

# CITY OF SAN ANTONIO, TEXAS



## **Schedule of Expenditures of Passenger Facility Charges**

**FISCAL YEAR ENDED SEPTEMBER 30, 2016**

**Schedule of Expenditures of Passenger Facility Charges**

**Table of Contents**

**Year-Ended September 30, 2016**

Independent Auditor’s Report on Compliance, Internal Control Over Compliance, and  
Schedule of Expenditures of Passenger Facility Charges Required by the  
*Passenger Facility Charge Audit Guide for Public Agencies* \_\_\_\_\_ 1

Independent Auditor’s 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* \_\_\_\_\_ 4

Schedule of Expenditures of Passenger Facility Charges \_\_\_\_\_ 7

Notes to Schedule of Expenditures of Passenger Facility Charges \_\_\_\_\_ 8

Schedule of Findings and Questioned Costs \_\_\_\_\_ 10

Status of Prior Year Findings \_\_\_\_\_ 12



# Padgett Stratemann

## Independent Auditor’s Report on Compliance, Internal Control Over Compliance, and Schedule of Expenditures of Passenger Facility Charges Required by the Passenger Facility Charge Audit Guide for Public Agencies

To the Honorable Mayor and Members of the City Council  
City of San Antonio, Texas

### ***Report on Compliance for the Passenger Facility Charge Program***

We have audited the City of San Antonio, Texas (the “City”) Passenger Facility Charge Fund’s (the “PFC Fund”) compliance 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, 2016.

### ***Management’s Responsibility***

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

### ***Auditor’s Responsibility***

Our responsibility is to express an opinion on the PFC Fund’s compliance based on our audit of the types of compliance requirements referred to above. 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. However, our audit does not provide a legal determination of the PFC Fund’s compliance.

#### **AUSTIN**

811 BARTON SPRINGS ROAD, SUITE 550  
AUSTIN, TEXAS 78704  
512 476 0717

#### **HOUSTON**

1980 POST OAK BOULEVARD, SUITE 1100  
HOUSTON, TEXAS 77056  
713 335 8630

#### **SAN ANTONIO**

100 N.E. LOOP 410, SUITE 1100  
SAN ANTONIO, TEXAS 78216  
210 828 6281

TOLL FREE: 800 879 4966  
WEB: PADGETT-CPA.COM

### ***Opinion on Compliance for the Passenger Facility Charge Program***

In our opinion, the PFC Fund complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its passenger facility charge program for the year ended September 30, 2016.

### ***Report on Internal Control Over Compliance***

Management of the PFC Fund is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the PFC Fund's internal control over compliance with the types of requirements that could have a direct and material effect on its passenger facility charge program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an 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 over compliance 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 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 type of compliance requirement of a program will not be prevented or detected and corrected on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### ***Schedule of Expenditures of Passenger Facility Charges***

We have audited the financial statements of governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We have issued our report thereon dated March 9, 2017, which contained unmodified opinions on those financial statements. Our report was modified to include a reference to other auditors and to a restatement of beginning net position/fund balance. Our audit was conducted for the purpose of forming our opinions on the financial statements that collectively comprise the City's 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 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 Schedule of Expenditures of Passenger Facility Charges is fairly stated in all material respects in relation to the financial statements as a whole.

*Padgett, Stratemann + Co., L.L.P.*

San Antonio, Texas

March 9, 2017



## Padgett Stratemann

### Independent Auditor’s 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 Council  
City of San Antonio, Texas

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of San Antonio, Texas (the “City”), as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements, and have issued our report thereon dated March 9, 2017. Our report was modified to include a reference to the restatement of beginning net position related to a correction of an error related to accounts receivable recorded in the Airport Fund. Our report was also modified to include a reference to other auditors. We did not audit the financial statements of HemisFair Park Area Redevelopment Corporation; San Antonio Economic Development Corporation; Westside Development Corporation; San Antonio Fire and Police Pension Fund; or the San Antonio Fire and Police Retiree Health Care Fund; blended and fiduciary component units, which represent 74%, 84%, and 9%, respectively, of the assets and deferred outflows, net position/fund balances, and revenues/additions of the aggregate remaining fund information. We also did not audit Brooks Development Authority, CPS Energy; SA Energy Acquisition Public Facility Corporation; San Antonio Housing Trust Finance Corporation; San Antonio Housing Trust Foundation, Inc.; or the San Antonio Housing Trust Public Facility Corporation, discretely presented component units, which represent 66%, 57%, and 80%, respectively, of the assets and deferred outflows, net position, and revenues of the discretely presented component units. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for those component units, is based solely on the report of the other auditors. This report does not include the results of the other auditors’ testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of CPS Energy, SA Energy Acquisition Public Facility Corporation, San Antonio Economic Development Corporation, Westside Development Corporation, San Antonio Housing Trust Finance Corporation, San Antonio Housing Trust Public Facility Corporation, and San Antonio Water System – District Special Project, audited separately by other auditors, were not audited in accordance with *Government Auditing Standards*.

