

CITY OF AMARILLO, TEXAS

**SINGLE AUDIT –
FEDERAL AWARDS
SUPPLEMENTARY FINANCIAL REPORT**
Year Ended September 30, 2012

TABLE OF CONTENTS

	PAGE
Independent Auditor's 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	1
Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance and Schedule of Expenditures of Federal Awards in Accordance with OMB Circular A-133.....	3
Schedule of Expenditures of Federal Awards.....	6
Notes to Schedule of Expenditures of Federal Awards	9
Schedule of Findings and Questioned Costs	10
Summary Schedule of Prior Audit Findings.....	13
Schedule of Corrective Action Plan.....	15
Independent Auditor's Report on Compliance with Requirements Applicable to the Passenger Facility Charge Program and on Internal Control Over Compliance	16
Schedule of Passenger Facility Charges (PFCs) Collected and Expended (As Reported to FAA).....	18
Notes to the Schedule of Passenger Facility Charges Collected and Expended	19

**Independent Auditor's 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 and Members of the City Commission
City of Amarillo, Texas

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Amarillo, Texas (the City) as of and for the year ended September 30, 2012, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 22, 2013. We conducted our audit in accordance with 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.

Internal Control Over Financial Reporting

Management of the City is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of 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*.

This report is intended solely for the information and use of the City Commission, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Connor, McMillon, Mitchell & Spennum PLLC

Amarillo, Texas
January 22, 2013

**Independent Auditor's Report on Compliance with Requirements
That Could Have a Direct and Material Effect on Each
Major Program and on Internal Control Over Compliance
and Schedule of Expenditures of Federal Awards
in Accordance with OMB Circular A-133**

The Honorable Mayor and Members of the City Commission
City of Amarillo, Texas

Compliance

We have audited the City of Amarillo, Texas (the City's) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2012. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 a major federal 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. Our audit does not provide a legal determination of the City's compliance with those requirements.

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 each of its major federal programs for the year ended September 30, 2012. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2012-01 and 2012-02.

Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a

major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 a federal 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 a federal program will not be prevented, or detected and corrected, on a timely basis.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as items 2012-01 and 2012-02. 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 a federal 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.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the 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, 2012, and have issued our report thereon dated January 22, 2013, which contained an unqualified opinion on those financial statements. Our audit was conducted for the purpose of forming our opinions on the financial statements that collectively comprise the City's financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City's responses and, accordingly, we express no opinion on the responses.

The purpose of this report is solely to describe the scope of our testing of compliance with the types of compliance requirements applicable to each of the City's major programs and our testing of internal control over compliance and the results of our testing, and to provide an opinion on the City's compliance but not to provide an opinion on the effectiveness of the City's internal control over compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's compliance with requirements applicable to each major program and its internal control over compliance. Accordingly, this report is not suitable for any other purpose.

