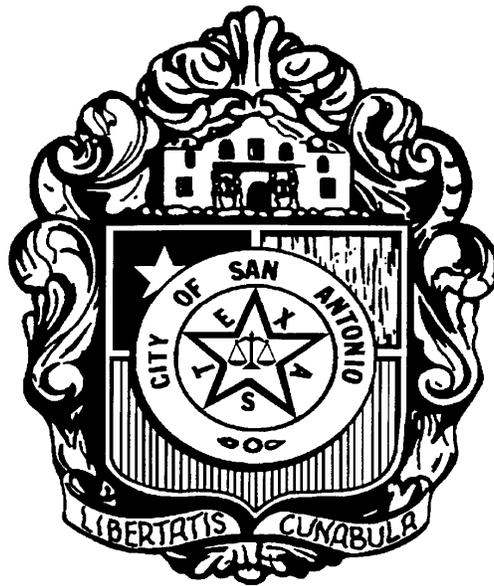


CITY OF SAN ANTONIO, TEXAS



Schedule of Expenditures of Passenger Facility Charges

FISCAL YEAR-ENDED SEPTEMBER 30, 2011

Schedule of Expenditures of Passenger Facility Charges

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Year-Ended September 30, 2011

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**Report of Independent Certified Public Accountants
on Supplementary Information**

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

We have audited the basic financial statements of the City of San Antonio, Texas (the City) as of and for the year ended September 30, 2011, and have issued our report thereon dated March 1, 2012. Our report was modified to include a reference to other auditors. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of passenger facility charges is presented for purposes of additional analysis as required by the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration and is not a required part of the basic financial statements. This schedule is the responsibility of the City's management. The schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Grant Thornton LLP

Houston, Texas
March 1, 2012

Schedule of Expenditures of Passenger Facility Charges
 Year-Ended September 30, 2011 and Each Quarter During the Year-Ended September 30, 2011
 With Cumulative Totals as of September 30, 2010 and 2011

	SEPTEMBER 30, 2010	QUARTER 1 OCTOBER THROUGH DECEMBER	QUARTER 2 JANUARY THROUGH MARCH	QUARTER 3 APRIL THROUGH JUNE	QUARTER 4 JULY THROUGH SEPTEMBER	YEAR ENDED SEPTEMBER 30, 2011 TOTAL	SEPTEMBER 30, 2011 PROGRAM TOTAL
Revenue:							
Collections	\$ 100,853,287	\$ 4,007,345	\$ 3,282,202	\$ 4,718,561	\$ 4,057,766	\$ 16,065,874	\$ 116,919,161
Interest	5,909,100	33,148	32,966	25,972	28,364	120,450	6,029,550
Total Revenue	106,762,387	4,040,493	3,315,168	4,744,533	4,086,130	16,186,324	122,948,711
Disbursements:							
Application 01-03-C-00-SAT:							
Project ID 1.8 - Replace RON Apron	1,722,176						1,722,176
Project ID 1.9 - Rehabilitate Terminals 1 and 2	8,984,462						10,291,380
Project ID 1.11 - Reconstruct Perimeter Road	458,258	390,639			916,279	1,306,918	464,840
Application 03-02-U-03-SAT:							
Project ID 1.10 - Construct Concourse B	35,778,972	273,751	1,811,525		5,732,476	7,817,752	43,596,724
Application 04-03-U-03-SAT:							
Project ID 1.1 - Residential Noise Attenuation	3,975,070		197,265		924,539	1,121,804	5,096,874
Application 05-04-C-02-SAT:							
Project ID 4.1 - Terminal Elevated Roadway	8,883,454	706,371			1,538,852	2,245,223	11,128,677
Project ID 4.2 - Central Plant Upgrade	1,265,033	93,796			382,393	476,189	1,741,222
Project ID 4.3 - Apron Replacement	2,500,385	39,575			(858,146)	(803,041)	1,697,344
Project ID 4.4 - New Utility - Terminal Expansion	2,874,788	203,779			433,817	637,596	3,512,384
Project ID 4.5 - Replace Two ARFF Vehicles	303,970						303,970
Project ID 4.6 - Conduct Environmental Impact Statement	750,000				(200,759)	(200,759)	549,241
Project ID 4.7 - Reconstruct Terminal Area Roadway	225,000						225,000
Project ID 4.8 - Noise Monitoring Equipment	213,981				31,172	31,172	245,153
Project ID 4.9 - Terminal and Airfield Security	424,390		339,918	15,062	188,448	548,000	972,390
Project ID 4.10 - Airfield Electrical Improvements	581,860	162			12,083	12,245	594,105
Project ID 4.11 - PFC Development	88,223						88,223
Application 07-05-C-01-SAT:							
Project ID 5.1 - Terminal 1 Modifications	10,960,453				974,324	974,324	11,934,777
Project ID 5.2 - Runway Safety Action Team (RSAT)	649,181	148,514	2,336		24,345	175,195	824,376
Project ID 5.3 - Runway 21 Extension	646,318	99,584	114,046	436,114	829,313	1,479,057	2,125,375
Project ID 5.4 - Taxiway R Extension	580,150	47,350			(47,350)		580,150
Total Disbursements	81,866,124	589,463	3,899,250	451,176	10,888,368	15,828,257	97,694,381
Net Passenger Facility Charges (PFC) Revenue	\$ 24,896,263	\$ 3,451,030	\$ (584,082)	\$ 4,293,357	\$ (6,802,238)	\$ 358,067	\$ 25,254,330
PFC Account Balance	\$ 24,896,263	\$ 28,347,293	\$ 27,763,211	\$ 32,056,568	\$ 25,254,330	\$ 25,254,330	\$ 25,254,330

See accompanying independent auditors' report.