#### AUSTIN

811 BARTON SPRINGS ROAD, SUITE 550  
AUSTIN, TEXAS 78704  
512 476 0717

#### HOUSTON

1980 POST OAK BOULEVARD, SUITE 1100  
HOUSTON, TEXAS 77056  
713 335 8630

#### SAN ANTONIO

100 N.E. LOOP 410, SUITE 1100  
SAN ANTONIO, TEXAS 78216  
210 828 6281

TOLL FREE: 800 879 4966  
WEB: PADGETT-CPA.COM

### ***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of City's internal control.

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 City'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 and therefore, material weakness or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control identified in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency as item 2016-001.

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the City's financial statements are free from 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*.

### ***City's Response to Finding***

The City's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The City's response was not subjected to the auditing procedures applied to the audit of the financial statements and, accordingly, we express no opinion on it.

***Purpose of This Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Padgett, Statemann + Co., L.L.P.*

San Antonio, Texas

March 9, 2017

**SCHEDULE OF EXPENDITURES OF PASSENGER FACILITY CHARGES**

Year Ended September 30, 2016 and Each Quarter During the year ended September 30, 2016

With Cumulative Totals as of Setempber 30, 2015 and 2016

	SEPTEMBER 30, 2015 PROGRAM TOTAL	QUARTER 1 OCTOBER THROUGH DECEMBER	QUARTER 2 JANUARY THROUGH MARCH	QUARTER 3 APRIL THROUGH JUNE	QUARTER 4 JULY THROUGH SEPTEMBER	YEAR ENDED SEPTEMBER 30, 2016 TOTAL	SEPTEMBER 30, 2016 PROGRAM TOTAL
<b>Revenue:</b>							
Collections	\$ 181,987,089	\$ 3,759,549	\$ 4,152,551	\$ 4,315,078	\$ 3,891,242	\$ 16,118,420	\$ 198,105,509
Interest	6,697,039	20,486	24,523	40,067	38,744	123,820	6,820,859
<b>Total Revenue</b>	<b>\$ 188,684,128</b>	<b>\$ 3,780,035</b>	<b>\$ 4,177,074</b>	<b>\$ 4,355,145</b>	<b>\$ 3,929,986</b>	<b>\$ 16,242,240</b>	<b>\$ 204,926,368</b>
<b>Disbursements:</b>							
<b>Application 01-01-C-00-SAT</b>							
Project ID 1.8 Replace RON Apron	\$ 1,722,176	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,722,176
Project ID 1.9-Rehabilitate T-1 & T-2	14,634,467		251,511	95	905,589	1,157,195	15,791,662
Project ID 1.11-Reconstruct Per. Rd.	464,840						464,840
<b>Application 03-02-U-00-SAT</b>							
Project ID 1.10 Concourse B	77,634,945		2,498,034	577	6,153,834	8,652,445	86,287,390
<b>Application 04-03-U-00-SAT</b>							
Project ID 1.1 Residential Noise Attenuation	10,123,240		395,888	113	876,425	1,272,426	11,395,666
<b>Application 05-04-C-00-SAT</b>							
Project ID 4.1 Terminal Elevated Roadway	19,552,801		553,675	337	1,610,124	2,164,136	21,716,937
Project ID 4.2 Central Plant Upgrade	4,300,645		179,758	62	464,435	644,255	4,944,900
Project ID 4.3 Apron Replacement	2,153,187		30,161	7	87,957	118,125	2,271,312
Project ID 4.4 New Utilities -Terminal Expansion	6,026,184		170,840	134	465,845	636,819	6,663,003
Project ID 4.5 Replace Two ARFF Vehicles	303,970						303,970
Project ID 4.6 Conduct Environmental Impact Statemer	549,241						549,241
Project ID 4.7 Reconstruct Terminal Area Roadway	225,000						225,000
Project ID 4.8 Noise Monitoring Equipment	245,153						245,153
Project ID 4.9 Terminal and Airfield Security	973,534						973,534
Project ID 4.10 Airfield Electrical Improvements	633,333						633,333
Project ID 4.11 PFC Development	137,715	844		7,163	4,278	12,285	150,000
<b>Application 07-05-C-00-SAT</b>							
Project ID 5.1 Terminal 1 Modifications	19,436,868		633,154	26	1,373,814	2,006,994	21,443,862
Project ID 5.2 Runway Safety Action Team (RSAT)	824,377				(1)	(1)	824,376
Project ID 5.3 Runway 21 Extension	5,637,608	92,120	8,250			100,370	5,737,978
Project ID 5.4 Taxiway R Extension	591,878						591,878
<b>Total Disbursements</b>	<b>\$ 166,171,162</b>	<b>\$ 92,964</b>	<b>\$ 4,721,271</b>	<b>\$ 8,514</b>	<b>\$ 11,942,300</b>	<b>\$ 16,765,049</b>	<b>\$ 182,936,211</b>
Net PFC Revenue	\$ 22,512,966	\$ 3,687,071	\$ (544,197)	\$ 4,346,631	\$ (8,012,314)	\$ (522,809)	\$ 21,990,157
PFC Account Balance	\$ 22,512,966	\$ 26,200,037	\$ 25,655,840	\$ 30,002,471	\$ 21,990,157	\$ 21,990,157	\$ 21,990,157

