

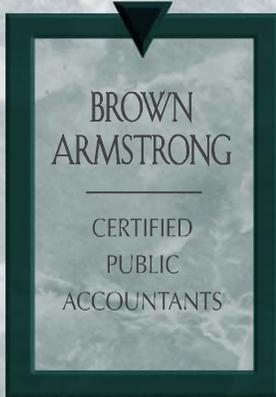
**MODESTO CITY-COUNTY AIRPORT
AIRPORT PASSENGER FACILITY CHARGES
FOR THE YEAR ENDED JUNE 30, 2013**

**MODESTO CITY-COUNTY AIRPORT
AIRPORT PASSENGER FACILITY CHARGES**

JUNE 30, 2013

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BROWN ARMSTRONG
Certified Public Accountants

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

To the Honorable City Council of the
City of Modesto, California

We have performed the procedures enumerated below, which were agreed to by the Modesto City-County Airport (the City), solely to assist you with respect to auditing the City's Schedule of Passenger Facility Charge (PFC) revenue in accordance with 14 Code of Federal Regulations (CFR) Part 158, "Passenger Facilities Charges," requirement as of and for the period ending June 30, 2013. Management is responsible for the City's accounting records. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings are as follows:

- 1. Ensure that the Airport has arranged for an audit to be conducted in accordance with auditing standards generally accepted in the United States of America (GAAS) and generally accepted government auditing standards (GAGAS), as outlined in the U.S. General Accounting Office publication Government Auditing Standards, and shall cover all departments, agencies, and other organizational units which expended or otherwise administered the public agency's PFC program during the year. No findings were noted as result of our procedures.
2. Ensure that the financial statements of the City pertaining to PFC accounts are presented fairly in all material respects in conformity with GAGAS. No findings were noted as result of our procedures.
3. Obtain an understanding of internal control over the PFC program and perform testing to support a low assessed level of control risk. No findings were noted as result of our procedures.
4. Determine that the City has complied with laws, regulations, and any PFC Record of Decision (ROD) issued by the Federal Aviation Administration (FAA) to the City that may have a direct and material effect on the PFC program, and ensure compliance over the following areas.
a. Ascertain compliance with the provisions of 14 CFR Part 158 pertaining to project cost allowability.
b. Ascertain that the public agency has complied with limits placed on project eligibility.
c. Determine that PFC funds designated for AIP "Local Match" or as supplemental to AIP funding are reviewed under PFC requirements.

MAIN OFFICE

4200 TRUXTUN AVENUE

SUITE 300
BAKERSFIELD, CA 93309
TEL 661.324.4971
FAX 661.324.4997
EMAIL info@bacpas.com

560 CENTRAL AVENUE

SHAFTER, CALIFORNIA 93263
TEL 661.746.2145
FAX 661.746.1218

8050 N. PALM AVENUE

SUITE 300
FRESNO, CALIFORNIA 93711
TEL 559.476.3592
FAX 559.476.3593

790 E. COLORADO BLVD.

SUITE 908B
PASADENA, CALIFORNIA 91101
TEL 626.240.0920
FAX 626.240.0922

5250 CLAREMENT AVENUE

SUITE 237
STOCKTON, CA 95207
TEL 209.451.4833



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- d. Ascertain that PFC revenue remitted to the public agency is deposited in accordance with section 158.67(a) requirements.
- e. Ascertain that PFC revenue remitted to the public agency is kept and accounted for in accordance with section 158.67(b) requirements.
- f. Ascertain compliance with the use of excess PFC revenue procedures outlined in section 158.39.
- g. Ascertain compliance with the notification procedures outlined in section 158.53.
- h. Ascertain compliance with the quarterly reporting procedures outlined in section 158.63(a) and (b).
- i. Determine that the public agency has in place and utilized procedures to track air carrier remittances and reporting, and not notify carriers of their obligations when the remittances and reporting are not in accordance with section 158.65.
- j. Ascertain applicability of and/or compliance with the Assurances 6, 7, 8, and 10 contained in Appendix A of Part 158 in accordance with the recommended procedures.

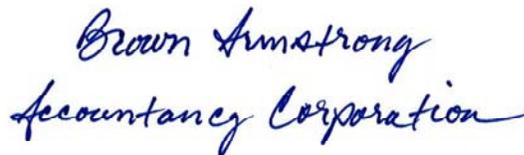
No findings were noted as result of our procedures.

- 5. Follow up on prior audit findings, if applicable, and verify that a corrective plan was implemented. No findings were noted as result of our procedures.

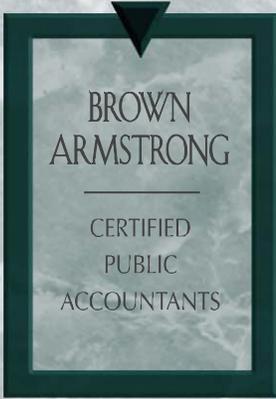
We were not engaged to and did not conduct an audit, the objective of which would be the expression of an opinion on the accounting records. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

A handwritten signature in blue ink that reads "Brown Armstrong Accountancy Corporation". The signature is written in a cursive, flowing style.

Bakersfield, California
December 2, 2013



BROWN ARMSTRONG

Certified Public Accountants

INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE PASSENGER FACILITY CHARGE PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE

To the Honorable City Council of the
City of Modesto, California

Compliance

We have audited the compliance of the City of Modesto 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 (PFC) program for the year ended June 30, 2013.