Connor, McMillon, Mitchell & Snedden PLLC

Amarillo, Texas
January 22, 2013

**CITY OF AMARILLO, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended September 30, 2012**

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
<u>FEDERAL AWARDS</u>			
U.S. Department of Agriculture			
<i>Pass-through from:</i>			
Texas Department of State Health Services			
Special Supplemental Nutrition Program for Women, Infants, and Children WIC Card Participation	10.557	2011-037222-001	\$ 196
Special Supplemental Nutrition Program for Women, Infants, and Children WIC Card Participation	10.557	2011-037222-001	295,683
Special Supplemental Nutrition Program for Women, Infants, and Children WIC Card Participation	10.557	2012-039927-001A	1,136,086
Special Supplemental Nutrition Program for Women, Infants, and Children WIC Card Participation	10.557	2012-039927-001A	30,791
Total CFDA No. 10.557			<u>1,462,756</u>
Texas Department of Agriculture			
Summer Food Service Program (SFSP)	10.559	TX1881003-75C5001	240,628
Total U.S. Department of Agriculture			<u>1,703,384</u>
U.S. Department of Energy			
<i>Pass-through from:</i>			
State Energy Conservation Office			
AIP Grant CP605 Amend 11	81.214	CP1205	119,759
Total U.S. Department of Energy			<u>119,759</u>
Federal Emergency Management Agency			
<i>Pass-through from:</i>			
Texas Division of Emergency Management, Office of Governor			
Emergency Manage Perf Grant	97.042	11TX-EMPG-1108	67,265
Total Federal Emergency Management Agency			<u>67,265</u>
U.S. Department of Health and Human Services			
<i>Pass-through from:</i>			
Texas Department of State Health Services			
Immunization Division - Locals	93.268	2012-038150-001	234,757
Immunization Division - Locals	93.268	2013-041374-004	24,080
Immunization Division - Noncash	93.268	2012-038150-001	1,109,761
Total CFDA No. 93.268			<u>1,368,598</u>
PPCPS/Hazards	93.069	2011-038809-001	214,500
PPCPS/Hazards	93.069	2013-041374-002	19,953
Total CFDA No. 93.069			<u>234,453</u>
Refugee Health Screening Program	93.566	2012-039778-001A	421,220
Refugee Health Screening Program	93.566	2013-041374-005	39,106
Total CFDA No 93.566			<u>460,326</u>
HIV Prevention	93.940	2011-037461-001	42,518
HIV Prevention	93.940	2012-040426-001	150,184
Total CFDA No 93.940			<u>192,702</u>
Regional Local Support Service/Local Public Health Service	93.991	2012-039481-001A	109,860
Total U.S. Department of Health and Human Services			<u>2,365,939</u>
U.S. Department of Housing & Urban Development			
<i>Direct:</i>			
Supportive Housing for Persons with Disabilities	14.181	-	326,346
Community Development Block Grant	14.218	-	1,905,693
Special Needs Assistance Program	14.235	-	83,347
Special Needs Assistance Program	14.235	-	115,342
Total CFDA No 14.235			<u>198,689</u>

CITY OF AMARILLO, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, CONTINUED
Year Ended September 30, 2012

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Housing & Urban Development (Continued)			
<i>Direct (Continued):</i>			
Shelter Plus Care	14.238	-	145,375
Shelter Plus Care	14.238	-	110,202
Total CFDA No 14.238			<u>255,577</u>
Home Investment Partnership Program	14.239	-	741,128
Homeless Management Information System	14.261	-	93,105
ARRA - Homelessness Prevention and Rapid Re-Housing Program (HPRP) (Recovery Act Funded)	14.262	-	182,737
Section 8 Moderate Rehabilitation	14.856	-	23,428
Section 8 Housing Choice Vouchers	14.871	-	8,090,118
Total Direct			<u>11,816,821</u>
Total U.S. Department of Housing & Urban Development			<u>11,816,821</u>
U.S. Department of Justice			
<i>Direct:</i>			
Edward Byrne Memorial Justice Assistance Grant	16.738	-	54,153
Edward Byrne Memorial Justice Assistance Grant	16.738	-	4,533
Edward Byrne Memorial Justice Assistance Grant	16.738	-	73,524
Total CFDA No. 16.738			<u>132,210</u>
ARRA - Recovery Act - Edward Byrne Memorial Justice Assistance Grant	16.804	-	78,611
Total U.S. Department of Justice			<u>210,821</u>
U.S. Department of Transportation			
<i>Pass-through from:</i>			
Texas Department of Transportation			
Urban Transportation Study	20.205	50-12XF0012	229,729
Unified Planning Work Program (5303)	20.505	50-12XF0012	82,692
Transit Operating Assistance	20.507	51104F7052	396,940
STEP - Single Year - 2012 Comprehensive	20.600	2012-Amarillo-S-1YG-0037	98,487
Click It or Ticket STEP - Memorial Day Holiday	20.602	2012-AmarilloPD-CIOT-00003	9,000
Total U.S. Department of Transportation			<u>816,848</u>
U.S. Department of Transportation - Federal Transit Administration			
<i>Direct:</i>			
Federal Transit Administration FY2009 Capital & Operations	20.507	-	7,328
Federal Transit Administration FY2010 Capital & Operations	20.507	-	743,767
Federal Transit Administration FY2011	20.507	-	983,690
Federal Transit Administration FY2012	20.507	-	390,428
ARRA - Transit Preventative Maintenance	20.507.001	-	553,342
Total U.S. Department of Transportation - Federal Transit Administration			<u>2,678,555</u>
U.S. Department of Transportation - Federal Aviation Administration			
<i>Direct:</i>			
Airport Improvement Program	20.106	-	1,883,750
Airport Improvement Program	20.106	-	568,078
Total CFDA No. 20.106			<u>2,451,828</u>
Total U.S. Dept. of Transportation - Federal Aviation Administration			<u>2,451,828</u>
U.S. Department of Homeland Security			
<i>Pass-through from:</i>			
Governor's Division of Emergency Management			
MMRS	97.071	09-GA-3000-05	304,603
State Homeland Security Grant Program	97.073	09-GA 3000-05	348,125
LETPP	97.073	09-GA 3000-05	216,891
Total CFDA No 97.073			<u>565,016</u>
Total Division of Emergency Management			<u>869,619</u>

