

CITY OF SAN ANTONIO, TEXAS



Schedule of Expenditures of Passenger Facility Charges

FISCAL YEAR-ENDED SEPTEMBER 30, 2012

Schedule of Expenditures of Passenger Facility Charges

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Year-Ended September 30, 2012

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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 Council
City of San Antonio, Texas

Compliance

We have audited the compliance of San Antonio 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 in order to determine our 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 in accordance with the Guide. Accordingly, we do not express an opinion on the effectiveness of the PFC Fund's internal control over compliance in accordance with the Guide.

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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.

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 of San Antonio, Texas (the "City"), as of and for the year ended September 30, 2012, and have issued our report thereon dated February 28, 2013, which contained an unqualified opinion on those financial statements. Our report was modified to include a reference to other auditors and to a restatement of beginning net assets. 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.

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

Padgett, Stratmann & Co., L.L.P.

Certified Public Accountants
February 28, 2013

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*

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

We have audited 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, 2012, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 28, 2013. Our report was modified to include a reference to other auditors and also a reference to a restatement of beginning net assets. 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. Other auditors audited the financial statements of San Antonio Fire and Police Pension Fund, San Antonio Fire and Police Retiree Health Care Fund, San Antonio Housing Trust Finance Corporation, HemisFair Park Area Redevelopment Corporation, and the San Antonio Housing Trust Public Facility Corporation, blended component units, which represent 74%, 81%, and 35%, respectively, of the assets, net assets/fund balances and revenues/additions of the aggregate remaining fund information. Other auditors also audited CPS Energy, SA Energy Acquisition Public Facility Corporation, and the San Antonio Housing Trust Foundation, Inc., discretely presented component units which represent 69%, 62%, and 81% of the assets, net assets and revenues of the discretely presented component units, as described in our report on the City's financial statements. This report does not include the results of 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 San Antonio Housing Trust Finance Corporation, San Antonio Housing Trust Public Facility Corporation, SA Energy Acquisition Public Facility Corporation, and the San Antonio Housing Trust Foundation, Inc. audited by other auditors were not audited in accordance with *Government Auditing Standards*.

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 opinions 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.

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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.

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, as previously defined. However, we identified a deficiency in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs, that we consider to be a significant deficiency in internal control over financial reporting (Item 2012-01). 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.

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, 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*.

We noted certain matters that we reported to management of the City in a separate letter dated February 28, 2013.

This report is intended solely for the information and use of the management, the Mayor, members of the City Council, others within the City, federal awarding agencies, and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

Padgett, Stratmann & Co., L.L.P.

Certified Public Accountants
February 28, 2013

SCHEDULE OF EXPENDITURES OF PASSENGER FACILITY CHARGES

Year Ended September 30, 2012 and Each Quarter During the year ended September 30, 2012

With Cumulative Totals as of September 30, 2011 and 2012

	SEPTEMBER 30, 2011	QUARTER 1 OCTOBER THROUGH DECEMBER	QUARTER 2 JANUARY THROUGH MARCH	QUARTER 3 APRIL THROUGH JUNE	QUARTER 4 JULY THROUGH SEPTEMBER	YEAR ENDED SEPTEMBER 30, 2012 TOTAL	SEPTEMBER 30, 2012 PROGRAM TOTAL
Revenue:							
Collections	\$ 116,919,161	\$ 3,751,700	\$ 4,253,492	\$ 4,239,489	\$ 4,033,773	\$ 16,278,454	\$ 133,197,615
Interest	6,029,550	21,346	16,333	17,091	134,718	189,488	6,219,038
Total Revenue	122,948,711	3,773,046	4,269,825	4,256,580	4,168,491	16,467,942	139,416,653
Disbursements:							
Application 01-01-C-00-SAT							
Project ID 1.8 Replace RON Apron	1,722,176	-	-	-	-	-	1,722,176
Project ID 1.9 Rehabilitate T-1 & T-2	10,291,380	-	376,184	-	569,422	945,606	11,236,986
Project ID 1.11 Reconstruct Perimeter Road	464,840	-	-	-	-	-	464,840
Application 03-02-U-00-SAT							
Project ID 1.10 Concourse B	43,596,724	-	2,856,260	-	5,708,006	8,564,266	52,160,990
Application 04-03-U-00-SAT							
Project ID 1.1 Residential Noise Attenuation	5,096,874	-	427,988	-	844,663	1,272,651	6,369,525
Application 05-04-C-00-SAT							
Project ID 4.1 Terminal Elevated Roadway	11,128,677	-	684,423	-	1,366,706	2,051,129	13,179,806
Project ID 4.2 Central Plant Upgrade	1,741,222	-	211,024	-	449,654	660,678	2,401,900
Project ID 4.3 Apron Replacement	1,697,344	-	38,364	-	69,804	108,168	1,805,512
Project ID 4.4 New Utilities -Terminal Expansion	3,512,384	-	197,816	-	438,541	636,357	4,148,741
Project ID 4.5 Replace Two ARFF Vehicles	303,970	-	-	-	-	-	303,970
Project ID 4.6 Conduct Environmental Impact Statement	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	972,390	-	286	-	858	1,144	973,534
Project ID 4.10 Airfield Electrical Improvements	594,105	1,938	1,808	-	(3,746)	-	594,105
Project ID 4.11 PFC Development	88,223	-	14,321	2,532	-	16,853	105,076
Application 07-05-C-00-SAT							
Project ID 5.1 Terminal 1 Modifications	11,934,777	-	653,480	-	1,104,969	1,758,449	13,693,226
Project ID 5.2 Runway Safety Action Team (RSAT)	824,376	-	-	-	-	-	824,376
Project ID 5.3 Runway 21 Extension	2,125,375	665,861	175,647	101,533	1,576,576	2,519,617	4,644,992
Project ID 5.4 Taxiway R Extension	580,150	-	-	-	-	-	580,150
Total Disbursements	97,694,381	667,799	5,637,601	104,065	12,125,453	18,534,918	116,229,299
Net PFC Revenue	\$ 25,254,330	\$ 3,105,247	\$ (1,367,776)	\$ 4,152,515	\$ (7,956,962)	\$ (2,066,976)	\$ 23,187,354
PFC Account Balance	\$ 25,254,330	\$ 28,359,577	\$ 26,991,801	\$ 31,144,316	\$ 23,187,354	\$ 23,187,354	\$ 23,187,354

Notes to Schedule of Expenditures of Passenger Facility Charges
Year-Ended September 30, 2012

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 \$24,265,453.
- 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.

Schedule of Expenditures of Passenger Facility Charges

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

The Passenger Facility Charge Quarterly Status Reports submitted by SAT to the FAA are converted from a cash basis to the accrual basis at year-end in order to prepare the schedule of expenditures of passenger facility charge report.

Status of Prior Year Findings
Year-Ended September 30, 2012

None.