

**CITY OF AMARILLO, TEXAS**

**SINGLE AUDIT –**  
**FEDERAL AND STATE AWARDS**  
**SUPPLEMENTARY FINANCIAL REPORT**  
Year Ended September 30, 2016

## TABLE OF CONTENTS

	<b>PAGE</b>
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 <i>Government Auditing Standards</i> .....	1
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance and the State of Texas Uniform Grants Management Standards.....	3
Schedule of Expenditures of Federal and State Awards .....	6
Notes to Schedule of Expenditures of Federal and State Awards .....	9
Schedule of Findings and Questioned Costs .....	11
Summary Schedule of Prior Audit Findings.....	13
Schedule of Corrective Action Plan.....	14
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.....	15
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
Passenger Facility Charge Program - Schedule of Findings And Questioned Costs .....	20
Passenger Facility Charge Program - Summary Schedule of Prior Audit Findings.....	21
Passenger Facility Charge Program - Schedule of Corrective Action Plan.....	22

**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, 2016, 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 21, 2017.

***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 PLLC*

Amarillo, Texas  
February 21, 2017

**Independent Auditor's Report on Compliance for Each Major Program  
and on Internal Control Over Compliance Required by the Uniform Guidance  
and the State of Texas Uniform Grants Management Standards**

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 *U.S. Office of Management and Budget (OMB) Compliance Supplement* and the State of Texas Uniform Grants Management Standards 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, 2016. 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 federal statutes, regulations, and the terms and conditions of its federal and state awards applicable to its federal and state program.

***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; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and State of Texas Uniform Grants Management Standards. Those standards, the Uniform Guidance, and the State of Texas Uniform Grants Management Standards 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, 2016.

### ***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and State of Texas Uniform Grants Management Standards which are described in the accompanying schedule of findings and questioned costs as item 2016-001. Our opinion of each major federal program is not modified with respect to these matters.

The City's response to the noncompliance findings 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 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 the Uniform Guidance and the State of Texas Uniform Grants Management Standards, 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, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2016-001, that we consider to be a significant deficiency.

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 the Uniform Guidance and the State of Texas Uniform Grants Management Standards***

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, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated February 21, 2017, 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 the Uniform Guidance and the State of Texas Uniform Grants Management Standards 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 the Uniform Guidance and the State of Texas Uniform Grants Management Standards. Accordingly, this report is not suitable for any other purpose.