CITY OF AMARILLO, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, CONTINUED
Year Ended September 30, 2012

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Homeland Security (Continued)			
<i>Pass-through from (Continued):</i>			
TSA Airport Checked Baggage Inspection	97.117	HSTS04-09-H-CT1279	<u>1,374,152</u>
Total Pass-through			<u>1,374,152</u>
Total U.S. Department of Homeland Security			<u>2,243,771</u>
National Foundation on the Arts and the Humanities			
<i>Pass-through from:</i>			
Texas State Library and Archives Commission			
Library Systems Operation Grant	45.310	470-12007	199,675
Technical Assistance Negotiated Grant	45.310	476-12008	<u>71,268</u>
Total CFDA No. 45.310			<u>270,943</u>
Total National Foundation on the Arts and the Humanities			<u>270,943</u>
U.S. Department of Energy			
<i>Direct:</i>			
ARRA - Energy Efficiency & Conservation Grant Program (EECBG)	81.128	-	83,898
Total U.S. Department of Energy			<u>83,898</u>
Environmental Protection Agency			
<i>Pass-through from:</i>			
Texas Water Development Board			
ARRA - Capitalization Grants for Drinking Water State Revolving Fund	66.468	61609	<u>1,455,143</u>
Total Texas Water Development Board			<u>1,455,143</u>
Total Environmental Protection Agency			<u>1,455,143</u>
Total Expenditures of Federal Awards			<u><u>\$ 26,284,975</u></u>

This schedule should be read only in connection with the accompanying notes to the schedule.

**CITY OF AMARILLO, TEXAS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended September 30, 2012**

NOTE 1 - GENERAL

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) presents the activity of all federal awards programs of the City of Amarillo, Texas, (the City) for the year ended September 30, 2012. The City's reporting entity is defined in the Summary of Significant Accounting Policies to the City's financial statements. Federal financial assistance received directly from federal agencies, as well as assistance passed through other government agencies, is included on the Schedule.

NOTE 2 - BASIS OF ACCOUNTING

The accompanying Schedule is presented using the modified accrual basis of accounting, which is described in the Summary of Significant Accounting Policies to the City's financial statements.

NOTE 3 - RELATIONSHIP TO FEDERAL FINANCIAL REPORTS

Amounts reported in the accompanying Schedule agree with the amounts reported in the related federal financial reports considering timing differences of cash receipts.

NOTE 4 - NONCASH GRANTS

The City received vaccines from the Texas Department of State Health Services, Immunization Division (CFDA Number 93.268), for distribution to "Texas Health Step" providers. It continues to receive vaccines from the Division for usage in its own public health facilities. As the City does not purchase these vaccines, the value of the vaccines received by the City during the fiscal year ended September 30, 2012, has been computed to be \$1,109,761 based on information supplied by the City Department of Public Health. This amount is included in the accompanying Schedule of Expenditures of Federal Awards.

