

**CITY OF AMARILLO, TEXAS**

**SINGLE AUDIT –  
FEDERAL AND STATE AWARDS  
SUPPLEMENTARY FINANCIAL REPORT**  
Year Ended September 30, 2015

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**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 Council  
City of Amarillo, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, 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, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 23, 2016.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

***Compliance and Other Matters***

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

***Purpose of This Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Connor McMillon Mitchell : Sherman P.C.*

Amarillo, Texas  
February 23, 2016

**Independent Auditor's Report on Compliance for Each Major Program  
and on Internal Control Over Compliance Required by OMB Circular A-133  
and the State of Texas Single Audit Circular**

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

***Report on Compliance for Each Major Federal and State Program***

We have audited the City of Amarillo, Texas (the City) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the State of Texas Single Audit Circular that could have a direct and material effect on each of the City's major federal and state programs for the year ended September 30, 2015. The City's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal and state programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the City's major federal and state programs 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; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and State of Texas Single Audit Circular. Those standards, OMB Circular A-133, and the State of Texas Single Audit Circular 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 and state program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal and state program. However, our audit does not provide a legal determination of the City's compliance.

***Opinion on Each Major Federal and State Program***

In our opinion, the City complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended September 30, 2015.

## ***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 each major federal and state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with OMB Circular A-133 and the State of Texas Single Audit Circular, 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 and state 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 and state 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 a federal and state 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 City's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

## ***Report on Schedule of Expenditures of Federal and State Awards Required by OMB Circular A-133 and the State of Texas Single Audit Circular***

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, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated February 23, 2016, which contained unmodified opinions on those financial statements. 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 expenditures of federal and state awards is presented for purposes of additional analysis as required by OMB Circular A-133 and the State of Texas Single Audit Circular 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 expenditures of federal and state awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

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 OMB Circular A-133 and the State of Texas Single Audit Circular. Accordingly, this report is not suitable for any other purpose.