*Connor McMillon Mitchell & Shennum PLLC*

Amarillo, Texas  
February 21, 2017

**CITY OF AMARILLO, TEXAS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**Year Ended September 30, 2016**

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Pass-through To Subrecipients	Federal Expenditures
<b>FEDERAL AWARDS</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, Infants, and Children WIC Card Participation	10.557	2016-048868-001	\$ -	\$ 1,538,796
Total CFDA No. 10.557			-	<u>1,538,796</u>
Texas Health and Human Services Commission Summer Food Service Program (SFSP)	10.559	01526	-	298,549
Total U.S. Department of Agriculture				<u>1,837,345</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	-	162,805
Total U.S. Department of Energy				<u>162,805</u>
<b>Federal Emergency Management Agency</b>				
<i>Pass-through from:</i>				
Texas Department of Public Safety Emergency Management Performance Grant	97.042	16TX-EMPG-1108	-	84,213
Total Federal Emergency Management Agency				<u>84,213</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	-	19,455
Immunization Division - Locals	93.268	2016-001037-00	-	240,303
Immunization Division - Noncash	93.268	2015-001037-00	-	1,019,610
Total CFDA No. 93.268				<u>1,279,368</u>
PPCPS/Hazards	93.069	2016-001158-02	-	56,869
PPCPS/Hazards	93.069	2016-001158-02	-	181,522
CPS/OT-UNIQUE	93.069	2016-004024-00	-	39,844
Total CFDA No. 93.069				<u>278,235</u>
CPS/EBOLA Public Health Preparedness	93.074	2015-003651-00	-	10,987
Refugee Health Screening Program	93.566	2016-001042-00	-	430,231
Tuberculosis Control Programs	93.116	2016-001380-00	-	40,057
Tuberculosis Control Programs	93.116	2015-001380-01	-	7,955
Total CFDA No 93.116				<u>48,012</u>
Total U.S. Department of Health and Human Services				<u>2,046,833</u>
<b>U.S. Department of Housing &amp; Urban Development</b>				
<i>Direct:</i>				
Supportive Housing for Persons with Disabilities	14.181	-	-	349,471
Community Development Block Grant/Entitlement Grants	14.218	-	-	1,264,737
<i>Subrecipients:</i>				
Amarillo Multiservice Center for the Aging, d.b.a. Jan Werner Adult Day Care			18,000	-
Catholic Charities of the Texas Panhandle			25,000	-
Panhandle Workforce Development Board d.b.a. Workforce Solutions Panhandle			76,000	-
Panhandle Regional Planning Commission, Area Agency on Aging - FoodNET Program			25,000	-
Guyon Saunders Resource Center			42,670	-
Amarillo Wesley Community Center, Inc.			14,000	-
Family Support Services of Amarillo			6,885	-
Home Investment Partnership Program	14.239	-	-	918,752
<i>Subrecipients:</i>				
Amarillo Habitat for Humanity			122,623	-
Homeless Management Information System	14.267	-	-	56,651
Homeless Management Information System	14.267	-	-	11,497
Continuum of Care Program-Permanent Housing	14.267	-	-	264,275
Continuum of Care Program-Permanent Housing	14.267	-	-	82,078
Continuum of Care Program-Transitional Housing	14.267	-	-	224,342
Total CFDA No 14.267				<u>638,843</u>
Section 8 Moderate Rehabilitation	14.856	-	-	10,754
Section 8 Housing Choice Vouchers	14.871	-	-	7,765,055
Total Direct				<u>10,947,612</u>



**CITY OF AMARILLO, TEXAS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS, CONTINUED**  
**Year Ended September 30, 2016**

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Pass-through To Subrecipients	Federal 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	-	121,977
<i>Subrecipients:</i>				
Family Support Services			16,000	-
The Salvation Army			103,323	-
Total Pass-through				<u>121,977</u>
Total U.S. Department of Housing & Urban Development				<u>11,069,589</u>
<b>U.S. Department of Justice</b>				
<i>Direct:</i>				
Edward Byrne Memorial Justice Assistance Grant	16.738	2015-DJ-BX-0633	-	47,403
<i>Subrecipients:</i>				
Potter County Texas			47,403	-
Edward Byrne Memorial Justice Assistance Grant	16.738	2013-DJ-BX-0844	-	<u>50,725</u>
				<u>98,128</u>
Equitable Sharing Program	16.922	-	-	<u>51,767</u>
Total U.S. Department of Justice				<u>149,895</u>
<b>U.S. Department of Transportation</b>				
<i>Pass-through from:</i>				
Texas Department of Transportation				
Bus and Bus Facilities - Section 5339	20.526*	TX-34-0003	-	265,482
Bus and Bus Facilities - Section 5339	20.526*	TX-34-0018	-	<u>22,909</u>
Total CFDA No. 20.526				288,391
Unified Planning Work Program (5303)	20.205	50-14XF0012	-	363,722
STEP-STEP Comprehensive	20.600	585EG118	-	144,631
Click It or Ticket STEP - Memorial Day Holiday	20.602	585EGF6477	-	<u>8,884</u>
Total U.S. Department of Transportation				<u>805,628</u>
<b>U.S. Department of Transportation - Federal Transit Administration</b>				
<i>Direct:</i>				
Federal Transit Administration FY2016	20.507*	-	-	1,635,063
Federal Transit Administration FY2014	20.507*	-	-	1,023,766
Federal Transit Administration FY2010	20.507*	-	-	26,819
Federal Transit Administration FY2011	20.507*	-	-	1,162
Federal Transit Administration FY2012	20.507*	-	-	14,416
Federal Transit Administration FY2013	20.507*	-	-	<u>325</u>
Total CFDA No. 20.507				<u>2,701,551</u>
Total U.S. Department of Transportation - Federal Transit Administration				<u>2,701,551</u>
<b>U.S. Department of Transportation - Federal Aviation Administration</b>				
<i>Direct:</i>				
Airport Improvement Program	20.106	-	-	22,832
Airport Improvement Program	20.106	-	-	2,183,499
Airport Improvement Program	20.106	-	-	<u>35,694</u>
Total CFDA No. 20.106				2,242,025
Total U.S. Dept. of Transportation - Federal Aviation Administration				<u>2,242,025</u>
<b>U.S. Department of Homeland Security</b>				
<i>Pass-through from:</i>				
Texas Division of Emergency Management SHSP/LETPA	97.067	EMW-2014-SS-00029	-	<u>103,959</u>
Total CFDA No 97.073				<u>103,959</u>
Total Texas Division of Emergency Management				<u>103,959</u>
<i>Pass-through from:</i>				
Texas Office of the Governor Homeland Security Grant Program	97.067	2940501	-	9,650
Homeland Security Grant Program	97.067	2940601	-	<u>103,300</u>
Total CFDA No 97.067				<u>112,950</u>
Total Texas Office of the Governor				<u>112,950</u>
<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	-	<u>3,807,195</u>
Total Environmental Protection Agency				<u>3,807,195</u>
<b>Institute of Museum and Library Services</b>				
<i>Pass-through from:</i>				
Texas State Library and Archives Commission	45.310	-	-	<u>34,919</u>
Total Environmental Protection Agency				<u>34,919</u>
<b>Total Expenditures of Federal Awards</b>				<u>\$ 496,904</u> <u>\$ 25,158,907</u>