NOTE 5 - SUBRECIPIENTS

Of the federal expenditures presented in the Schedule, the City provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amounts Provided to Subrecipients</u>
Community Development Block Grant	14.218	\$ 305,574
Special Needs Assistance Program	14.235	48,039
Home Investment Partnership Program	14.239	44,000
ARRA-Recovery Justice Assistance Grant	16.804	<u>54,152</u>
		<u>\$ 451,765</u>

This information is an integral part of the accompanying schedule.

**CITY OF AMARILLO, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended September 30, 2012**

SECTION I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? yes X no
- Significant deficiencies identified? yes X none reported

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes X no
- Significant deficiencies identified? X yes none reported

Type of Auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? X yes no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
Federal Programs	
14.218	Community Development Block Grants/Entitlement Grants
14.871	Section 8 Housing Choice Vouchers
	JAG Program Cluster
16.738	Edward Byrne Memorial Justice Assistance Grant
16.804	ARRA – Recovery Justice Assistance Grant
20.106	Airport Improvement Program
66.468	ARRA – Capitalization Grants for Drinking Water State Revolving Funds
93.268	Immunization Division Locals

Dollar threshold used to distinguish between type A and type B programs: \$ 788,549

Auditee qualified as low-risk auditee? X yes no

CITY OF AMARILLO, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended September 30, 2012

SECTION II – Financial Statement Findings

None

SECTION III – Federal Award Findings and Questioned Costs – Major Federal Programs

Finding 2012-01

Program: 14.218 Community Development Block Grant
16.804 ARRA Recovery Justice Assistance Grant

Criteria: June 2012 OMB A-133 Compliance Supplement, Part III L Reporting.

Under the Federal Funding Accountability and Transparency Act of 2006 (FFATA) – First-tier subawards with a value of \$25,000 or more in Federal Funds and any modification to that amount made on or after October 1, 2010, must be reported by the recipient through the FFATA Subaward Reporting System (FSRS) no later than the last day of the month following the month in which the award or the modification was signed.

ARRA Section 1512 Reports Step 9 (a) – For awards received as a recipient, trace the key data elements to records that accumulate and summarize data to verify that the data elements were presented in accordance with ARRA Section 1512 reporting requirements.

Condition: 14.218 Community Development Block Grant – The City made subawards after October 1, 2010 but failed to report through FSRS.
16.804 ARRA Recovery Justice Assistance Grant – ARRA Section 1512 Reports contained a reporting error.

Context: 14.218 Community Development Block Grant – Six of six subawards selected for test work were not timely filed through FSRS.
16.804 ARRA Recovery Justice Assistance Grant – The data field for grant-to-date expenditures for December 31, 2011, March 31, 2012 and June 30, 2012 report was not compiled correctly.

Effect: Noncompliance with program requirements.

Cause: The City has procedures to ensure that program directors are informed of the reporting requirements; however, proper review procedures over reporting are not being implemented.

Recommendation: The City should implement procedures to address noncompliance with program requirements.

CITY OF AMARILLO, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended September 30, 2012

Finding 2012-01 (Continued)

Views of Responsible Officials and Corrective Action Plan: Dean Frigo, Assistant City Manager Financial Services, will implement additional procedures including scheduled monthly meetings to ensure that reporting requirements are properly prepared, reviewed and submitted. In addition, the reporting function for the ARRA Recovery Justice Assistance Grant will be separately reviewed by the Accounting Department. Transparency reporting requirements for the Community Development Block Grant will be monitored by the City's Internal Auditor.

Finding 2012-02

Program: 14.218 Community Development Block Grant

Criteria: June 2012 A-133 Compliance Supplement, Part III M – Subrecipient Monitoring, a pass-through entity is responsible for monitoring the subrecipients' use of Federal awards through reporting, site visits, regular contact and other means. The pass-through entity is required to ensure that the subrecipient has met the audit requirements of OMB Circular A-133 and ensure that the subrecipient takes timely and appropriate correct action on all audit findings.

