

GREGG COUNTY, TEXAS

**Independent Auditors' Report on Compliance With
Requirements Applicable to the Passenger Facility Charge
Program and on Internal Control Over Compliance**

**Schedule of Expenditures
of Passenger Facility Charges**

September 30, 2015

GREGG COUNTY, TEXAS

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PATILLO, BROWN & HILL, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

**INDEPENDENT AUDITORS' 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***

To the Honorable County Judge and
Commissioners' Court
Gregg County, 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 unit, each major fund, and the aggregate remaining fund information of Gregg County, Texas, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise Gregg County, Texas' basic financial statements, and have issued our report thereon dated March 31, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Gregg County, Texas' 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 Gregg County, Texas' internal control. Accordingly, we do not express an opinion on the effectiveness of Gregg County, Texas' 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 entity'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 Gregg County, Texas' financial statements are free from 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Waco, Texas
March 31, 2016



P A T T I L L O , B R O W N & H I L L , L . L . P .
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH REQUIREMENTS APPLICABLE TO THE PASSENGER FACILITY CHARGE
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE**

To the Honorable County Judge and
Commissioners' Court
Gregg County, Texas

Compliance

We have audited the compliance of Gregg County, Texas (the "County") with the compliance requirements described in the Passenger Facility Charge Audit Guide for Public Agencies, issued by the Federal Aviation Administration (Guide), for its passenger facility charge program for the year ended September 30, 2015. Compliance with the requirements of laws and regulations applicable to its passenger facility charge program is the responsibility of the County's management. Our responsibility is to express an opinion on the County'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 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 County'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 County's compliance with those requirements.

In our opinion, Gregg County, Texas, 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.

Internal Control Over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws and regulations applicable to the passenger facility charge program. In planning and performing our audit, we considered the County's internal control over compliance with the requirements that could have a direct and material effect on the passenger facility charge program in order to determine our 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 County'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 or 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 or 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 or 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.

Schedule of Expenditures of Passenger Facility Charges

We have audited the financial statements of the County as of and for the year ended September 30, 2015, and have issued our report thereon dated March 31, 2016. Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedule of Expenditures of Passenger Facility Charges is presented for purposes of additional analysis as specified by the Guide and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of the Commissioners' Court, management and the Federal Aviation Administration and is not intended to be and should not be used by anyone other than these specified parties.

March 31, 2016

GREGG COUNTY, TEXAS

PASSENGER FACILITY CHARGES AUDIT SUMMARY

FISCAL YEAR ENDED SEPTEMBER 30, 2015

1. Type of report issued on PFC financial statements	<u>✓</u>	Unmodified	<u> </u>	Qualified
2. Type of report on PFC compliance	<u>✓</u>	Unmodified	<u> </u>	Qualified
3. Quarterly Revenue and Disbursements reconcile with submitted quarterly reports.	<u>✓</u>	Yes	<u> </u>	No
4. PFC Revenue and Interest is accurately reported using the System of Airport Reporting (SOAR) Database	<u>✓</u>	Yes	<u> </u>	No
5. The Public Agency maintains a separate financial accounting record for each application.	<u>✓</u>	Yes	<u> </u>	No
6. Funds disbursed were for PFC eligible items as identified in the FAA Decision to pay only for the allowable costs of the projects.	<u>✓</u>	Yes	<u> </u>	No
7. Monthly carrier receipts were reconciled with quarterly carrier reports.	<u>✓</u>	Yes	<u> </u>	No
8. PFC revenues were maintained in a separate interest-bearing capital account or commingled only with other interest-bearing airport capital funds.	<u>✓</u>	Yes	<u> </u>	No
9. Serving carriers were notified of PFC program actions/ changes approved by the FAA.	<u>✓</u>	Yes	<u> </u>	No
10. Quarterly Reports were transmitted (or available via website) to remitting carriers.	<u>✓</u>	Yes	<u> </u>	No
11. The Public Agency is in compliance with Assurances 5, 6, 7 and 8.	<u>✓</u>	Yes	<u> </u>	No
12. Project administration is carried out in accordance with Assurance 10.	<u>✓</u>	Yes	<u> </u>	No
13. For those public agencies with excess revenue, a plan for the use of this revenue has been submitted to the FAA for review and concurrence.	<u>N/A</u>	Yes	<u> </u>	No

GREGG COUNTY, TEXAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED SEPTEMBER 30, 2015

Findings and Questioned Costs

None.

GREGG COUNTY, TEXAS

SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

YEAR ENDED SEPTEMBER 30, 2015

Findings and Questioned Costs

Item 14-01:

Condition:

While reviewing the Public Agency Quarterly Reports, we discovered that these reports did not reconcile to the County's General Ledger. The reports failed to include the expenditures (disbursements) recorded in the General Ledger for all four quarters and the revenue amount did not agree for the fourth quarter.