*Connor McMillon Mitchell & Sherman, PLLC*

Amarillo, Texas  
February 23, 2016

**CITY OF AMARILLO, TEXAS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**Year Ended September 30, 2015**

| Grantor/Pass-Through Grantor/Program Title  | Federal<br>CFDA<br>Number | Pass-through<br>Entity Identifying<br>Number | Federal<br>Expenditures |
|---|---------------------------|--|-------------------------|
| <b><u>FEDERAL AWARDS</u></b>  |                           |  |                         |
| <b>U.S. Department of Agriculture</b>   |                           |  |                         |
| <i>Pass-through from:</i>   |                           |  |                         |
| Texas Department of State Health Services   |                           |  |                         |
| Special Supplemental Nutrition Program for Women,<br>Infants, and Children WIC Card Participation | 10.557                    | 2015-047386-001                              | \$ 1,671,484            |
| Special Supplemental Nutrition Program for Women,<br>Infants, and Children WIC Card Participation | 10.557                    | 2014-045105-001A                             | 243,000                 |
| Total CFDA No. 10.557   |                           |  | <u>1,914,484</u>        |
| Texas Health and Human Services Commission  |                           |  |                         |
| Summer Food Service Program (SFSP)  | 10.559                    | 75C5001                                      | 329,930                 |
| Total U.S. Department of Agriculture  |                           |  | <u>2,244,414</u>        |
| <b>U.S. Department of Energy</b>  |                           |  |                         |
| <i>Pass-through from:</i>   |                           |  |                         |
| State Energy Conservation Office  |                           |  |                         |
| AIP Grant CP605 Amend 11  | 81.214                    | CP1205:DE-NA0001308                          | 131,021                 |
| Total U.S. Department of Energy   |                           |  | <u>131,021</u>          |
| <b>Federal Emergency Management Agency</b>  |                           |  |                         |
| <i>Pass-through from:</i>   |                           |  |                         |
| Texas Department of Public Safety   |                           |  |                         |
| Emergency Management Performance Grant  | 97.042                    | 14TX-EMPG-1108                               | 77,537                  |
| Total Federal Emergency Management Agency   |                           |  | <u>77,537</u>           |
| <b>U.S. Department of Health and Human Services</b>   |                           |  |                         |
| <i>Pass-through from:</i>   |                           |  |                         |
| Texas Department of State Health Services   |                           |  |                         |
| Immunization Division - Locals  | 93.268                    | 2016-001037-00                               | 20,746                  |
| Immunization Division - Locals  | 93.268                    | 2015-001037-00                               | 228,673                 |
| Immunization Division - Noncash   | 93.268                    | 2015-001037-00                               | 937,760                 |
| Total CFDA No. 93.268   |                           |  | <u>1,187,179</u>        |
| PPCPS/Hazards   | 93.069                    | 2016-001158-00                               | 56,588                  |
| PPCPS/Hazards   | 93.069                    | 2015-001158-02                               | 184,759                 |
| PPCPS/Bioterrorism-Discretionary Grants   | 93.069                    | 2015-047209-001                              | 18,609                  |
| Total CFDA No. 93.069   |                           |  | <u>259,956</u>          |
| Refugee Health Screening Program  | 93.566                    | 2015-001042-00                               | 393,196                 |
| Tuberculosis Control Programs   | 93.116                    | 2015-001380-01                               | 37,601                  |
| Total U.S. Department of Health and Human Services  |                           |  | <u>1,877,932</u>        |
| <b>U.S. Department of Housing &amp; Urban Development</b>   |                           |  |                         |
| <i>Direct:</i>  |                           |  |                         |
| Supportive Housing for Persons with Disabilities  | 14.181                    | -  | 275,588                 |
| Community Development Block Grant/Entitlement Grants  | 14.218                    | -  | 1,554,488               |
| Home Investment Partnership Program   | 14.239                    | -  | 470,884                 |
| Homeless Management Information System  | 14.267                    | -  | 47,795                  |
| Homeless Management Information System  | 14.267                    | -  | 34,739                  |
| Continuum of Care Program-Permanent Housing   | 14.267                    | -  | 228,130                 |
| Continuum of Care Program-Permanent Housing   | 14.267                    | -  | 102,769                 |
| Continuum of Care Program-Transitional Housing  | 14.267                    | -  | 238,386                 |
| Total CFDA No 14.267  |                           |  | <u>651,819</u>          |
| Section 8 Moderate Rehabilitation   | 14.856                    | -  | 23,906                  |
| Section 8 Housing Choice Vouchers   | 14.871                    | -  | 7,637,101               |
| Total Direct  |                           |  | <u>10,613,786</u>       |



**CITY OF AMARILLO, TEXAS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS, CONTINUED**  
**Year Ended September 30, 2015**