Condition: Subrecipient files did not contain documentation of site visits nor follow-up of subrecipient audit findings.

Context: Nine of ten subrecipient files did not have documentation of site visits. Two subrecipient files did not have documentation of follow-up regarding audit findings.

Effect: Noncompliance with program requirements.

Cause: The City has procedures to ensure that programs are in compliance with subrecipient monitoring requirements; however, due to turnover in personnel in this program, documentation of sub recipient monitoring was not consistently performed.

Recommendation: The City should implement procedures to ensure subrecipient monitoring grant requirements are followed.

Views of Responsible Officials and Corrective Action Plan: Dean Frigo, Assistant City Manager Financial Services, will implement additional procedures, including scheduled monthly meetings to ensure that subrecipient monitoring is properly performed and documented. Subrecipient monitoring for the Community Development Block Grant will be reviewed by the City's Internal Auditor.

CITY OF AMARILLO, TEXAS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended September 30, 2012

Finding 2011-01

Condition: The December 2010, May 2010 and September 2011 ARRA-001 reports contained either formula or typographical errors.

Corrective Action Plan: The City agreed with the recommendation and subsequently corrected the reports. Management considers this clerical error insignificant.

Current Status: Upon notification of the error, the City immediately corrected the formula errors effective for reporting periods on and after December 31, 2011. Reports prior to December 31, 2011 contained insignificant errors. Finding 2011-01 has been resolved.

Finding 2011-02

Condition: The City requested reimbursement for June 2011 expenditures which included a voided transaction in the amount of \$20,144, resulting in the City receiving \$20,144 of grant funds in error.

The City requested reimbursement for September 2011 expenditures which included a transaction that was incorrectly coded to the grant account in the amount of \$16,669, resulting in the City receiving \$16,669 of grant funds in error. The City identified and reported this error. The City also self-corrected this amount on the subsequent reimbursement request.

Corrective Action Plan: The City agreed with the recommendation and has corrected both over-payments through subsequent reimbursement requests. A further review of underlying records will be made prior to draw-down request.

Current Status: Finding 2011-02 has been resolved.

Finding 2011-03

Condition: Five cash reports were not reviewed or approved by the responsible official at the Public Health Department.

Corrective Action Plan: Matt Richardson, Director, and Hector Mendoza, Assistant Director, agreed and noted that the five identified cash reports did not have proper review and approval documentation due to a change of personnel during that time period. Both understand the importance of the process and agreed that it appears to be an isolated instance and has been corrected going forward.

Current Status: The review and approval process is being adhered to in the current year. Finding 2011-03 has been resolved.

**CITY OF AMARILLO, TEXAS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (CONTINUED)
Year Ended September 30, 2012**

Finding 2011-04

Condition: Under the FFATA, the City is to ensure that first-tier subawards of \$25,000 or more are reported through the FSRS. The City made subawards after October 1, 2010 but failed to report through FSRS.

Corrective Action Plan: Dean Frigo, Assistant City Manager Financial Services, implemented procedures to ensure that program directors are informed of new reporting requirements.

Current Status: Finding 2011-04 has been resolved for the Justice Assistance Grant #16.738. See current year Finding 2012-01 related to #14.218 Community Development Block Grant.

**CITY OF AMARILLO, TEXAS
SCHEDULE OF CORRECTIVE ACTION PLAN
Year Ended September 30, 2012**

Finding 2012-01

Condition: Under the FFATA, the City is to ensure that first-tier sub awards of \$25,000 or more are reported through the FSRs. The City made sub awards after October 1, 2010 but failed to report through FSRs.

Corrective Action Plan: Dean Frigo, Assistant City Manager Financial Services, will implement additional procedures including scheduled monthly meetings to ensure that reporting requirements are properly prepared, reviewed and submitted. In addition, the reporting function for the ARRA Recovery Justice Assistance Grant will be separately reviewed by the Accounting Department. Transparency reporting requirements for the Community Development Block Grant will be monitored by the City's Internal Auditor.