Effect:

By not preparing and submitting accurate quarterly reports to the FAA, the County has breached the Passenger Facility Charge regulations set forth for the program by FAA.

Cause:

The employee responsible for filing the required reports was not aware of the County's decision to disburse PFC revenues upon receipt to offset the County's matching requirement for on-going AIP projects. Additionally, the employee submits reports without supervisory review or review by County Auditor's 1st Assistant, the employee responsible for grant management within the County.

Recommendation:

We recommend that a supervisor and the County Auditor's office review all reports prior to submission to the FAA.

Management's Response:

The employee responsible for filing the report will be trained on how to submit the report. In addition, a supervisor and the Auditor's office will review all reports prior to submission to the FAA.

Contact Person Responsible
for Corrective Action:

Laurie Woloszyn

Anticipated Completion
Date:

Immediately

Current Status:

This matter has been resolved.

GREGG COUNTY, TEXAS

**REVENUE AND DISBURSEMENT SCHEDULE
OF PASSENGER FACILITY CHARGES**

FISCAL YEAR ENDED SEPTEMBER 30, 2015

	Fiscal Year 2014					Fiscal Year 2015	Fiscal Year 2015
	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Fiscal Year 2015	Fiscal Year 2015	
Program	October -	January -	April -	July -	2015	2015	
Total	December	March	June	September	Total	Total	
Revenue							
Passenger Facility Collections	\$ 1,309,223	\$ 30,587	\$ 13,041	\$ 23,082	\$ 20,432	\$ 87,142	\$ 1,396,365
Interest	30,677	-	-	-	-	-	30,677
	<u>1,339,900</u>	<u>30,587</u>	<u>13,041</u>	<u>23,082</u>	<u>20,432</u>	<u>87,142</u>	<u>1,427,042</u>
Disbursements							
Application 96-01-C-00-GGG							
ARFF Vehicle	29,054	-	-	-	-	-	29,054
Drainage Improvements Taxiways H & M	10,007	-	-	-	-	-	10,007
Guidance Sign Improvements	18,081	-	-	-	-	-	18,081
Install Security Fencing	5,390	-	-	-	-	-	5,390
Airport Master Plan	17,693	-	-	-	-	-	17,693
RW 13/31 Overlay	158,412	-	-	-	-	-	158,412
Reconstruct Taxiway L	15,241	-	-	-	-	-	15,241
RW 17/35 Rehabilitation	115,512	-	-	-	-	-	115,512
Terminal Apron Improvements II	35,465	-	-	-	-	-	35,465
Terminal Apron Improvements III	67,716	-	-	-	-	-	67,716
	<u>472,571</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>472,571</u>
Application 02-02-C-01-GGG							
Administrative Expenses	9,800	-	-	-	-	-	9,800
Construct Taxiway M	36,542	-	-	-	-	-	36,542
Convert Runway 4-22 to Taxiway N	330,853	-	-	-	-	-	330,853
Electrical Improvements	29,811	-	-	-	-	-	29,811
Reconstruct Terminal Apron Phase IV	104,667	-	-	-	-	-	104,667
Reconstruct Terminal Apron Phase V	65,850	-	-	-	-	-	65,850
Renovate Air Rescue & Fire Station Ph I	24,657	-	-	-	-	-	24,657
Renovate Air Rescue & Fire Station Ph II	24,612	-	-	-	-	-	24,612
Runway Safety Area Improvements	71,102	-	-	-	-	-	71,102
Taxiway Pavement Study	1,338	-	-	-	-	-	1,338
	<u>699,232</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>699,232</u>
Application 12-03-C-00-GGG							
Security Fencing	140,561	-	-	-	-	-	140,561
Planning Studies	16,315	-	-	-	-	-	16,315
Air Rescue/Fire Truck	11,221	5,138	5,139	5,139	5,139	20,555	31,776
Equipment Purchases	-	2,500	2,500	2,500	2,500	10,000	10,000
Rehabilitate Taxiways (B, C, D, G, L, M)	-	97,192	97,192	97,193	97,193	388,770	388,770
Rehabilitate Runway 18/36	-	51,121	51,122	51,122	51,122	204,487	204,487
Rehabilitate Runway 13/31	-	16,717	16,717	16,717	16,717	66,868	66,868
Runway 13/31 Safety Area Improvements	-	67,661	67,661	67,661	67,662	270,645	270,645
Acquire Snow Removal Equipment	-	2,279	2,279	2,280	2,280	9,118	9,118
PFC Application & Administration Fees	-	10,000	10,000	10,000	10,000	40,000	40,000
	<u>168,097</u>	<u>252,608</u>	<u>252,610</u>	<u>252,612</u>	<u>252,613</u>	<u>1,010,443</u>	<u>1,178,540</u>
Total Disbursements	<u>1,339,900</u>	<u>252,608</u>	<u>252,610</u>	<u>252,612</u>	<u>252,613</u>	<u>1,010,443</u>	<u>2,350,343</u>
Excess (Deficiency)	\$ -	\$ (222,021)	\$ (239,569)	\$ (229,530)	\$ (232,181)	\$ (923,301)	\$ -

See accompanying note to Schedule of Expenditures of Passenger Facility Charges.