**Notes to Schedule of Expenditures of Passenger Facility Charges**  
**Year-Ended September 30, 2016**

**General**

The Aviation and Safety and Capacity Expansion Act of 1990 (Public Law 101-508, Title II, Subtitle B) authorized the local imposition of Passenger Facility Charges (PFC) and use of PFC revenue on Federal Aviation Administration (FAA) approved projects.

- On August 29, 2001, the FAA approved a \$3.00 Passenger Facility Charge collection at San Antonio International Airport (SAT) effective November 1, 2001 per PFC Application 01-01-C-00-SAT. The total approved amount of PFC revenue plus interest SAT is allowed to collect under this application is \$238,029,391 by January 1, 2013, as amended on February 15, 2005 and June 26, 2007. The second amendment additionally increased the approved collection rate for the application to \$4.50, effective October 1, 2007.
- PFC Application 03-02-U-00-SAT, approved on July 23, 2003, and 04-03-U-00-SAT approved on December 1, 2004, authorized SAT to utilize funds collected at SAT in PFC Application 01-01-C-00-SAT. Approved PFC project funding was increased, as amended on February 15, 2005 and June 26, 2007.
- On February 22, 2005, per PFC Application 05-04-C-00-SAT, the FAA additionally approved a \$3.00 PFC to be collected at SAT effective November 1, 2012 (upon the expiration date of the previous application, as amended). The total approved amount of PFC revenue plus interest SAT is allowed to collect under this application is \$118,303,705 by March 1, 2018, as amended on June 26, 2007. Additionally, the second amendment increased the approved collection rate for this application to \$4.50 and changed the charge effective date to January 1, 2013.
- On October 4, 2007, per PFC Application 07-05-C-00-SAT, the FAA approved a \$4.50 PFC to be collected at SAT effective March 1, 2018 (upon the expiration date of the previous application, as amended). The total approved amount of PFC revenue plus interest SAT is allowed to collect under this application is \$24,625,453.
- On May 28, 2010, the FAA approved an amendment to PFC Application 01-01-C-00-SAT. As a result, the impose authority is increased by \$126,197,658 from \$238,029,391 to \$364,227,049. As a result of this amendment, the approved authority in Application 03-02-U-00-SAT, as amended, increased by \$108,498,037 from \$176,470,875 to \$284,968,912. This amendment is referenced as 03-02-U-03-SAT. Also as a result of this amendment, the approved authority in Application 04-03-U-00-SAT is increased by \$17,699,621 from \$24,840,225 to \$42,539,846. This amendment is referenced as 04-03-U-03-SAT.
- On May 28, 2010, the FAA approved an amendment to PFC Applications 07-05-C-00-SAT and 05-04-C-00-SAT. As a result, the approved applications impose and use authority is increased by \$55,756,620 from \$24,625,453 to \$80,382,073 and \$10,856,201 from \$118,303,705 to \$129,159,906 respectively. These applications are now referenced as 07-05-C-01-SAT and 05-04-C-02-SAT, respectively.
- On April 13, 2015, the FAA approved an amendment to PFC Applications 01-01-C-03-SAT, 05-04-C-02-SAT, and 07-05-C-01-SAT. The approved impose authority decreased in Application 01-01-C-04-SAT by \$48,338,011 from \$284,968,912 to \$236,630,901. This amendment is referenced as 03-02-U-04-SAT. The approved imposed and use authority decreased in Application 01-01-C-04-SAT by \$87,517 from \$552,357 to \$464,840. Also as a result of this amendment, the approved impose and use authority decreased in 05-04-C-03-SAT by \$34,154,019 from \$113,050,349 to \$78,896,330 and 07-05-C-02-SAT by \$27,479,278 from \$68,169,573 to \$40,690,295.

