



Department of Aviation

Mayor

Oscar Leeser

City Council

District 1

Peter Svarzbein

District 2

Jim Tolbert

District 3

Emma Acosta

District 4

Carl L. Robinson

District 5

Dr. Michiel R. Noe

District 6

Claudia Ordaz

District 7

Lily Limón

District 8

Cortney C. Niland

City Manager

Tommy Gonzalez

April 6, 2017

BKD, LLP

Certified Public Accountants

14241 Dallas Parkway, Suite 1100

Dallas, Texas 75254-2961

We are providing this letter in connection with your audits of our compliance with the requirements applicable to our Passenger Facility Charge Program (PFC) and on the Schedule of Passenger Facility Charges Revenues and Expenditures (the Schedule) as of and for the year ended August 31, 2016. We confirm that we are responsible for the fair presentation of the Schedule in conformity with modified cash basis of accounting and the requirements of the *Passenger Facility Charge Audit Guide for Public Agencies*. We are also responsible for adopting sound accounting policies, establishing and maintaining effective internal control over financial reporting, operations and compliance, and preventing and detecting fraud.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, the following:

1. We have fulfilled our responsibilities, as set out in the terms of our engagement letter dated October 17, 2016, for the preparation and fair presentation of the Schedule referred to above in conformity with the modified cash basis of accounting and the requirements of the *Passenger Facility Charge Audit Guide for Public Agencies*.
2. We acknowledge our responsibility for the design, implementation and maintenance of internal control relevant to the preparation and fair



Monica Lombrana A.A.E., Director of Aviation
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- presentation of the Schedule that is free from material misstatement, whether due to fraud or error.
3. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
 4. We have reviewed and approved a draft of the Schedule and related notes referred to above, which you prepared in connection with your audit of our financial statements. We acknowledge that we are responsible for the fair presentation of the Schedule and related notes.
 5. We have provided you with:
 - (a) Access to all information of which we are aware that is relevant to the preparation and fair presentation of the financial statements such as records, documentation and other matters.
 - (b) Additional information that you have requested from us for the purpose of the audit.
 - (c) Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
 - (d) All minutes of meetings of the governing body held through the date of this letter.
 - (e) All significant contracts and agreements.
 6. All transactions have been recorded in the accounting records and are reflected in the Schedule.
 7. We have informed you of all current risks of a material amount that are not adequately prevented or detected by entity procedures with respect to:
 - (a) Misappropriation of assets.
 - (b) Misrepresented or misstated assets, liabilities or net position.
 8. We have no knowledge of any known or suspected:
 - (a) Fraudulent financial reporting or misappropriation of assets involving management or employees who have significant roles in internal control.



- (b) Fraudulent financial reporting or misappropriation of assets involving others that could have a material effect on the financial statements.
- 9. We have no knowledge of any allegations of fraud or suspected fraud affecting the City received in communications from employees, customers, regulators, suppliers or others.
- 10. We have disclosed to you the identity of the City's related parties and all the related party relationships and transactions of which we are aware. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with accounting principles generally accepted in the United States of America. We understand that the term related party refers to an affiliate; management, and members of their immediate families, component units; and any other party with which the entity may deal if it can significantly influence, or be influenced by, the management or operating policies of the other. The term affiliate refers to a party that directly or indirectly controls, or is controlled by, or is under common control with us.
- 11. Except as reflected in the Schedule, there are no:
 - (a) Material transactions omitted or improperly recorded in the Schedule.
 - (b) Events occurring subsequent to the Schedule date through the date of this letter requiring adjustment or disclosure in the Schedule.
- 12. We have disclosed to you all known instances of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing the Schedule.
- 13. We have not been designated as a potentially responsible party (PRP or equivalent status) by the Environmental Protection Agency (EPA) or other cognizant regulatory agency with authority to enforce environmental laws and regulations.
- 14. We have notified you of any instances of noncompliance with applicable disclosure requirements of the SEC Rule 15c2-12 and applicable state laws.
- 15. With regard to deposit and investment activities:
 - (a) All deposit and investment transactions have been made in accordance with legal and contractual requirements.
 - (b) We understand that your audit does not represent an opinion regarding the enforceability of any collateral pledges.



16. With respect to any nonattest services you have provided us during the year, including drafting the Schedule of Passenger Facility Charges Revenues and Expenditures and related notes:
 - (a) We have designated a qualified management-level individual to be responsible and accountable for overseeing the nonattest services.
 - (b) We have established and monitored the performance of the nonattest services to ensure that they meet our objectives.
 - (c) We have made any and all decisions involving management functions with respect to the nonattest services and accept full responsibility for such decisions.
 - (d) We have evaluated the adequacy of the services performed and any findings that resulted.
17. We acknowledge that we are responsible for compliance with applicable laws, regulations and provisions of contracts and grant agreements.
18. We have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that have a direct and material effect on the determination of amounts in the Schedule or other financial data significant to the audit objectives.
19. We have identified and disclosed to you any violations or possible violations of laws, regulations and provisions of contracts and grant agreements whose effects should be considered for recognition and/or disclosure in the Schedule or for your reporting on noncompliance.
20. We have taken or will take timely and appropriate steps to remedy any fraud, abuse, illegal acts or violations of provisions of contracts or grant agreements that you or other auditors report.
21. We have a process to track the status of audit findings and recommendations.
22. We have identified to you any previous financial audits, attestation engagements, performance audits or other studies related to the objectives of your audit and the corrective actions taken to address any significant findings and recommendations made in such audits, attestation engagements or other studies.



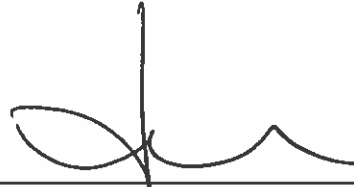
23. With regard to the PFC program:
- (a) We have identified in the types of compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration that are applicable to our PFC program.
 - (b) We are responsible for complying, and have complied, with the requirements of *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration that are applicable to our PFC program.
 - (c) We are responsible for our compliance with the requirements of laws, regulations, contracts and grants applicable to the PFC program and have disclosed to you any and all instances of noncompliance with those requirements occurring during the period of your audit and subsequent thereto the date of this letter of which we are aware.
 - (d) We are responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to the PFC program.
 - (e) We have made available to you all contracts and grant agreements, including any amendments, and any other correspondence or documentation relevant to the PFC programs and to our compliance with applicable requirements of the PFC programs.
 - (f) The information presented in the Schedule and claims for advances and reimbursements is supported by the books and records from which our financial statements have been prepared.
 - (g) The costs charged to the PFC program are in accordance with applicable cost principles.
 - (h) The reports provided to you related to the PFC programs are true copies of reports submitted or electronically transmitted to the Federal Aviation Administration (FAA), and the applicable payment system.
 - (i) We have disclosed to you any communications from the FAA concerning possible noncompliance with the applicable compliance requirements for the PFC program, including any communications received from the end of the period of your audit through the date of this letter.



- (j) We have identified to you any previous compliance audits, attestation engagements and internal or external monitoring related to the objectives of your compliance audit, including findings received and corrective actions taken to address any significant findings and recommendations made in such audits, attestation engagements or other monitoring.



Monica Lombraña
Director of Aviation



Jeff Schultes
Assistant Director of Aviation Administration

