

City and Borough of Sitka

**Report on Compliance with Requirements
Regarding the Collection and Expenditure of
Passenger Facility Charges
Year Ended June 30, 2025**

DRAFT

City and Borough of Sitka

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Expenditure of Passenger Facility Charges
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Independent Auditor's Report on Compliance with Requirements Applicable to the Passenger Facility Charge Program and Report on Internal Control Over Compliance Required by the *Passenger Facility Charge Audit Guide for Public Agencies*, Issued by the Federal Aviation Administration

Honorable Mayor and Borough Assembly
City and Borough of Sitka, Alaska
Sitka, Alaska

Report on Compliance

Opinion on Compliance

We have audited City and Borough of Sitka's (the City and Borough) compliance with the types of compliance requirements identified as subject to audit in the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration (Guide), that could have a direct and material effect for its passenger facility charge program for the year ended June 30, 2025.

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 its passenger facility charge program for the year ended June 30, 2025.

Basis for Opinion

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 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 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 and regulations applicable to the City and Borough's passenger facility charge program accordance with the types of compliance requirements described in the Guide.

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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 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.

Report on 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 the compliance requirements of the 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 the compliance requirements of the 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 the compliance requirements of the 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 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. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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.

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 Guide. Accordingly, this report is not suitable for any other purpose.

Report on the Summary Schedule of Passenger Facility Charges Collected and Expended Required by the 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 6, 2025, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary schedule of passenger facility charges collected and expended is presented for purposes of additional analysis as required by the 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 basic 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 passenger facility charges collected and expended is fairly stated in all material respects in relation to the basic financial statements as a whole.

Anchorage, Alaska
Month XX, 2026

City and Borough of Sitka

Supplementary Schedule of Passenger Facility Charges Collected and Expended

Year Ended June 30, 2025 and for Each Quarter During the Year Ended June 30, 2025

Description	Beginning Balance Unliquidated PFC	PFC Revenues (1)	Investment Earnings	Total Expenditures	Ending Balance Unliquidated PFC
Sitka Rocky Gutierrez Airport					
Cash receipts and disbursements, quarter ended September 30, 2024	\$ 120,546	\$ 79,899	\$ 783	\$ (82,750)	\$ 118,478
Cash receipts and disbursements, quarter ended December 31, 2024	118,478	72,614	1,328	-	192,420
Cash receipts and disbursements, quarter ended March 31, 2025	192,420	70,225	207	(252,750)	10,102
Cash receipts and disbursements, quarter ended June 30, 2025	10,102	92,097	447	-	102,646
Total	\$ 120,546	\$ 314,835	\$ 2,765	\$ (335,500)	\$ 102,646

(1) PFC revenues are prepared on the cash-basis method of accounting.

See accompanying independent auditor's report.