Notes to Schedule of Expenditures of Passenger Facility Charges
Year-Ended September 30, 2011

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.

**Report of Independent Certified Public Accountants on
Compliance Related to the Passenger Facility Charge Program
(*Passenger Facility Charge Audit Guide for Public Agencies*) and
on Internal Control over Compliance**

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

Compliance

We have audited the compliance of the City of San Antonio, Texas (the City) with the compliance requirements described in the Passenger Facility Charge Audit Guide for Public Agencies, issued by the Federal Aviation Administration (the “Guide”), that could have a direct and material effect on its passenger facility charge program for the year ended September 30, 2011. Compliance with the requirements of laws and regulations applicable to its passenger facility charge program is the responsibility of the City’s management. Our responsibility is to express an opinion on the City’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 established by the American Institute of Certified Public Accountants; 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 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 City’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 City’s compliance with those requirements.

In our opinion, the City 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, 2011.

Internal Control Over Compliance

Management of the City 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 City’s internal control over compliance with the requirements that could have a direct and material effect on the passenger facility charge program as a basis for designing audit procedures for the purpose of expressing an opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of the City’s internal control over compliance. Accordingly, we express no such opinion.

Honorable Mayor and Members of the City Council
City of San Antonio
Page 2

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 the passenger facility charge program on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is reasonable possibility that material noncompliance with a type of compliance requirement of the passenger facility charge program will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in the City's internal control over compliance that we consider to be a material weakness. However, material weaknesses may exist that were not identified.

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

Grant Thornton LLP

Houston, Texas
March 1, 2012

Passenger Facility Charge Program Audit Summary

Fiscal Year-Ended September 30, 2011

- | | | | | |
|--|---------------|-------------|---------------|-----------|
| 1. Type of report issued on PFC financial statements. | <u> X </u> | Unqualified | <u> </u> | Qualified |
| 2. Type of PFC Compliance. | <u> X </u> | Unqualified | <u> </u> | Qualified |
| 3. Quarterly Revenue and Disbursements reconcile with submitted quarterly reports and reported un-liquidated revenue matches actual amounts. | <u> X </u> | Yes | <u> </u> | No |
| 4. PFC Revenue and Interest is accurately reported on FAA Form 5100-127. | <u> X </u> | Yes | <u> </u> | No |
| 5. The Public Agency maintains a separate financial accounting record for each application. | <u> </u> | Yes | <u> X </u> | No |

Explanation:

The City records revenue and interest received in total, rather than by application, as authorized by the City's local FAA representative.

- | | | | | |
|--|---------------|-----|---------------|----|
| 6. Funds disbursed were for PFC eligible items as identified in the FAA Decision to pay only for the allowable costs of the projects. | <u> X </u> | Yes | <u> </u> | No |
| 7. Monthly carrier receipts were reconciled with quarterly carrier reports. | <u> X </u> | Yes | <u> </u> | No |
| 8. PFC revenues were maintained in a separate interest-bearing capital account or commingled only with other interest-bearing airport capital funds. | <u> </u> | Yes | <u> X </u> | No |

Explanation:

The City maintains PFC revenue in a pooled operating account, rather than a separate interest bearing capital account or commingled with other interest bearing airport capital funds, as approved by the City's local FAA representative.

- | | | | | |
|--|---------------|-----|---------------|----|
| 9. Serving carriers were notified of PFC program actions/changes approved by the FAA. | <u> X </u> | Yes | <u> </u> | No |
| 10. Quarterly Reports were transmitted (or available via website) to remitting carriers. | <u> X </u> | Yes | <u> </u> | No |
| 11. The Public Agency is in compliance with Assurances 5, 6, 7, and 8. | <u> </u> | Yes | <u> X </u> | No |

Explanation:

The FAA does not request that the auditor provide an opinion on the City's conformance with Assurances 5 through 7. However, it is noted that PFC-funded facilities are being leased to air carriers.

- | | | | | |
|--|--------------|-----|---------------|----|
| 12. Project design and implementation is carried out in accordance with Assurance 9. | <u> X </u> | Yes | <u> </u> | No |
| 13. Program administration is carried out in accordance with Assurance 10. | <u> X </u> | Yes | <u> </u> | No |

Passenger Facility Charge Program Audit Summary

Fiscal Year-Ended September 30, 2011

14. For those public agencies with excess revenue, a plan for the use of this revenue has been submitted to the FAA for review and concurrence.

Yes No
 N/A

Status of Prior Year Findings
Fiscal Year-Ended September 30, 2011

None.



CITY OF SAN ANTONIO, TEXAS