**CITY OF AMARILLO, TEXAS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS, CONTINUED**  
**Year Ended September 30, 2016**

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Pass-through To Subrecipients	Federal Expenditures
<b><u>STATE AWARDS</u></b>				<b><u>State Expenditures</u></b>
<b>Texas Department of Transportation</b>				
Transit Operating Assistance	N/A	51504F7044	\$ -	\$ 390,094
Total Texas Department of Transportation				<u>390,094</u>
<b>Texas Department of State Health Services</b>				
TB/PC-State	N/A	2016-001396-00	-	42,419
TB/PC-State	N/A	2015-001396-00	-	7,099
Total TB/PC-State				<u>49,518</u>
HIV PrevS	N/A	2014-001198-00	-	227,419
RLSS/Local Public Health System-PnP Grant	N/A	2016-000021-00	-	112,327
IDCU/SUREB	N/A	2015-003651-00	-	66,558
Total Texas Department of State Health Services				<u>455,822</u>
<b>Total Expenditures of State Awards</b>			<b>\$ -</b>	<b>\$ 845,916</b>
<b>Total Expenditures of Federal and State Awards</b>			<b>\$ 496,904</b>	<b>\$ 26,004,823</b>

\*Clustered program required by Compliance Supplement June 2016

**CITY OF AMARILLO, TEXAS**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**Year Ended September 30, 2016**

**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, 2016. 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. The City did not elect to use the 10% de minimis indirect cost rate.

**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, 2016, has been computed to be \$1,019,610 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, 2016**

**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 CFDA Number</u>	<u>Amounts Provided to Subrecipients</u>
Community Development Block Grant	14.218	\$ 207,555
Emergency Shelter Grants Program	14.231	119,323
Edward Byrne Memorial Justice Assistance Grant	16.738	47,403
Home Investment Partnership Program	14.239	<u>122,623</u>
		<u>\$ 496,904</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, 2016**

**SECTION I – Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued: Unmodified

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 and State 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: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?   X   yes      no

Identification of major programs:

<b><u>CFDA Number(s)</u></b>	<b><u>Name of Federal or State Program or Cluster</u></b>
------------------------------	---

Major Federal Programs

14.218	Community Development Block Grant
20.106	Airport Improvement Program
	Federal Transit Cluster
20.507	Federal Transit Formula Grants
20.526	Bus and Bus Facilities Program
66.458	EPA-Capitalization Grants for Drinking Water – State Revolving Fund
93.566	Refugee Health Screening Program

Major State Programs

<u>  N/A  </u>	Transit Operating Assistance
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Dollar threshold used to distinguish between type A and type B programs: \$ 754,767 Federal  
\$ 750,000 State

- Auditee qualified as Federal low-risk auditee?   X   yes      no
- Auditee qualified as State low-risk auditee?   X   yes      no

**CITY OF AMARILLO, TEXAS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**  
**Year Ended September 30, 2016**

**SECTION II – Financial Statement Findings**

None

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

**Finding 2016-001**

*Program:* Federal Program – 14.218 Community Development Block Grant

*Program Requirement:* Matching, Level of Effort, Ear marking

*Criteria:* The City is responsible for complying with program guidelines.