GREGG COUNTY, TEXAS

**NOTE TO SCHEDULE OF EXPENDITURES
OF PASSENGER FACILITY CHARGES**

YEAR ENDED SEPTEMBER 30, 2015

BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Passenger Facility Charges includes the Passenger Facility Charge (PFC) activity of Gregg County, Texas, (the County). The information in this schedule is presented as required by the Federal Aviation Administration of the U. S. Department of Transportation to implement Sections 9110 and 9111 of the Aviation Safety and Capacity Expansion Act of 1990. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

The County reports expenditures on the Schedule of Expenditures of Passenger Facility Charges collected and expended as reimbursements (to the extent of PFC's actually collected) of costs incurred by the County during the current and prior fiscal years. The schedule below presents cumulative data for PFC eligible costs incurred and PFC collections through September 30, 2015.

<u>Project Description</u>	<u>Total Amount Approved</u>	<u>Cumulative Eligible Costs through September 30, 2015</u>	<u>Cumulative PFC Collections through September 30, 2015</u>	<u>Eligible Costs Not Reimbursed through September 30, 2015</u>
Application #1: 96-01-C-00-GGG				
Airfield Safety Improvements				
Terminal Apron Improvements II	\$ 35,465	\$ 35,465	\$ 35,465	\$ -
RW 3/31 Overlay/Miscellaneous Improvements	189,050	189,050	189,050	-
Airport Master Plan	17,693	17,693	17,693	-
Guidance Sign Improvements	18,081	18,081	18,081	-
Terminal Apron Improvements III	67,716	67,716	67,716	-
RW 17/35 Rehabilitation	115,512	115,512	115,512	-
ARFF Vehicle	29,054	29,054	29,054	-
Total Airfield Safety Improvements	<u>472,571</u>	<u>472,571</u>	<u>472,571</u>	<u>-</u>
Totals for Application #1	\$ <u>472,571</u>	\$ <u>472,571</u>	\$ <u>472,571</u>	\$ <u>-</u>

GREGG COUNTY, TEXAS

**NOTE TO SCHEDULE OF EXPENDITURES
OF PASSENGER FACILITY CHARGES
(Continued)
YEAR ENDED SEPTEMBER 30, 2015**

Project Description	Total Amount Approved	Cumulative Eligible Costs through September 30, 2015	Cumulative PFC Collections through September 30, 2015	Eligible Costs Not Reimbursed through September 30, 2015
Application #2: 02-02-C-01-GGG				
Renovate ARFF Station	\$ 24,657	\$ 24,657	\$ 24,657	\$ -
Reconstruct Terminal Apron IV	104,667	104,667	104,667	-
Renovate ARFF Station Phase II	24,612	24,612	24,612	-
Reconstruct Terminal Apron V	65,850	65,850	65,850	-
Runway Safety Improvements	71,102	71,102	71,102	-
Construct Taxiway M & Associates	36,542	36,542	36,542	-
Electrical Improvements	29,811	29,811	29,811	-
Taxiway Pavement Study	1,338	1,338	1,338	-
Convert Rwy. 4/22 to Txy. N	330,853	330,853	330,853	-
Administrative expenses	9,800	9,800	9,800	-
Totals for Application #2	\$ <u>699,232</u>	\$ <u>699,232</u>	\$ <u>699,232</u>	\$ <u>-</u>

Project Description	Total Amount Approved	Cumulative Eligible Costs through September 30, 2015	Cumulative PFC Collections through September 30, 2015	Eligible Costs Not Reimbursed through September 30, 2015
Application #3: 12-03-C-00-GGG				
Security Fencing	\$ 140,561	\$ 140,561	\$ 140,561	\$ -
Planning Studies	16,315	16,315	16,315	-
ARFF Truck	31,776	31,776	31,776	-
Acquire Equipment	10,000	10,000	10,000	-
Rehabilitate Taxiways (Twy B, C, D, G, L, & M)	388,770	388,770	388,770	-
Rehabilitate Runway 18/36	204,487	204,487	204,487	-
Rehabilitate Runway 13/31	66,868	66,868	66,868	-
Runway 13/31 Safety Area Improvement	270,645	270,645	270,645	-
Acquire Snow Removal Equipment	9,118	9,118	9,118	-
PFC Application & Administration	40,000	40,000	40,000	-
Totals for Application #3	\$ <u>1,178,540</u>	\$ <u>1,178,540</u>	\$ <u>1,178,540</u>	\$ <u>-</u>