| Grantor/Pass-Through Grantor/Program Title                                 | Federal<br>CFDA<br>Number | Pass-through<br>Entity Identifying<br>Number | Federal<br>Expenditures |
|--|---------------------------|--|-------------------------|
| <b>U.S. Department of Housing &amp; Urban Development (Continued)</b>      |                           |  |                         |
| <i>Pass-through from:</i>  |                           |  |                         |
| Texas Department of Housing and Community Affairs                          |                           |  |                         |
| Emergency Shelter Grants Program   | 14.231                    | S04MC480003                                  | 92,024                  |
| Total Pass-through   |                           |  | 92,024                  |
| Total U.S. Department of Housing & Urban Development                       |                           |  | 10,705,810              |
| <b>U.S. Department of Justice</b>  |                           |  |                         |
| <i>Direct:</i>   |                           |  |                         |
| Equitable Sharing Program  | 16.922                    | -  | 104,126                 |
| Total U.S. Department of Justice   |                           |  | 104,126                 |
| <b>U.S. Department of Transportation</b>                                   |                           |  |                         |
| <i>Pass-through from:</i>  |                           |  |                         |
| Texas Department of Transportation   |                           |  |                         |
| Unified Planning Work Program (5303)                                       | 20.205                    | 50-14XF0012                                  | 372,912                 |
| STEP-STEP Comprehensive  | 20.600                    | 585EG118                                     | 148,223                 |
| Click It or Ticket STEP - Memorial Day Holiday                             | 20.602                    | 585EGF6477                                   | 8,220                   |
| Total U.S. Department of Transportation                                    |                           |  | 529,355                 |
| <b>U.S. Department of Transportation - Federal Transit Administration</b>  |                           |  |                         |
| <i>Direct:</i>   |                           |  |                         |
| Federal Transit Administration FY2014                                      | 20.507                    | -  | 1,830,036               |
| Federal Transit Administration FY2011                                      | 20.507                    | -  | 1,645                   |
| Federal Transit Administration FY2012                                      | 20.507                    | -  | 41,602                  |
| Federal Transit Administration FY2013                                      | 20.507                    | -  | 626,054                 |
| Total CFDA No. 20.507  |                           |  | 2,499,337               |
| Total U.S. Department of Transportation - Federal Transit Administration   |                           |  | 2,499,337               |
| <b>U.S. Department of Transportation - Federal Aviation Administration</b> |                           |  |                         |
| <i>Direct:</i>   |                           |  |                         |
| Airport Improvement Program  | 20.106                    | -  | 70,277                  |
| Airport Improvement Program  | 20.106                    | -  | 256,157                 |
| Total CFDA No. 20.106  |                           |  | 326,434                 |
| Total U.S. Dept. of Transportation - Federal Aviation Administration       |                           |  | 326,434                 |
| <b>U.S. Department of Homeland Security</b>                                |                           |  |                         |
| <i>Direct:</i>   |                           |  |                         |
| Assistance to Firefighters Grant Program                                   | 97.044                    | -  | 55,039                  |
| Total Direct   |                           |  | 55,039                  |
| <i>Pass-through from:</i>  |                           |  |                         |
| Texas Division of Emergency Management                                     |                           |  |                         |
| LETPA  | 97.073                    | 2013 SHSP LETPA                              | 82,600                  |
| Total Texas Division of Emergency Management                               |                           |  | 82,600                  |
| Panhandle Regional Planning Commission                                     |                           |  |                         |
| Regional Mass Fatality Planning Contract                                   | 97.067                    | EMW-2013-SS-00045                            | 51,097                  |
| Total Panhandle Regional Planning Commission                               |                           |  | 51,097                  |
| Total Pass-through   |                           |  | 133,697                 |
| Total U.S. Department of Homeland Security                                 |                           |  | 188,736                 |
| <b>Environmental Protection Agency</b>                                     |                           |  |                         |
| <i>Pass-through from:</i>  |                           |  |                         |
| Texas Water Development Board  |                           |  |                         |
| Capitalization Grants for Drinking Water - State Revolving Fund            | 66.458                    | 61609  | 354,731                 |
| Total Environmental Protection Agency                                      |                           |  | 354,731                 |
| <b>Total Expenditures of Federal Awards</b>                                |                           |  | <b>\$ 19,039,433</b>    |

**CITY OF AMARILLO, TEXAS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS, CONTINUED**  
**Year Ended September 30, 2015**

| Grantor/Pass-Through Grantor/Program Title            | Federal<br>CFDA<br>Number | Pass-through<br>Entity Identifying<br>Number | Federal<br>Expenditures              |
|---|---------------------------|--|--------------------------------------|
| <b><u>STATE AWARDS</u></b>                            |                           |  | <b><u>State<br/>Expenditures</u></b> |
| <b>Texas Department of Transportation</b>             |                           |  |                                      |
| Transit Operating Assistance                          | N/A                       | 51504F7044                                   | \$ 396,680                           |
| Total Texas Department of Transportation              |                           |  | <u>396,680</u>                       |
| <b>Texas Department of State Health Services</b>      |                           |  |                                      |
| TB/PC-State   | N/A                       | 2015-001396-00                               | 7,768                                |
| TB/PC-State   | N/A                       | 2015-001396-00                               | 51,337                               |
| Total TB/PC-State                                     |                           |  | <u>59,105</u>                        |
| HIV PrevS   | N/A                       | 2014-001198-00                               | 19,217                               |
| HIV PrevS   | N/A                       | 2015-001198-00                               | 189,269                              |
| Total HIV PrevS                                       |                           |  | <u>208,486</u>                       |
| RLSS/Local Public Health System-PnP Grant             | N/A                       | 2014-000021-00                               | 12,447                               |
| RLSS/Local Public Health System-PnP Grant             | N/A                       | 2015-000021-00                               | 103,314                              |
| Total RLSS/Local Public Health System-PnP Grant       |                           |  | <u>115,761</u>                       |
| CPS/EBOLA Public Health Preparedness                  | N/A                       | 2015-003651-00                               | 828                                  |
| Total Texas Department of State Health Services       |                           |  | <u>384,180</u>                       |
| <b>Total Expenditures of State Awards</b>             |                           |  | <b><u>\$ 780,860</u></b>             |
| <b>Total Expenditures of Federal and State Awards</b> |                           |  | <b><u>\$ 19,820,293</u></b>          |

