

**ALAMO AREA
METROPOLITAN PLANNING ORGANIZATION**
San Antonio, Texas

REPORT ON THE CONDUCT OF AUDIT

For the Year Ended September 30, 2016

FINAL DRAFT

Members of the Transportation Policy Board
Alamo Area Metropolitan Planning Organization
San Antonio, Texas

We have audited the financial statements of the governmental activities and the general fund of the Alamo Area Metropolitan Planning Organization (AAMPO) for the year ended September 30, 2016, and have issued our report thereon dated March 23, 2017. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and that we also communicate to you other information related to our audit. Such information is provided in Parts I-VIII of this report.

This letter does not affect our report dated March 23, 2017, on the financial statements of the AAMPO.

This report is intended solely for the information and use of the members of the Transportation Policy Board and management of the AAMPO and is not intended to be, and should not be used by anyone other than these specified parties.

We would like to take this opportunity to acknowledge the courtesy and assistance extended by the personnel of the AAMPO during the course of our audit.

March 23, 2017

FINAL DRAFT

ALAMO AREA
METROPOLITAN PLANNING ORGANIZATION
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REPORT ON THE CONDUCT OF AUDIT

For the Year Ended September 30, 2016

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I. The Auditor’s Responsibility Under U.S. Generally Accepted Auditing Standards, *Government Auditing Standards*, and Uniform Guidance

As stated in the audit contract, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit involved judgment about the number of transactions examined and the areas tested.

In planning and performing our audit, we considered the AAMPO’s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance.

As part of obtaining reasonable assurance about whether the AAMPO’s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also in accordance with the Uniform Guidance, we examined, on a test basis, evidence about the AAMPO’s compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Compliance Supplement applicable to each of its major federal programs for the purpose of expressing an opinion on the AAMPO’s compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the AAMPO’s compliance with those requirements.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

II. Qualitative Aspects of Accounting Practices

Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the AAMPO are described in Note I to the financial statements.

Financial Statement Disclosures

The financial statement disclosures, as included in the financial statements, are neutral, consistent, and clear.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the AAMPO's financial statements are depreciation, compensated absences, and the net pension liability. Following are the bases used by management on such estimates:

- Depreciation is based on estimated useful lives of the respective capital asset class.
- Compensated absences is based on the hours accrued as of September 30th and related pay for each employee.
- Net pension liability was computed as .42% of the AAMPO's fiscal agent's, Bexar County, actuarially determined total net pension liability. The .42% represents the ratio of the AAMPO's payroll costs to Bexar County's total payroll costs.

We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

III. Difficulties Encountered in Performing the Audit

We encountered no difficulties in performing and completing our audit.

IV. Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has adopted all adjusting journal entries to convert the AAMPO's cash basis records to the accrual basis of accounting.

V. Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

VI. Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 23, 2017.

VII. Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the AAMPO’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us or determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

VIII. Other Issues

Matters Discussed with Management Prior to Reappointment

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to reappointment as the AAMPO’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Required Supplementary Information

We applied certain limited procedures to the management’s discussion and analysis, and the pension information, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Supplementary Information

With respect to the supplemental information and schedule of expenditures of federal awards, as listed in the AAMPO’s Annual Financial and Compliance Report’s table of contents; and, accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America; the method of preparing it has not changed from the prior period; and, the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled such supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Other Information in Documents Containing Audited Financial Statements

We are not aware of any other documents that contain the audited financial statements and the auditor’s report thereon. If we become aware that such documents were published, we would have a responsibility to read such information, in order to identify material inconsistencies, if any, with the audited financial statements.