McAllen-Miller International Airport
Passenger Facility Charge Fund

Passenger Facility Charge Schedule of Revenues and Expenditures

Year Ended September 30, 2012

PS&Co.

Padgett Stratemann

McAllen-Miller International Airport
Passenger Facility Charge Fund

Passenger Facility Charge Schedule of Revenues and Expenditures

Year Ended September 30, 2012

McAllen-Miller International Airport
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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 Mayor and
Members of the City Commission
City of McAllen, Texas

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 of McAllen, Texas (the "City"), as of and for the year ended September 30, 2012, which collectively comprise the City's basic financial statements and issued our report thereon dated March 27, 2013. We conducted our audit in accordance with 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.

Internal Control Over Financial Reporting

Management of the City is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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 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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously.

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, 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*.

We noted certain matters that we reported to management of the City in a separate letter dated March 27, 2013.

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

Padgett, Stratemann & Co., L.L.P.

Certified Public Accountants
March 27, 2013

PS&Co. Padgett Stratemann

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

To the Honorable Mayor and
Members of the City Commission
City of McAllen, Texas

Compliance

We have audited the compliance of McAllen-Miller International Airport Passenger Facility Charge Fund (the "PFC Fund") with the types of compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies* (the "Guide"), issued by the Federal Aviation Administration, for its passenger facility charge program for the year ended September 30, 2012. Compliance with the requirements of laws and regulations applicable to its passenger facility charge program is the responsibility of the PFC Fund's management. Our responsibility is to express an opinion on the PFC Fund'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 types of 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 PFC Fund'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 PFC Fund's compliance with those requirements.

In our opinion, the PFC Fund complied, in all material respects, with the requirements referred to above that are applicable to its passenger facility charge program for the year ended September 30, 2012.

Internal Control Over Compliance

Management of the PFC Fund 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 PFC Fund's internal control over compliance with the requirements that could have a direct and material effect on its passenger facility charge program to determine the 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 PFC Fund'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 with a type of compliance requirement of a program on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that material noncompliance with a type of 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Passenger Facility Charge Schedule of Revenues and Expenditures

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 of McAllen, Texas (the "City"), as of and for the year ended September 30, 2012, and have issued our report thereon dated March 27, 2013, which contained an unqualified opinion on those financial statements. Our audit was conducted for the purpose of forming our opinions on the financial statements that collectively comprise City's basic financial statements. The accompanying Passenger Facility Charge Schedule of Revenues and Expenditures is presented for purposes of additional analysis as required by the Guide and is not a required part of the 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 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Passenger Facility Charge Schedule of Revenues and Expenditures is fairly stated in all material respects in relation to the financial statements as a whole.

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

Padgett, Stratemann & Co., L.L.P.

Certified Public Accountants
March 27, 2013

Passenger Facility Charge Schedule of Revenues and Expenditures

PS&Co.

McAllen-Miller International Airport
Passenger Facility Charge Fund

Passenger Facility Charge Schedule of Revenues and Expenditures

Year Ended September 30, 2012

	Fiscal Year 2011 Program Total	Quarter 1 September-December
Revenues:		
Collections	$ 11,993,106	$ 350,509
Interest	866,721	4,905
Total revenues	12,859,827	355,414
Disbursements:		
Application Number: 97-01-C-01-MFE		
Application Closed		
I. East and West Terminal apron	408,400	-
II. Airfield guidance signs and vault upgrade	53,741	-
III. Widen Taxiway "A"	717,817	-
IV. Runways 13 and 31 safety area improvements	271,334	-
V. Master plan update	31,872	-
VI. Terminal drive relocation	92,291	-
VII. GA apron overlay – drainage portion	773,053	-
VIII. Cargo apron overlay and associated taxiway improvements	929,266	-
IX. PFC administrative costs	26,237	-
Total application – 01	3,304,011	-
Application Number: 00-02-C-01-MFE		
Application Closed		
I. Runways 13 and 31 safety area improvements	700,000	-
II. Passenger lift device	19,750	-
III. Acquire ARFF vehicle	549,405	-
IV. Construct blast pads	555,050	-
V. Master plan update and terminal area study	720,000	-
VI. PFC administrative costs	42,000	-
Total application – 02	2,586,205	-

McAllen-Miller International Airport
Passenger Facility Charge Fund

Passenger Facility Charge Schedule of Revenues and Expenditures

Year Ended September 30, 2012

(Continued)

