon Txy. Z	213,215	-	-	-	-	-	213,215
Proj. 4-4 - Replace ARFF Facility	190,000	-	-	-	-	-	190,000
Proj. 4-5 - Recon. Txy 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
Total App - 04	1,395,921	-	-	-	-	-	1,395,921
App 07-05							
Proj. 5-1 - PFC Admin. Fee	50,000	-	-	-	-	-	50,000
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. Txyws.	210,745	-	-	-	-	-	210,745
Total App - 05	932,149	-	-	-	-	-	932,149
App 12-06							
Proj. 6-1 - Terminal Rehab.	186,637	-	-	-	-	-	186,637
Proj. 6-2 - Exec. Apron Recon.	310,103	-	-	-	-	-	310,103
Proj. 6-3 - NW Taxilane, Emer Rdwy.	73,586	-	-	-	-	-	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.	19,500	-	-	-	-	-	19,500
Proj. 6-7 - Airport Drng. Improvements	-	-	-	-	-	-	-
Proj. 6-8 - Ent. Road Guidance Sign Reh.	1,330,700	-	-	-	-	-	1,330,700
Proj. 6-9 - Airp. Radio Comm. Sys. Upgrade	-	-	-	-	-	-	-
Proj. 6-10 - Airfield Lighting Cable Repl.	1,401,756	-	-	-	-	-	1,401,756
Proj. 6-11 - Txy V Apron Expansion	-	-	-	-	-	-	-
Total App - 06	3,322,282	-	-	-	-	-	3,322,282
App 14-07							
Proj 7-1 - Airfield Security Access Control System	-	-	-	-	-	-	-
Proj 7-2 - Aircraft Ramp Lighting System	468,829	-	-	-	-	-	468,829
Proj 7-3 - Construct RW 16R Run-Up	879,200	-	-	-	-	-	879,200
Proj 7-4 - Northwest Taxilane Extension	-	-	-	-	-	-	-
	1,348,029	-	-	-	-	-	1,348,029
APP 18-08							
Proj 8-1 - Rehab Runway 10/28	-	-	-	-	-	-	-
Proj 8-2 - Rehab RW 16R/34L	-	-	-	-	-	-	-
Proj 8-3 - Rehab Taxiways	-	-	-	-	-	-	-
Proj 8-4 - RIM	-	-	-	-	-	-	-
Proj 8-5 - Improve Security Checkpoint	-	-	-	-	-	-	-
Proj 8-6 - Airport Wildlife Management	-	-	-	-	-	-	-
Proj 8-7 - Security Access Control	56,145	5,498	30,069	592,558	361,712	989,837	1,045,982
Proj 8-8 - Airfield Storm Drain	-	-	-	-	-	-	-
Proj 8-9 PFC Admin Charges	-	-	-	-	20,026	20,026	20,026
	56,145	5,498	30,069	592,558	381,738	1,009,863	1,066,008
Total Disbursements	37,780,415	5,498	30,069	592,558	381,738	1,009,863	38,790,278
Net PFC Revenue (rev. - disb.)		769,568	622,153	134,439	457,656	1,983,816	
PFC Account Balance	\$ 7,551,713	\$ 8,321,281	\$ 8,943,434	\$ 9,077,873	\$ 9,535,529	\$ 9,535,529	\$ 9,535,529

The accompanying notes are an integral part of this Schedule.

City of Midland, Texas
Midland International Air and Space Port
Notes to the Schedule of Passenger Facility Charge Revenue and Disbursements
Year Ended September 31, 2019

Note 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, \$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 Air and Space Port (Airport) was initially authorized by the FAA to impose and use a \$3 passenger charge. In June 2004, the Airport was granted FAA approval to collect at the \$4.50 per enplaned passenger rate. The 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 31, 2014 and returned to \$4.50 on 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.

Note 2: Basis of Accounting – Schedule of Passenger Facility Charge Revenue and Disbursements

The accompanying Schedule of Passenger Facility Charge Revenue and Disbursements presents the revenues received from the passenger facility charges and disbursements 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	\$ 2,817,947
Fiscal year 2018 accrual	(314,445)
Fiscal year 2019 accrual	<u>230,260</u>
PFC revenue per financial statements	<u><u>\$ 2,733,762</u></u>

Note 3: Disbursements

The airport is currently in the application process with the FAA for several new projects. As of September 30, 2019, the FAA had not approved the application.

City of Midland, Texas
Schedule of Findings and Questioned Costs
Year Ended September 30, 2019

Summary of Auditor's Results

- | | | |
|--|--|--|
| 1. Type of report issued on PFC financial statements. | <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 expenditures reconcile with submitted quarterly reports and reported un-liquidated revenue matches actual amounts. | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No |
| 4. PFC revenue and interest is accurately reported on FAA Form 5100-127. | <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 project. | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No <input type="checkbox"/> N/A |
| 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 the 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 design and implementation is carried out in accordance with Assurance 9. | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No |
| 13. Program administration is carried out in accordance with Assurance 10. | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No |
| 14. 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 <input type="checkbox"/> No | <input checked="" type="checkbox"/> N/A |

City of Midland, Texas
Summary Schedule of Prior Audit Findings
Year Ended September 30, 2019

Summary of Prior Audit Findings Results

No matters are reportable