**CITY OF AMARILLO, TEXAS**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**Year Ended September 30, 2015**

**NOTE 1 - GENERAL**

The accompanying Schedule of Expenditures of Federal and State Awards (the Schedule) presents the activity of all federal and state Awards programs of the City of Amarillo, Texas, (the City) for the year ended September 30, 2015. The City's reporting entity is defined in the Summary of Significant Accounting Policies to the City's financial statements. Federal and state financial assistance received directly from federal and state 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 AND STATE FINANCIAL REPORTS**

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

**NOTE 4 - FEDERAL AND STATE PROGRAMS**

The City participates in numerous federal and state grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with the rules and regulations governing the grants, refunds of any money received may be required.

**NOTE 5 - 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, 2015, has been computed to be \$937,760 based on information supplied by the City Department of Public Health. This amount is included in the accompanying Schedule of Expenditures of Federal and State Awards.

**CITY OF AMARILLO, TEXAS**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**Year Ended September 30, 2015**

**NOTE 6 - SUBRECIPIENTS**

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

| <u>Program Title</u>                | <u>Federal<br/>CFDA<br/>Number</u> | <u>Amounts<br/>Provided to<br/>Subrecipients</u> |
|-------------------------------------|------------------------------------|--|
| Community Development Block Grant   | 14.218                             | \$ 523,454                                       |
| Home Investment Partnership Program | 14.239                             | <u>191,445</u>                                   |
|                                     |                                    | <u>\$ 714,899</u>                                |

This information is an integral part of the accompanying schedule.



**CITY OF AMARILLO, TEXAS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
Year Ended September 30, 2015**

**SECTION II – Financial Statement Findings**

None

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

None

**CITY OF AMARILLO, TEXAS  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
Year Ended September 30, 2015**

**Finding 2014-001**

*Condition:* During the current year, the Federal Transit Administration FY 2014 Triennial Review reported the following two areas of compliance which required corrective action:

(1) Financial management and financial capacity.

(2) Procurement

*Corrective Action Plan:* On August 13, 2014, the City submitted their corrective action for Procurement. On October 7, 2014, the City submitted their corrective action for Financial Management. Both corrective actions required development and updating of policies and procedures. The City is awaiting approval from the Federal Transit Administration.

*Current Status:* Corrective action was implemented.

**CITY OF AMARILLO, TEXAS  
SCHEDULE OF CORRECTIVE ACTION PLAN  
Year Ended September 30, 2015**

**None**



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

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

***Report on Compliance for Passenger Facility Charge Program***

We have audited the City of Amarillo, Texas (the City) compliance with the types of compliance requirements described in the Passenger Facility Charge Audit Guide for Public Agencies issued by the Federal Aviation Administration (the Guide) that could have a direct and material effect on the City's passenger facility charge program for the year ended September 30, 2015.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to 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 compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America 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 compliance requirements referred to above that could have a direct and material effect on the passenger facility charge program. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the passenger facility charge program. However, our audit does not provide a legal determination of the City's compliance.

***Opinion on the Passenger Facility Charge Program***

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 the passenger facility charge program for the year ended September 30, 2015.

***Other Matters***

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Guide which is described in the accompanying

schedule of findings and questioned costs as item PFC-2015-001. Our opinion on the passenger facility charge program is not modified with respect to this matter.

The City's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on the response.

### ***Report on Internal Control over Compliance***

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the Guide. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the Guide that could have a direct and material effect on the City's passenger facility charge program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an 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 the Guide 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 the Guide 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 the Guide 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 and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item PFC-2015-001 that we consider to be a significant deficiency.

### ***Report on 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, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated February 23, 2016, which contained unmodified opinions on those financial statements. 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 charges collected and expended for the year ended September 30, 2015, is presented for purposes of additional

analysis as required by the Federal Aviation Administration 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 charges collected and expended is fairly stated in all material respects in relation to the basic financial statements as a whole.

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.

