

**MODESTO CITY-COUNTY AIRPORT**  
INDEPENDENT AUDITOR'S REPORT AND  
SCHEDULE  
OF EXPENDITURES OF PASSENGER  
FACILITY CHARGES  
FOR THE YEAR ENDED JUNE 30, 2015



Certified  
Public  
Accountants

**MODESTO CITY-COUNTY AIRPORT  
PASSENGER FACILITY CHARGES  
FOR THE YEAR ENDED JUNE 30, 2015**

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**Independent Auditor’s Report on Compliance With Applicable Requirements of the Passenger Facility Charge Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Passenger Facility Charges Required by the *Passenger Facility Charge Audit Guide for Public Agencies***

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

**Report on Compliance With Applicable Requirements of the Passenger Facility Charge Program**

We have audited the City of Modesto, California’s (City) compliance with the applicable compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration (Guide) applicable to the City’s passenger facility charge program for the year ended June 30, 2015.

***Management’s Responsibility***

Compliance with the requirements referred to above is the responsibility of the City’s management.

***Auditor’s Responsibility***

Our responsibility is to express an opinion on the City’s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the Guide. Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the passenger facility charge program occurred. An audit includes examining, on a test basis, evidence about the City’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City’s compliance with those requirements.

***Opinion***

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that are applicable to its passenger facility charge program for the year ended June 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 compliance requirements referred to above. In planning and performing our audit, we considered the City’s internal control over compliance to determine the auditing procedures for the purpose of expressing our opinion on compliance, 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 does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such

that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses in internal control over compliance. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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.

***Report on Schedule of Expenditures of Passenger Facility Charges Required by the Passenger Facility Charge Audit Guide for Public Agencies***

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of and for the year ended June 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 January 27, 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 passenger facility charges is presented for purposes of additional analysis as required by the Guide 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 passenger facility charges is fairly stated in all material respects in relation to the basic financial statements as a whole.

*Macias Gini & O'Connell LLP*

Sacramento, California

February 5, 2016

**MODESTO CITY-COUNTY AIRPORT  
SCHEDULE OF EXPENDITURES OF PASSENGER FACILITY CHARGES  
FOR THE YEAR ENDED JUNE 30, 2015**

<b>Revenues:</b>			<b>Cumulative</b>	<b>For the Quarter Ended</b>				<b>For the</b>	<b>Cumulative</b>
			<b>Total - June</b>	<b>September</b>	<b>December</b>	<b>March 31,</b>	<b>June 30,</b>	<b>Year Ended</b>	<b>Total - June</b>
			<b>30, 2014</b>	<b>30, 2014</b>	<b>31, 2014</b>	<b>2015</b>	<b>2015</b>	<b>June 30, 2015</b>	<b>30, 2015</b>
Passenger facility charge revenue received			\$ 969,567	\$ 2,185	\$ 1,309	\$ 932	\$ -	\$ 4,426	\$ 973,993
Interest earned			52,798	191	203	280	314	988	53,786
Total passenger facility charge revenue received			<u>1,022,365</u>	<u>2,376</u>	<u>1,512</u>	<u>1,212</u>	<u>314</u>	<u>5,414</u>	<u>1,027,779</u>
<b>Expenditures:</b>									
<b>Application No.</b>	<b>Date Approved</b>	<b>Amount</b>							
<b>Project No.</b>	<b>Project Name</b>	<b>Approved</b>							
	Previously Completed and Closed Applications	\$ 704,940	\$ 704,940	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 704,940
12-08-C-00-MOD	February 10, 2012								
08-001	Conduct Miscellaneous Studies	20,250	2,019	5,133	11,890	-	-	17,023	19,042
08-002	Procure ADA Lift	1,878	1,740	-	-	-	-	-	1,740
08-003	Reconstruct Northwest Apron	44,124	44,124	-	(3,474)	(128)	-	(3,602)	40,522
08-004	Construct New Windsocks	3,258	1,311	-	-	-	-	-	1,311
08-005	Construct New Perimeter Security Fence	2,296	1,168	-	-	-	-	-	1,168
08-006	Environmental Study	15,000	6,392	-	-	-	-	-	6,392
08-007	PFC Administrative Costs	25,000	25,000	-	-	-	-	-	25,000
12-09-C-00-MOD	July 12, 2012								
09-001	Apron Rehabilitation-General Aviation	131,498	18,560	-	-	-	-	-	18,560
09-002	Enhance Runway 10R/28L Safety Area	142,347	18,123	-	-	-	-	-	18,123
Total passenger facility charge revenue expended			<u>823,377</u>	<u>5,133</u>	<u>8,416</u>	<u>(128)</u>	<u>-</u>	<u>13,421</u>	<u>836,798</u>
Unliquidated passenger facility charge revenues			<u>\$ 198,988</u>	<u>\$ (2,757)</u>	<u>\$ (6,904)</u>	<u>\$ 1,340</u>	<u>\$ 314</u>	<u>\$ (8,007)</u>	<u>\$ 190,981</u>

See accompanying notes to the schedule of passenger facility charges.

**MODESTO CITY-COUNTY AIRPORT**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF PASSENGER FACILITY CHARGES**  
**FOR THE YEAR ENDED JUNE 30, 2015**

**A. Basis of Presentation**

The accompanying schedule of expenditures of passenger facility charges includes the passenger facility charge activity of the City of Modesto, California. Interest income is earned on deposit balances of passenger facility charge receipts. Passenger facility charge collection revenue and expenditures are presented on the cash basis of accounting, and the interest income is presented on the accrual basis of accounting. The information in this schedule is presented for purposes of additional analysis, as specified in the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in preparation of, the basic financial statements.

Passenger facility charge expenditures may consist of direct project costs, administrative costs, debt service costs and bond financing costs, if requested in the application. Eligible expenditures not requested or approved in the application are not applied against passenger facility charge collections. The accompanying schedule includes the eligible expenditures that have been applied against passenger facility charge collections through June 30, 2015.

**B. Passenger Facility Charge Matching Funds**

Passenger facility charge revenue is used to match funding for various grants. During the closeout process for project 08-003, adjustments were made to the final project expenditures funded through passenger facility charge revenue in order to ensure proper matching to the grant funded portion of the project.