CITY AND BOROUGH OF JUNEAU, ALASKA

SCHEDULE OF PASSENGER FACILITY CHARGES (PFC) AND INDEPENDENT AUDITOR'S REPORT

Year Ended June 30, 2024

March 17, 2025

CITY AND BOROUGH OF JUNEAU, ALASKA

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Independent Auditor's Report on Compliance for Each Major Federal Program, Report on Internal Control over Compliance, and Report on Schedule of Expenditures of Federal Awards in Accordance with the Uniform Guidance was issued by Elgee Rehfeld, LLC under a separate cover.

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE PASSENGER FACILITY CHARGE PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF PASSENGER FACILITY CHARGES

To the Members of the Assembly
City and Borough of Juneau, Alaska

Report on Compliance for the Passenger Facility Charge Program

Opinion on the Passenger Facility Charge Program

We have audited the City and Borough of Juneau, Alaska's (City and Borough) compliance with the types of compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration (FAA Guide), that could have a direct and material effect on the City and Borough's passenger facility charge program for the year ended June 30, 2024.

In our opinion the City and Borough complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the passenger facility charge program for the year ended June 30, 2024.

Basis for Opinion on the Passenger Facility Charge Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements in the Guide. Our responsibilities under those standards and the Guide are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and Borough and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the passenger facility charge program. Our audit does not provide a legal determination of the City and Borough's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the passenger facility charge program.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City and Borough's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Guide will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City and Borough's compliance with the requirements of the passenger facility charge program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Guide, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City and Borough's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City and Borough's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the City and Borough's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Guide and which is described in the accompanying schedule of findings and questioned costs - PFC as item 2024-004. Our opinion on the passenger facility charge program is not modified with respect to this matter. Government Auditing Standards requires the auditor to perform limited procedures on the City and Borough's response to the noncompliance finding identified in our compliance audit described in the accompanying schedule of findings and questioned costs - PFC. The City and Borough's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

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 in internal control over compliance* is a deficiency, or a 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 the passenger facility charge 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 federal 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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2024-004 to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed. *Government Auditing Standards* requires the auditor to perform limited procedures on the City and Borough's response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The City and Borough's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the FAA Guide. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Passenger Facility Charges Required by the FAA Guide

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City and Borough as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the City and Borough's basic financial statements. We issued our report thereon dated February 14, 2025, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Passenger Facility Charges is presented for purposes of additional analysis as required by the FAA Guide and is not a required part of the basic 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 basic 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 basic financial statements or to the basic 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 basic financial statements as a whole.

Elgee Rehfeld

March 17, 2025

CITY AND BOROUGH OF JUNEAU

Schedule of Passenger Facility Charges (PFC)

Year ended June 30, 2024

				Quarter Ended					
Revenues	Date Approved	Amount Approved	Cumulative End FY23	Sept '23	Dec '23	Mar '24	Jun '24	Yearly Total FY24	Cumulative End FY24
Application: 17-09-C-00-JNU (PFC 9)									
PFC revenues received fr carriers		$ 10,264,134	$ 4,787,935	$ 180,292	$ 254,262	$ 211,930	$ 402,815	$ 1,049,299	$ 5,837,234
Interest received			91,248	-	-	-	754	754	92,002
Adjustments			1,321,567	-	-	-	-	-	1,321,567
Total PFC Receipts/Interest/Adjustments:			6,200,750	180,292	254,262	211,930	403,569	1,050,053	7,250,803
Disbursements									
Application: 17-09-C-00-JNU (PFC 9)	01/01/18	9,153,351							
Amendment# 1:	08/31/18	809,273							
Amendment# 2:	04/10/19	-							
Amendment# 3:	12/14/18	301,510							
	Total by PFC:	10,264,134	6,254,341	226,453	252,472	-	188,750	667,675	6,922,016
Total PFC Disbursements:			6,254,341	226,453	252,472	-	188,750	667,675	6,922,016
Net Income (Decrease) in Cash			(53,591)	(46,161)	1,790	211,930	214,819	382,378	328,787
Cash balance, beginning			-	(53,591)	(99,752)	(97,962)	113,968	(53,591)	-
Cash balance, ending			$ (53,591)	$ (99,752)	$ (97,962)	$ 113,968	$ 328,787	$ 328,787	$ 328,787

CITY AND BOROUGH OF JUNEAU, ALASKA

NOTES TO SCHEDULE OF PASSENGER FACILITY CHARGES – PFC PROGRAM

Year Ended June 30, 2024

General

The Aviation Safety and Capacity Expansion Act of 1990 (Public Law 101-508, Title II, Subtitle B) authorized domestic airports to impose a passenger facility charge (PFC) on enplaning passengers. PFCs may be used for airport projects that meet at least one of the following criteria:

