

CITY OF SAN ANTONIO, TEXAS



Schedule of Expenditures of Passenger Facility Charges

FISCAL YEAR ENDED SEPTEMBER 30, 2013

Schedule of Expenditures of Passenger Facility Charges

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Year-Ended September 30, 2013

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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 San Antonio International Airport 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, 2013.

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 type 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.

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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, 2013.

Internal Control Over Compliance

Management of the PFC Fund is responsible for establishing and maintaining effective internal control over compliance with the requirements referred to above. 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 that are appropriate in the circumstances 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 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 federal 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 the PFC 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 of San Antonio, Texas (the "City"), as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We have issued our report thereon dated February 19, 2014, 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, Statemann + Co., L.L.P.

Certified Public Accountants
San Antonio, Texas
February 19, 2014



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*

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, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 19, 2014. Our report was modified to include a reference to other auditors and also a reference to a restatement of beginning net position/fund balance. We did not audit the financial statements of HemisFair Park Area Redevelopment Corporation; San Antonio Economic Development Corporation; San Antonio Fire and Police Pension Fund; San Antonio Fire and Police Retiree Health Care Fund; San Antonio Housing Trust Finance Corporation; San Antonio Housing Trust Foundation, Inc.; or the San Antonio Housing Trust Public Facility Corporation, blended component units, which represent 78%, 84%, and 29%, 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 CPS Energy or SA Energy Acquisition Public Facility Corporation, discretely presented component units, which represent 68%, 60%, and 78%, 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 Brooks Development Authority, CPS Energy, SA Energy Acquisition Public Facility Corporation, San Antonio Economic 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*.

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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 weaknesses 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. However, material weaknesses may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs that we consider to be a significant deficiency (2013-01).

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 in 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.

Certified Public Accountants
San Antonio, Texas
February 19, 2014

CITY OF SAN ANTONIO, TEXAS

SCHEDULE OF EXPENDITURES OF PASSENGER FACILITY CHARGES

Year Ended September 30, 2013 and Each Quarter During the year ended September 30, 2013
With Cumulative Totals as of September 30, 2012 and 2013

	SEPTEMBER 30, 2012	QUARTER 1 OCTOBER THROUGH DECEMBER	QUARTER 2 JANUARY THROUGH MARCH	QUARTER 3 APRIL THROUGH JUNE	QUARTER 4 JULY THROUGH SEPTEMBER	YEAR ENDED SEPTEMBER 30, 2013 TOTAL	SEPTEMBER 30, 2013 PROGRAM TOTAL
Revenue:							
Collections	\$ 133,197,615	\$ 4,431,396	\$ 4,011,986	\$ 3,080,759	\$ 4,449,978	\$ 15,974,119	\$ 149,171,734
Interest	6,219,038	44,175	49,818	41,942	42,896	178,831	6,397,869
Total Revenue	139,416,653	4,475,571	4,061,804	3,122,701	4,492,874	16,152,950	155,569,603
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	11,236,986		329,873		762,116	1,091,989	12,328,975
Project ID 1.11 Reconstruct Perimeter Road	464,840						464,840
Application 03-02-U-00-SAT							
Project ID 1.10 Concourse B	52,160,990		2,747,144		5,416,798	8,163,942	60,324,932
Application 04-03-U-00-SAT							
Project ID 1.1 Residential Noise Attenuation	6,369,525		420,542		786,598	1,207,140	7,576,665
Application 05-04-C-00-SAT							
Project ID 4.1 Terminal Elevated Roadway	13,179,806		644,902		1,403,753	2,048,655	15,228,461
Project ID 4.2 Central Plant Upgrade	2,401,900		199,418		410,120	609,538	3,011,438
Project ID 4.3 Apron Replacement	1,805,512		35,694		76,086	111,780	1,917,292
Project ID 4.4 New Utilities - Terminal Expansion	4,148,741		191,584		411,944	603,528	4,752,269
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	973,534						973,534
Project ID 4.10 Airfield Electrical Improvements	594,105	39,228				39,228	633,333
Project ID 4.11 PFC Development	105,076		10,352		422	10,774	115,850
Application 07-05-C-00-SAT							
Project ID 5.1 Terminal 1 Modifications	13,693,226		670,946		1,053,448	1,724,394	15,417,620
Project ID 5.2 Runway Safety Action Team (RSAT)	824,376						824,376
Project ID 5.3 Runway 21 Extension	4,644,992	305,855	219,028	139,998		664,881	5,309,873
Project ID 5.4 Taxiway R Extension	580,150				11,728	11,728	591,878
Total Disbursements	116,229,299	345,083	5,469,483	139,998	10,333,013	16,287,577	132,516,876
Net PFC Revenue	\$ 23,187,354	\$ 4,130,488	\$ (1,407,679)	\$ 2,982,703	\$ (5,840,139)	\$ (134,627)	\$ 23,052,727
PFC Account Balance	\$ 23,187,354	\$ 27,317,842	\$ 25,910,163	\$ 28,892,866	\$ 23,052,727	\$ 23,052,727	\$ 23,052,727

Notes to Schedule of Expenditures of Passenger Facility Charges

Year-Ended September 30, 2013

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 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.

**Passenger Facility Charge Program Schedule of Findings and Questioned Costs
Year-Ended September 30, 2013**

SECTION I – SUMMARY OF AUDITORS’ RESULTS

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 auditor’s 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
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SECTION II - PASSENGER FACILITY CHARGE PROGRAM FINDINGS AND QUESTIONED COSTS

None.

Status of Prior Year Findings
Year-Ended September 30, 2013

None.