

City of Midland, Texas

Schedule of Passenger Facility Charge Collections and Expenditures

September 30, 2022



City of Midland, Texas
September 30, 2022

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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 Collections and Expenditures

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

Opinion on Passenger Facility Charge Program

We have audited the City of Midland, Texas' (City) compliance with the types of compliance requirements identified as subject to audit 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, 2022.

In our opinion, the City complied, in all material respects, with the 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, 2022.

Basis for Opinion on 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 (*Government Auditing Standards*); and 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 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 on compliance of the passenger facility charge program. Our audit does not provide a legal determination 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 its 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 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 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 City's compliance with the requirements of the passenger facility charge program as a whole.

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 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 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 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 "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.

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

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.

Report on Schedule of Passenger Facility Charge Collections and Expenditures

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, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated March 21, 2023, which contained 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 Collections and Expenditures* 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 Collections and Expenditures* is fairly stated in all material respects in relation to the basic financial statements as a whole.

FORVIS,LLP

**Dallas, Texas
March 21, 2023**

City of Midland, Texas
Midland International Air and Space Port
Schedule of Passenger Facility Charge Collections and Expenditures
Year Ended September 30, 2022

	FY-22 Program Total	Quarter 1 Oct. - Dec.	Quarter 2 Jan. - Mar.	Quarter 3 Apr. - Jun.	Quarter 4 Jul. - Sep.	FY-22 Total	FY-22 Program Total
Revenue							
Collections	\$ 48,637,199	\$ 483,350	\$ 585,423	\$ 538,264	\$ 889,433	\$ 2,496,470	\$ 51,133,669
Interest	3,068,263	17,436	16,296	21,089	51,334	106,155	3,174,418
Total Revenue	\$ 51,705,462	\$ 500,786	\$ 601,719	\$ 559,353	\$ 940,767	\$ 2,602,625	\$ 54,308,087
Disbursements							
App 94-02 (1)							
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 (2)							
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 (3)							
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 (4)							
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 (5)							
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	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	1,416,748	-	-	-	-	-	1,416,748
Proj 8-8 – Airfield Storm Drain	96,859	-	7,500	-	12,000	19,500	116,359
Proj 8-9 PFC Admin Charges	64,398	3,069	-	-	-	3,069	67,467
	2,525,148	3,069	7,500	-	12,000	22,569	2,547,717
APP 20-09							
Proj 9-1 – Airport Wildlife Management Improvements	31,911	43,850	22,654	32,181	44,745	143,430	175,341
Proj 9-2 – Airfield Wildlife Fence Improvements	223,765	181,695	79,825	233,305	67,695	562,520	786,285
Proj 9-3 – PFC Administrative Support Costs	6,138	7,076	17,261	6,853	4,984	36,174	42,312
	261,814	232,621	119,740	272,339	117,424	742,124	1,003,938
Total Disbursements	\$ 40,511,232	\$ 235,690	\$ 127,240	\$ 272,339	\$ 129,424	\$ 764,693	\$ 41,275,925
Net PFC Revenue (rev. – disb.)		265,096	474,479	287,014	811,343	1,837,932	
PFC Account Balance	\$ 11,194,230	\$ 11,459,326	\$ 11,933,805	\$ 12,220,819	\$ 13,032,162	\$ 13,032,162	\$ 13,032,162

- (1) Application was closed by the Federal Aviation Administration (FAA) on December 13, 2021
(2) Application was closed by the FAA on December 27, 2021
(3) Application was closed by the FAA on February 24, 2022
(4) Application was closed by the FAA on March 21, 2022
(5) Application was closed by the FAA on May 9, 2022

City of Midland, Texas
Midland International Air and Space Port
Notes to the Schedule of Passenger Facility Charge Collections and Expenditures
Year Ended September 30, 2022

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, on 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 collections and expenditures 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 Collections and Expenditures

The accompanying Schedule of Passenger Facility Charge Collections and Expenditures presents the collections received from the passenger facility charges and expenditures 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	\$	2,496,470
Fiscal year 2021 accrual		(285,835)
Fiscal year 2022 accrual		227,000
		227,000
PFC revenue per financial statements	\$	2,437,635

City of Midland, Texas
Schedule of Findings and Questioned Costs
Year Ended September 30, 2022

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, 2022

Summary of Prior Audit Findings Results

No matters are reportable.