- Preserve or enhance safety, security, or capacity of the national air transportation system
- Reduce noise or mitigate noise impacts resulting from an airport
- Furnish opportunities for enhanced competition between or among carriers

Since 2001, the Federal Aviation Administration (FAA) has approved 9 PFC applications and amendments submitted by the City and Borough. The City and Borough is currently authorized to collect PFCs in the amount of $4.50 per enplaned passenger up to a total for approved collections of approximately $26,084,549. Project expenditures may include amounts for the payment of principal, interest, and other financing costs on bonds for which the proceeds are used to pay PFC-eligible costs on approved projects.

Basis of Accounting and Indirect Cost Rate

Expenditures reported in the accompanying Schedule of Passenger Facility Charges are presented using the modified-accrual and accrual basis of accounting, which are described in Note 1 to the City and Borough's basic financial statements.

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CITY AND BOROUGH OF JUNEAU, ALASKA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS – PFC PROGRAM

Year Ended June 30, 2024

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Financial Statements

The City and Borough of Juneau financial statements for the year ended June 30, 2024, were audited by Elgee Rehfeld, LLC and issued under a separate cover.

The 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 was issued by Elgee Rehfeld, LLC under a separate cover.

Federal Major Programs

Independent Auditor's Report on Compliance for Each Major Federal Program, Report on Internal Control over Compliance, and Report on Schedule of Expenditures of Federal Awards in Accordance with the Guide was issued by Elgee Rehfeld, LLC under a separate cover.

Passenger Facility Charges (PFC) Program

Type of auditor's report issued on compliance for the PFC program: Unmodified

Internal control over the PFC program:

- Material weakness(es) identified? ___ Yes _x_ No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? _x_ Yes ___ None reported

SECTION II – PFC PROGRAM FINDINGS AND QUESTIONED COSTS

2024-004	Significant Deficiency in Internal Controls over Special Conditions – Passenger Facility Charge Program Non-Aeronautical Operations Lease Requirements
Agency:	Federal Aviation Administration
Program(s) and Federal Award Listing Number(s):	Federal Aviation Administration Passenger Facility Charge (PFC) Branch APP-530
New or Repeat:	New
Criteria:	FAA regulations include provisions that when changes are made, such as an installation of non-aeronautical operations on leased airport property, the Airport Layout Plan should be updated to depict the complete mixed-use facility for FAA review and approval. Different lease rates apply and should be included in the lease documentation required for non-aeronautical operations on leased airport property.

Condition:	Internal controls were not sufficiently designed and implemented to update an airport aeronautical lease for the subletting of space to a concession vendor without an amendment to their lease for the sublet area or the submission of related documentation for FAA review and approval.
Context:	An airport property lessee entered into a sublease without approval from the airport or FAA for non-aeronautical operations. Necessary documentation was not submitted in a timely manner.
Effect:	Internal controls were not designed or implemented to prevent noncompliance. Non-aeronautical use of airport property, without pre-approval from FAA, failure to submit required documentation in a timely manner, and failure to ensure use of non-aero lease rates for the sublet property, is considered immaterial non-compliance with PFC regulations.
Questioned costs:	No questioned costs.
Cause:	An airport property lessee entered into a sublease with a concession (as defined per 49 CFR Section 23.3) without the airport fully reviewing the impact of the property use changes or ensuring pre-approval from the FAA was obtained in a timely manner.
Recommendation:	We recommend the City comply with the FAA letter, dated December 3, 2024, and submit requested documentation for review and approval.
View of responsible officials:	Management concurs with this finding, see corrective action plan.

CITY AND BOROUGH OF JUNEAU, ALASKA

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS – PFC PROGRAM

Year Ended June 30, 2024

PFC PROGRAM FINDINGS AND QUESTIONED COSTS

None reported for fiscal year 2023.

155 Heritage Way
Juneau, AK 99801
907-586-5215

City & Borough of Juneau
Corrective Action Plan
Year Ended June 30, 2024

FEDERAL AWARD FINDING

Finding:	2024-004 Significant Deficiency in Internal Controls over Special Conditions – Passenger Facility Charge Program Non-Aeronautical Operations Lease Requirements
Name of Contact Person:	Angie Flick, Director of Finance
Corrective Action:	Finance will work with the Assembly and Airport Board to ensure all leases, facility modifications and other non-aeronautical transactions are in fully vetted and in compliance with FAA and CBJ regulations.
Proposed Completion Date:	September 2025