*Connor McMillon Mitchell & Shennums PLLC*

Amarillo, Texas  
February 23, 2016

**CITY OF AMARILLO, TEXAS  
 AMARILLO RICK HUSBAND INTERNATIONAL AIRPORT  
 SCHEDULE OF PASSENGER FACILITY CHARGES (PFCs)  
 COLLECTED AND EXPENDED (AS REPORTED TO FAA)  
 Year Ended September 30, 2015**

|  | Quarter ended<br>December 31,<br>2014 | Quarter ended<br>March 31,<br>2015 | Quarter ended<br>June 30,<br>2015 | Quarter ended<br>September 30,<br>2015 | Year ended<br>September 30,<br>2015 | Cumulative<br>totals as of<br>September 30,<br>2014 | Cumulative<br>totals as of<br>September 30,<br>2015 |
|--|---------------------------------------|------------------------------------|-----------------------------------|--|-------------------------------------|---|---|
| Collections  |                                       |                                    |                                   |  |                                     |   |   |
| PFCs collected                                     | \$ 350,423                            | \$ 296,037                         | \$ 316,059                        | \$ 391,339                             | \$ 1,353,858                        | \$ 8,784,097  | \$ 10,137,955                                       |
| Interest   | <u>233</u>                            | <u>381</u>                         | <u>184</u>                        | <u>135</u>                             | <u>933</u>                          | <u>18,505</u>                                       | <u>19,438</u>                                       |
| <b>Total collections</b>                           | <b><u>\$ 350,656</u></b>              | <b><u>\$ 296,418</u></b>           | <b><u>\$ 316,243</u></b>          | <b><u>\$ 391,474</u></b>               | <b><u>\$ 1,354,791</u></b>          | <b><u>\$ 8,802,602</u></b>                          | <b><u>\$ 10,157,393</u></b>                         |
| Expenditures on approved PFC projects included in: |                                       |                                    |                                   |  |                                     |   |   |
| Project 08-01-C-00-AMA Terminal Construction       | <u>\$ -</u>                           | <u>\$ -</u>                        | <u>\$ 995,189</u>                 | <u>\$ 479,888</u>                      | <u>\$ 1,475,077</u>                 | <u>\$ 8,570,423</u>                                 | <u>\$ 10,045,500</u>                                |
| <b>Total expenditures</b>                          | <b><u>\$ -</u></b>                    | <b><u>\$ -</u></b>                 | <b><u>\$ 995,189</u></b>          | <b><u>\$ 479,888</u></b>               | <b><u>\$ 1,475,077</u></b>          | <b><u>\$ 8,570,423</u></b>                          | <b><u>\$ 10,045,500</u></b>                         |

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, 2015**

**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.

**CITY OF AMARILLO, TEXAS  
PASSENGER FACILITY CHARGE PROGRAM  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended September 30, 2015**

**Financial Statement Findings**

None

**Findings and Questioned Costs**

**Finding PFC-2015-001**

*Program:* Passenger Facility Charge Program (PFC)

*Compliance Requirement:* Special Notification and Reporting Requirements Program Requirement No. 2

*Criteria:* Pursuant to Section 158.63 the City is required to submit the PFC quarterly reports to the FFA through the SOAR System. The report must include: 1) PFC revenue received from collecting carriers, interest earned, and expenditures for the quarter, 2) cumulative PFC revenue received, interest earned, expenditures, and the amount committed for use on currently approved projects, including the quarter, 3) the PFC level for each project as specified in the ROD for that project, and 4) the current project schedule. The report must be provided on or before the last day of the calendar month following the calendar quarter of other period agreed by the public agency and collecting carrier.

*Condition:* The fourth quarter report contained an error and was overstated by \$50.

*Question Cost:* None

*Context:* One of four quarterly reports tested was incorrect.

*Cause:* Review process failed to detect reporting error.

*Effect:* Incorrect reporting

*Recommendation:* The review process should be performed with attention to detail, including the review of the reconciliation of the report to the bank statement.

*Corrective Action Plan:* The City agreed with the recommendation and has submitted a corrected report.

**CITY OF AMARILLO, TEXAS  
PASSENGER FACILITY CHARGE PROGRAM  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
Year Ended September 30, 2015**

**Findings and Questioned Costs**

None

**CITY OF AMARILLO, TEXAS  
PASSENGER FACILITY CHARGE PROGRAM  
SCHEDULE OF CORRECTIVE ACTION PLAN  
Year Ended September 30, 2015**

**Finding PFC-2015-001**

*Condition:* The fourth quarter report contained an error and was overstated by \$50.

*Corrective Action Plan:* The City agreed with the recommendation and has submitted a corrected report.