Internal Control Over Compliance

The management of the City of Modesto is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws and regulations applicable to the PFC program. In planning and performing our audit, we considered the City of Modesto’s internal control over compliance with requirements that could have a direct and material effect on the PFC program in order to determine our auditing procedure for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance with the Guide.

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 of Modesto’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.

Management’s Responsibility

Management is responsible for compliance with the requirements of laws and regulations applicable to its PFC program.

MAIN OFFICE

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Auditor's Responsibility

Our responsibility is to express an opinion on the City of Modesto's compliance over its PFC program 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 compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration (Guide). Those standards and the compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration (Guide) require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the City of Modesto's PFC program occurred. An audit includes examining, on a test basis, evidence about the City of Modesto'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 City of Modesto's PFC program. However, our audit does not provide a legal determination of the City of Modesto's compliance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the PFC program'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*.

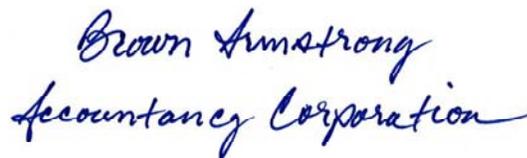
Opinion

In our opinion, the City of Modesto complied, in all material respects, with the compliance requirements referred to above that are applicable to its PFC program for the year ended June 30, 2013.

Purpose

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

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

A handwritten signature in blue ink that reads "Brown Armstrong Accountancy Corporation". The signature is written in a cursive style and is positioned below the printed name of the firm.

Bakersfield, California
December 2, 2013

**MODESTO CITY-COUNTY AIRPORT
SCHEDULE OF REVENUE
FOR THE YEAR ENDING JUNE 30, 2013**

<u>Revenues:</u>	<u>Date Approved</u>	<u>Amount Approved</u>	<u>Cumulative Total - June 30, 2012</u>	<u>September 30, 2012</u>	<u>December 31, 2012</u>	<u>March 31, 2013</u>	<u>June 30, 2013</u>	<u>Year Ended June 30, 2013</u>	<u>Cumulative Total - June 30, 2013</u>
Passenger facility charge revenue received			\$ 527,504	\$ 14,091	\$ 14,081	\$ 9,484	\$ 12,066	\$ 49,722	\$ 577,226
Interest earned			2,180	229	230	170	145	774	2,954
Total passenger facility charge revenue received			529,684	14,320	14,311	9,654	12,211	50,496	580,180
Expenditures:									
Application 08-07-C-00-MOD	June 6, 2008								
Project 1	Rehabilitate Taxi Lanes	\$ 30,864	18,309	-	-	-	-	-	18,309
Project 2	Install/Upgrade Airfield Guidance Signs	24,691	24,022	-	-	-	-	-	24,022
Project 3	Improve Airport Drainage	12,346	-	-	-	-	-	-	-
Project 4	Expand/Construct Parking Lot	82,667	82,667	-	-	-	-	-	82,667
Project 5	Rehabilitate Apron	76,316	76,316	-	-	-	-	-	76,316
Project 6	Conduct Part 150 Noise Compatibility Study	15,750	15,750	-	-	-	-	-	15,750
Project 7	Miscellaneous Planning Study	12,500	11,731	2,934	-	-	-	2,934	14,665
Project 8	Procure Aircraft Rescue and Firefighting Vehicle	42,500	32,454	-	-	-	-	-	32,454
Project 9	PFC Administrative Costs	40,000	40,000	-	-	-	-	-	40,000
Application 12-08-C-00-MOD									
Project 1	Conduct Miscellaneous Studies	20,250	45	3	6	39	2	50	95
Project 2	Procure ADA Lift	1,878	1,740	-	-	-	-	-	1,740
Project 3	Reconstruct Northwest Apron	44,124	14,936	673	855	23,447	-	24,975	39,911
Project 4	Construct New Windsocks	3,258	2,086	-	-	(775)	-	(775)	1,311
Project 5	Construct New Perimeter Security Fence	2,296	1,646	-	-	(478)	-	(478)	1,168
Project 6	Environmental Study	15,000	-	-	1,241	3,845	516	5,602	5,602
Project 7	PFC Administrative Costs	25,000	5,890	5,890	5,890	5,890	1,440	19,110	25,000
Application 12-08-C-00-MOD									
Project 1	Apron Rehabilitation-General Aviation	131,498	-	-	18,560	-	-	18,560	18,560
Project 2	Enhance Runway 10R/28L Safety Area	142,347	-	-	18,352	-	(229)	18,123	18,123
Total passenger facility charge revenue expended			327,592	9,500	44,904	31,968	1,729	88,101	415,693
PFC Expenditures (Over)/Under Revenues			\$ 202,092	\$ 4,820	\$ (30,593)	\$ (22,314)	\$ 10,482	\$ (37,605)	\$ 164,487

**MODESTO CITY-COUNTY AIRPORT
PFC REVENUE PROGRAM
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SCHEDULE OF SIGNIFICANT DEFICIENCIES**

Our audit disclosed no current year findings or questioned costs required to be reported in accordance with *Government Auditing Standards* and the requirements applicable to the Passenger Facilities Charge Program.

**MODESTO CITY-COUNTY AIRPORT
PFC REVENUE PROGRAM
STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS**

Our audit disclosed no prior year findings or questioned costs required to be reported in accordance with *Government Auditing Standards* and the requirements applicable to the Passenger Facilities Charge Program.