Finding 2012-02

Condition: Sub recipient files did not contain documentation of site visits nor follow up of sub recipient audit findings.

Corrective Action Plan: Dean Frigo, Assistant City Manager Financial Services, will implement additional procedures, including scheduled monthly meetings to ensure that subrecipient monitoring is properly performed and documented. Subrecipient monitoring for the Community Development Block Grant will be reviewed by the City's Internal Auditor.

**Independent Auditor's Report on Compliance with
Requirements Applicable to the Passenger Facility Charge
Program and on Internal Control Over Compliance**

The Honorable Mayor and Members of the City Commission
City of Amarillo, Texas

Compliance

We have audited the City of Amarillo, Texas (the City's) compliance with the compliance requirements described in the *Passenger/Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration (the Guide) for its passenger facility charge program for the year ended September 30, 2012. Compliance with the requirements of laws, regulations, contracts and grants applicable to its passenger facility charge program is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to its passenger facility charge program for the year ended September 30, 2012.

Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to the passenger facility charge program. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on the passenger facility charge program to determine the auditing procedures for the purpose of expressing our opinion on compliance 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.

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 the internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Passenger Facility Charges Collected and Expended

We have audited the financial statements of the 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, 2012, and have issued our report thereon dated January 22, 2013, which contained unqualified opinions on those financial statements. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the City's financial statements. The schedule of expenditures of passenger facility charges collected and expended is presented for the purposes of additional analysis as specified in 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 schedule of expenditures of passenger facility charges collected and expended is fairly stated, in all material respects, in relation to the financial statements as a whole.

The purpose of this report is solely to describe the scope of our testing of compliance with the types of compliance requirements applicable to the City's passenger facility charge program and our testing of internal control over compliance and the results of our testing, and to provide an opinion on the City's compliance but not to provide an opinion on the effectiveness of the City's internal control over compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's compliance with requirements applicable to the passenger facility charge program and its internal control over compliance. Accordingly, this report is not suitable for any other purpose.

Conner, McMiller, Mitchell & Sherman, PLLC

Amarillo, Texas
January 22, 2013

CITY OF AMARILLO, TEXAS
SCHEDULE OF PASSENGER FACILITY CHARGES (PFCs)
COLLECTED AND EXPENDED (AS REPORTED TO FAA)
Year Ended September 30, 2012

	Quarter ended December 31, 2011	Quarter ended March 31, 2012	Quarter ended June 30, 2012	Quarter ended September 30, 2012	Year ended September 30, 2012	Cumulative totals as of September 30, 2011	Cumulative totals as of September 30, 2012
Collections							
PFCs collected	\$ 417,476	\$ 345,159	\$ 395,853	\$ 481,068	\$ 1,639,556	\$ 4,272,789	\$ 5,912,345
Interest	653	483	347	358	1,841	13,294	15,135
Total collections	\$ 418,129	\$ 345,642	\$ 396,200	\$ 481,426	\$ 1,641,397	\$ 4,286,083	\$ 5,927,480
Expenditures on approved PFC projects included in:							
Project 08-01-C-00-AMA Terminal Construction	\$ -	\$ 1,593,313	\$ -	\$ 281,312	\$ 1,874,625	\$ 3,679,425	\$ 5,554,050
Total expenditures	\$ -	\$ 1,593,313	\$ -	\$ 281,312	\$ 1,874,625	\$ 3,679,425	\$ 5,554,050

See accompanying notes to schedule of passenger facility charges collected and expended.

CITY OF AMARILLO, TEXAS
NOTES TO SCHEDULE OF PASSENGER FACILITY
CHARGES COLLECTED AND EXPENDED
Year Ended September 30, 2012

NOTE 1 - GENERAL

The accompanying Schedule of Passenger Facility Charges Collected and Expended presents the activity of all passenger facility charges of the City of Amarillo, Texas.

NOTE 2 - BASIS OF ACCOUNTING

The accompanying Schedule of Passenger Facility Charges Collected and Expended is presented using the cash basis of accounting.

This information is an integral part of the accompanying schedule.