*Condition:* The City exceeded the administrative CAP by \$2,578.98 which is more than the 20% that is obligated for activities that qualify as planning and administration.

*Context:* On October 24, 2016, the City reported to the Senior Financial Analyst at the U.S. Department of Housing & Urban Development (HUD) that the program had exceeded the 20% administrative CAP.

*Effect:* The program exceeded the administrative CAP of 20% and had excess funds of \$2,578.98. HUD has requested that the excess funds be returned to HUD. The funds will be placed back into the City's CDBG program line of credit. The excess funds were returned to HUD on February 17, 2017.

*Questioned Cost:* N/A

*Cause:* The August 2016 draw resulted in the program exceeding the 20% CAP.

*Repeat Finding:* N/A

*Recommendation:* The City should reconcile the administrative draws on a monthly basis to monitor the 20% administrative CAP threshold to prevent exceeding the CAP.

*Views of Responsible Officials and Corrective Action Plan:* The City agrees with the recommendation.

**CITY OF AMARILLO, TEXAS  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
Year Ended September 30, 2016**

**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  
SCHEDULE OF CORRECTIVE ACTION PLAN  
Year Ended September 30, 2016**

**Finding 2016-001**

*Condition:* The City had exceeded the administrative CAP by \$2,578.98 which is more than the 20% that is obligated for activities that qualify as planning and administration.

*Corrective Action Plan:* The City agrees with the recommendation.



**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, 2016.

***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, 2016.

### ***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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses.

### ***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, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated February 21, 2017, 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, 2016, 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 & Sherman PLLC*

Amarillo, Texas  
February 21, 2017

**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, 2016**

	Quarter ended December 31, 2015	Quarter ended March 31, 2016	Quarter ended June 30, 2016	Quarter ended September 30, 2016	Year ended September 30, 2016	Cumulative totals as of September 30, 2015	Cumulative totals as of September 30, 2016
Collections							
PFCs collected	\$ 324,264	\$ 291,692	\$ 338,964	\$ 361,319	\$ 1,316,239	\$ 10,137,955	\$ 11,454,194
Interest	137	282	299	174	892	19,438	20,330
<b>Total collections</b>	<b>\$ 324,401</b>	<b>\$ 291,974</b>	<b>\$ 339,263</b>	<b>\$ 361,493</b>	<b>\$ 1,317,131</b>	<b>\$ 10,157,393</b>	<b>\$ 11,474,524</b>
Expenditures on approved PFC projects included in:							
Project 08-01-C-00-AMA Terminal Construction	\$ -	\$ -	\$ 841,888	\$ 497,138	\$ 1,339,026	\$ 10,045,500	\$ 11,384,526
<b>Total expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 841,888</b>	<b>\$ 497,138</b>	<b>\$ 1,339,026</b>	<b>\$ 10,045,500</b>	<b>\$ 11,384,526</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, 2016**

**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, 2016**

**Financial Statement Findings**

None

**Findings and Questioned Costs**

None

**CITY OF AMARILLO, TEXAS  
PASSENGER FACILITY CHARGE PROGRAM  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
Year Ended September 30, 2016**

**Findings and Questioned Costs**

**Finding PFC-2015-001**

*Program:* Passenger Facility Charge Program (PFC)

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

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

*Current Status:* The City had no subsequent finding related to the matter.

**CITY OF AMARILLO, TEXAS  
PASSENGER FACILITY CHARGE PROGRAM  
SCHEDULE OF CORRECTIVE ACTION PLAN  
Year Ended September 30, 2016**

**None**