

City of Midland, Texas

Schedule of Passenger Facility Charge Revenue and Disbursements

September 30, 2021

City of Midland, Texas
September 30, 2021

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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' (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, 2021.

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, 2021.

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 financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City, as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated March 11, 2022, which expressed unmodified opinions on those financial statements, a reference to other auditors, and an emphasis of matter paragraph regarding a change in accounting principle. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of passenger facility charge revenue and disbursements is presented for purposes of additional analysis as required by 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 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 11, 2022

City of Midland, Texas
Midland International Air and Space Port
Schedule of Passenger Facility Charge Revenue and Disbursements
Year Ended September 30, 2021

	FY-20 Program Total	Quarter 1 Oct. - Dec.	Quarter 2 Jan. - Mar.	Quarter 3 Apr. - Jun.	Quarter 4 Jul. - Sep.	FY-21 Total	FY-21 Program Total
Revenue							
Collections	\$ 47,000,311	\$ 319,088	\$ 309,317	\$ 485,981	\$ 522,502	\$ 1,636,888	\$ 48,637,199
Interest	3,029,024	4,008	11,905	6,480	16,846	39,239	3,068,263
Total Revenue	\$ 50,029,335	\$ 323,096	\$ 321,222	\$ 492,461	\$ 539,348	\$ 1,676,127	\$ 51,705,462
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 & 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
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 Dmg. 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.	210,745	-	-	-	-	-	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 Dmg. 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 – Txwy 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	-	-	-	-	-	-	-
Total App - 07	1,348,029	-	-	-	-	-	1,348,029
APP 18-08							
Proj 8-1 – Rehab Runway 10/28	119,687	-	-	-	-	-	119,687
Proj 8-2 – Rehab RW 16R/34L	144,360	-	-	-	-	-	144,360
Proj 8-3 – Rehab Taxiways	104,219	-	-	-	-	-	104,219
Proj 8-4 – RIM	238,952	-	-	-	-	-	238,952
Proj 8-5 – Improve Security Checkpoint	339,925	-	-	-	-	-	339,925
Proj 8-6 – Airport Wildlife Management	-	-	-	-	-	-	-
Proj 8-7 – Security Access Control	1,416,678	-	70	-	-	70	1,416,748
Proj 8-8 – Airfield Storm Drain	60,859	-	14,250	18,000	3,750	36,000	96,859
Proj 8-9 PFC Admin Charges	62,362	2,037	-	-	-	2,037	64,399
	2,487,042	2,037	14,320	18,000	3,750	38,107	2,525,149
APP 20-09							
Proj 9-1 – Airport Wildlife Management Improvements	-	-	17,614	4,735	9,562	31,911	31,911
Proj 9-2 – Airfield Wildlife Fence Improvements	-	-	63,256	73,694	86,815	223,765	223,765
Proj 9-3 – PFC Administrative Support Costs	-	-	-	1,279	4,859	6,138	6,138
	-	-	80,870	79,708	101,236	261,814	261,814
Total Disbursements	\$ 40,211,312	\$ 2,037	\$ 95,190	\$ 97,708	\$ 104,986	\$ 299,921	\$ 40,511,233
Net PFC Revenue (rev. – disb.)		321,059	226,032	394,753	434,362	1,376,206	
PFC Account Balance	\$ 9,818,023	\$ 10,139,082	\$ 10,365,114	\$ 10,759,867	\$ 11,194,229	\$ 11,194,229	\$ 11,194,229

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 30, 2021

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	\$	1,636,888
Fiscal year 2020 accrual		(178,134)
Fiscal year 2021 accrual		285,835
		285,835
PFC revenue per financial statements	\$	1,744,589

City of Midland, Texas
Schedule of Findings and Questioned Costs
Year Ended September 30, 2021

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, 2021

Summary of Prior Audit Findings Results

No matters are reportable.