**Notes to Schedule of Expenditures of Passenger Facility Charges**  
**Year-Ended September 30, 2016**

**Schedule of Expenditures of Passenger Facility Charges**

The accompanying schedule of expenditures of passenger facility charges presents the revenues received from Passenger Facility Charges and expenditures incurred on approved projects on the cash basis of accounting.

Revenues received and expenditures spent on approved projects in the accompanying schedule agree to the Passenger Facility Charge Quarterly Status Reports submitted by SAT to the FAA.

**Schedule of Findings and Questioned Costs  
 Passenger Facility Charge Program  
 Year-Ended September 30, 2016**

**SECTION I – SUMMARY OF AUDITORS’ RESULTS**

***Financial Statements***

Type of auditors’ report issued:		Unmodified	
Internal control over financial reporting:			
Material weakness(es) identified?	_____ Yes	_____ <u>X</u> No	
Significant deficiencies identified that are not considered to be material weaknesses?	_____ <u>X</u> Yes	_____ No	
Noncompliance material to financial statements noted?	_____ Yes	_____ <u>X</u> No	

***Passenger Facility Charge Program***

Internal control over passenger facility charge program:			
Material weakness(es) identified?	_____ Yes	_____ <u>X</u> No	
Significant deficiencies identified that are not considered to be material weaknesses?	_____ Yes	_____ <u>X</u>	None Reported
Type of auditors’ report issued on compliance for passenger facility charge program:		Unmodified	
Any audit findings disclosed that are required to be reported?	_____ Yes	_____ <u>X</u> No	

**SECTION II – FINDINGS AND QUESTIONED COSTS RELATED TO FINANCIAL STATEMENTS**

**Finding: 2016-001**

**Accounting and Reporting of a Transaction Related to the Consolidated Rental Car Special Facilities Project (CONRAC) for the Airport – Significant deficiency**

In 2015, the City issued revenue bonds to finance the construction of a Consolidated Rental Car Special Facilities Project (CONRAC) for the Airport. While the City engaged a trustee to manage the City’s bond funding related to the CONRAC, the City accurately recorded the proceeds in one of its airport funds as cash. However for financial reporting purposes, at the end of the current year, the City inaccurately accrued \$36,468,250 in revenue for construction costs that were pending reimbursement by the trustee rather than record a transfer between funds. The City incorrectly recorded a similar transaction totaling \$11,737,000 in the prior year that was reversed in the current year.

Additionally, the Bond indenture allowed for reimbursement to the Airport operating fund for lost parking revenues and increased expenses related to shuttle costs as a result of the demolition of the short term garage in order to construct CONRAC. While the City appropriately requested and received \$5,063,000 in reimbursements in the current year, the funding was inaccurately recorded as revenue rather than as a transfer.

**Schedule of Findings and Questioned Costs**  
**Passenger Facility Charge Program**  
**Year-Ended September 30, 2016**

The City recorded similar transactions in the prior year, and had a year-end accrual of \$857,000 that inaccurately increased net position at the end of fiscal year 2015.

Had these reimbursements been treated as transfers between the City's various Airport funds they would have been properly eliminated for financial reporting purposes at year-end. The effects of these errors resulted in the City overstating the Airport System's net position for financial reporting in the CAFR.

We recommend the City formally document the process for recording reimbursements from the trustee to ensure future transactions are in accordance with Generally Accepted Accounting Principles (GAAP). Additionally, as the City enters into similar or unusual transactions we recommend the accounting for these transactions be formally documented and reviewed to ensure they are in accordance with GAAP.

**Views of responsible officials and planned corrective actions:**

The City has updated the existing written procedures related to the CONRAC's flow of funds to ensure the reimbursements from the trustee for costs during construction are recorded in compliance with GAAP for year-end financial reporting purposes. The City will continue to train all staff involved in the transaction to prevent future classification and financial reporting eliminating errors. There was neither a misappropriation of funds nor a budgetary impact to the Airport's operating fund.

**SECTION III - FINDINGS AND QUESTIONED COSTS RELATED TO PASSENGER FACILITY CHARGE PROGRAM**

None.

**Summary Status of Prior Year Findings  
Passenger Facility Charge Program  
Year-Ended September 30, 2016**

None.



CITY OF SAN ANTONIO, TEXAS