

CITY OF MODESTO, CALIFORNIA

Independent Auditor's Report and
Schedule of Passenger Facility Charge
Revenues and Expenditures

For the Year Ended June 30, 2017



Certified
Public
Accountants

**CITY OF MODESTO, CALIFORNIA
PASSENGER FACILITY CHARGES
FOR THE YEAR ENDED JUNE 30, 2017**

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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 Passenger Facility Charge Revenues and Expenditures
Required by the *Passenger Facility Charge Audit Guide for Public Agencies***

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

Compliance

We have audited the City of Modesto, California’s (City) compliance with the 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 at the Modesto City-County Airport for the year ended June 30, 2017.

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, 2017.

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 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 Guide. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Passenger Facility Charge Revenues and Expenditures 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, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated December 18, 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 charge revenues and expenditures 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 passenger facility charge revenues and expenditures is fairly stated in all material respects in relation to the basic financial statements as a whole.

Macias Gini & O'Connell LLP

Walnut Creek, California

January 11, 2018, except for the report on schedule of passenger facility charge revenues and expenditures as to which the date is December 18, 2017.

CITY OF MODESTO, CALIFORNIA
SCHEDULE OF PASSENGER FACILITY CHARGE REVENUES AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2017

<u>Revenues:</u>	Cumulative Total	For the Quarter Ended				For the Year Ended	Cumulative Total
	June 30, 2016	September 30, 2016	December 31, 2016	March 31, 2017	June 30, 2017	June 30, 2017	June 30, 2017
Passenger facility charge revenue received	\$ 979,132	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 979,132
Interest earned	55,571	264	287	307	335	1,193	56,764
Total passenger facility charge revenue received	1,034,703	264	287	307	335	1,193	1,035,896
<u>Expenditures:</u>							
<u>Application No.</u>	<u>Date Approved</u>	<u>Amount</u>					
<u>Project No.</u>	<u>Project Name</u>	<u>Approved</u>					
Completed and Closed Applications		\$ 836,798	836,798	-	-	-	836,798
Open Projects:							
16-10-C-00-MOD	May 1, 2016						
10-001	Wildlife Hazard Assessments	12,362	4,918	1,375	-	3,222	9,515
10-002	Obstruction Removal - Design	7,332	-	-	-	7,332	7,332
10-003	Obstruction Removal - Construction	35,245	-	-	-	35,245	35,245
10-004	Security and Perimeter Fencing - Design	12,584	2,694	-	-	9,890	12,584
10-005	Rehabilitate Runway 10L/28R - Design	32,991	5,188	-	-	27,803	32,991
10-006	West Apron Rehabilitation - Design	16,989	2,789	-	-	14,200	16,989
10-007	Rehabilitate Runway 10L/28R - Construction	78,551	78,551	-	-	-	78,551
Total passenger facility charge revenue expended			930,938	1,375	-	97,692	1,030,005
Unliquidated passenger facility charge revenues		\$ 103,765	\$ (1,111)	\$ 287	\$ 307	\$ (97,357)	\$ 5,891

See accompanying notes to the schedule of passenger facility charge revenues and expenditures.

CITY OF MODESTO, CALIFORNIA
NOTES TO THE SCHEDULE OF PASSENGER FACILITY CHARGE
REVENUES AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2017

A. Basis of Presentation

The accompanying schedule of passenger facility charge revenues and expenditures (the Schedule) includes the passenger facility charge activity at the Modesto City-County Airport by the City of Modesto, California (City). 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 (FAA). 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 Schedule includes the eligible expenditures that have been applied against passenger facility charge collections through June 30, 2017, however, the City did not collect any passenger facility charges during the year because commercial airlines discontinued operations in June 2014.

B. Passenger Facility Charge Matching Funds

Passenger facility charge revenue is used to match funding for various grants. Funding provided under government grants is considered earned as the related allowable expenditures are incurred.

C. Relationship to Federal Financial Reports

Amounts reported in the Schedule agree to or can be reconciled with the amounts reported to the FAA on the Passenger Facility Charge Quarterly Status Reports.