Quarter 2 January-March	Quarter 3 April-June	Quarter 4 July-September	Fiscal Year 2012 Total	Fiscal Year 2012 Program Total
$ 298,963	$ 343,350	$ 350,332	$ 1,343,154	$ 13,336,260
8,784	3,421	5,307	22,417	889,138
307,747	346,771	355,639	1,365,571	14,225,398
-	-	-	-	408,400
-	-	-	-	53,741
-	-	-	-	717,817
-	-	-	-	271,334
-	-	-	-	31,872
-	-	-	-	92,291
-	-	-	-	773,053
-	-	-	-	929,266
-	-	-	-	26,237
-	-	-	-	3,304,011
-	-	-	-	700,000
-	-	-	-	19,750
-	-	-	-	549,405
-	-	-	-	555,050
-	-	-	-	720,000
-	-	-	-	42,000
-	-	-	-	2,586,204

McAllen-Miller International Airport
Passenger Facility Charge Fund

Passenger Facility Charge Schedule of Revenues and Expenditures

Year Ended September 30, 2012

(Continued)

Disbursements: (continued)	Fiscal Year 2011 Program Total	Quarter 1 September-December
Application Number: 03-C-00-MFE		
I. South perimeter fencing and access road	$ -	$ 19,888
II. Conduct EA and CBA for Runways 13-31 Ext.	36,114	28
III. Air carrier ramp joint reseal and spall	18,747	-
IV. Overlay Taxiway C	13,662	-
V. Rehab. Taxiway A, GA, ATCT, and Customs Ramp	108,589	-
VI. Rehab. Taxiway A	14,800	-
Total application – 03	191,912	19,916
Application Number: 04-C-00-MFE		
I. Passenger boarding bridge	562,132	-
II. ARFF vehicle	571,757	-
III. Pavement management system	142,299	-
IV. Access control system	215,552	14,370
V. Bag belt conveyor	197,715	2,604
VI. Airfield electrical rehabilitation	116,553	-
Total application – 04	1,806,008	16,974
Application Number: 05-C-00-MFE		
I. Terminal building improvements	-	-
II. Terminal area apron	-	-
III. Shared Use Passenger Processing System	-	-
IV. PFC application and administration fee	-	-
Total application – 05	-	-
Total disbursements	7,888,136	36,890
Net passenger facility charge revenues (revenues minus disbursements)	$ 4,971,691	$ 318,524

McAllen-Miller International Airport
Passenger Facility Charge Fund

Passenger Facility Charge Schedule of Revenues and Expenditures

Year Ended September 30, 2012

(Continued)

Quarter 2 January-March	Quarter 3 April-June	Quarter 4 July-September	Fiscal Year 2012 Total	Fiscal Year 2012 Program Total
$ -	$ -	$ -	$ 19,888	$ 19,888
-	-	2,576	2,604	38,718
-	-	-	-	18,747
-	-	-	-	13,662
-	-	-	-	108,589
-	-	-	-	14,800
-	-	2,576	22,492	214,404
-	-	-	-	562,132
-	-	-	-	571,757
-	-	-	-	142,299
2,395	700,000	125,000	841,765	1,057,317
-	482	-	3,086	200,801
-	-	-	-	116,553
2,395	700,482	125,000	844,851	2,650,859
-	472,655	76,522	549,177	549,177
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	472,655	76,522	549,177	549,177
2,395	1,173,137	204,098	1,416,520	9,304,655
$ 305,352	$ (826,366)	$ 151,541	$ (50,949)	$ 4,920,743

Note to Passenger Facility Charge Schedule of Revenues and Expenditures

Year Ended September 30, 2012

Note A – Description of the Program

Sections 9110 and 9111 of the Aviation Safety and Capacity Expansion Act of 1990, enacted on November 5, 1990, authorized by the Secretary of Transportation, further delegated to the Federal Aviation Administration ("FAA") Administrator, approved the local imposition of an airport passenger facility charge ("PFC") of $1, $2, or $3 per enplaned passenger for use on certain airport projects. On May 29, 1991, the FAA issued Part 158 of the Federal Aviation Regulations outlining policies and procedures for the PFC Program. Under Part 158, public agencies controlling commercial service airports can apply to the FAA for authority to impose a PFC for use on eligible projects. On April 5, 2000, the law was modified to allow public agencies to apply to the FAA to increase the PFC level to $4 or $4.50. On April 11, 2011, the FAA amended Part 158 regulations to incorporate administrative and statutory changes based on recent enactments of the United States Congress and records of decision by the FAA. McAllen-Miller International Airport has been authorized by the FAA to impose and use a $4.50 passenger charge.

McAllen-Miller International Airport
Passenger Facility Charge Fund

Schedule of Passenger Facility Charge Program Findings and Questioned Costs

Year Ended September 30, 2012

Financial Statement Findings

None

Compliance Findings

None