



Office of the Washington State Auditor
Pat McCarthy

Passenger Facility Charges Audit Report

Port of Friday Harbor

For the period January 1, 2020 through December 31, 2020

Published September 30, 2021

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**Office of the Washington State Auditor
Pat McCarthy**

September 30, 2021

Board of Commissioners
Port of Friday Harbor
Friday Harbor, Washington

Report on Passenger Facility Charges

Please find attached our report on the Port of Friday Harbor's compliance with requirements applicable to its passenger facility charge program.

In addition to this work, we look at other areas of our audit client's financial condition and operations for compliance with state laws and regulations. The results of those audits will be included in separately issued accountability and financial statement reports.

Sincerely,

Pat McCarthy, State Auditor
Olympia, WA

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INDEPENDENT AUDITOR'S REPORT

Report on Compliance with Requirements Applicable to the Passenger Facility Charge Program and on Internal Control over Compliance

Port of Friday Harbor January 1, 2020 through December 31, 2020

Board of Commissioners
Port of Friday Harbor
Friday Harbor, Washington

COMPLIANCE FOR PASSENGER FACILITY CHARGES

We have audited the compliance of the Port of Friday Harbor, with the compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies* (Guide) issued by the Federal Aviation Administration for its passenger facility charge program for the year ended December 31, 2020.

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 Port'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; the standards applicable to the 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 Port'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 Port's compliance with those requirements.

Opinion on Compliance

In our opinion, the Port of Friday Harbor complied, in all material respects, with the requirements referred to above that are applicable to its passenger facility charge program for the year ended December 31, 2020.

INTERNAL CONTROL OVER COMPLIANCE

Management of the Port is responsible for establishing and maintaining effective internal control over compliance with requirements of laws and regulations applicable to its passenger facility charge program. In planning and performing our audit, we considered the Port's internal control over compliance with the requirements that could have a direct and material effect on the passenger facility charge program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an 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 Port'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 the passenger facility charge 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 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 the passenger facility charge 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 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, as defined above. However, material weaknesses may exist that have not been identified.

Purpose of this Report

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. However,

this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

SCHEDULE OF PASSENGER FACILITY CHARGES

We have audited the financial statements of the Port of Friday Harbor, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Port's basic financial statements, and have issued our report thereon dated September 16, 2021, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the Port's basic financial statements as a whole. The accompanying 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 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 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 information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated September 16, 2021 on our consideration of the Port's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Port's internal control over financial reporting and compliance.



Pat McCarthy, State Auditor

Olympia, WA

September 16, 2021

**Port of Friday Harbor
January 1, 2020 through December 31, 2020**

SUPPLEMENTARY INFORMATION

Schedule of Passenger Facility Charges Collected and Expended – 2020
Notes to the Schedule of Passenger Facility Charges – 2020

Port of Friday Harbor
Schedule of Passenger Facility Charges Collected, Held and Used
December 31, 2020

	2020			
Unexpended passenger facility charges and interest, beginning of period	March	June	Sept	Dec
Passenger Facility Charge Revenue Collected	\$ 7,933	\$ 2,261	\$ 9,043	\$ 6,567
Interest Earned	-	-	-	-
	7,933	2,261	9,043	6,567
Expenses/Expenditures	(7,933)	(2,261)	(9,043)	(6,567)
Unexpended passenger facility charges and interest, end of period	\$ -	\$ -	\$ -	\$ -

NOTE TO SCHEDULE OF PASSENGER FACILITY CHARGES, COLLECTED, HELD AND USED

This schedule is prepared generally on the same basis of accounting as the Port's financial statements. However, while the Port uses the full-accrual basis of accounting where revenues are recognized when earned and expenses are recognized when incurred, the PFC revenues presented show only those revenues received for the quarter reported. PFC revenues not received prior to the end of each quarter are not accrued and are reported as revenues of the subsequent reporting period.

In 2020, the Port completed collection of PFC Application totaling \$104,345 (18-03-C-00-FHR) for reimbursements of past expenditures of local funds on FAA Airport Improvement Plan eligible projects that were performed between 2014 and 2017. This Application expired mid-2020. The Port was approved for a new application in the amount of \$452,392 which began May 1, 2020 and will expire November 1, 2028.

Port of Friday Harbor
 Schedule of Passenger Facility Charges Collected, Held and Used
 December 31, 2020

The following are the approved projects for PFC collection:

Project Title	Year Completed	PFC Level	Approved PFC
Airport Electrical Upgrade Design and Construction	2016	4.50	67,275
Westside Tie Down Relocation Design and Construction	2016	4.50	6,877
Runway 34 Object Free Area Grading and Drainage Improvements Design and Construction	2016	4.50	9,903
AGIS Survey	2017	4.50	9,540
Environmental Assessment for Phase 1 Obstruction Removal	2017	4.50	10,750
Total Approved PFC			104,345

PFC APPLICATION: 20-04-C-00-FHR
 Effective May 1, 2020 for Collections Through November 1, 2028

PROJECT TITLE	PFC Level	APPROVED PFC
Land acquisition of parcels 57 and 58 for hangar development	4.50	\$ 58,207
Perimeter vehicle and pedestrian access gate repair and replacement - design and construction	4.50	552
Airfield pavement rehabilitaion	4.50	24,243
Drainage improvements to taxilane pavements at G and E - design and construction	4.50	4,797
Tree obstruction survey	4.50	2,187
Airport master plan	4.50	9,420
Taxiway A realignment to comply with master plan modification to standards, including electrical improvements and standby generator - design and construcion	4.50	345,486
PFC administrative costs	4.50	7,500
		\$ 452,392

ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the Washington State Constitution and is part of the executive branch of state government. The State Auditor is elected by the people of Washington and serves four-year terms.

We work with state agencies, local governments and the public to achieve our vision of increasing trust in government by helping governments work better and deliver higher value.

In fulfilling our mission to provide citizens with independent and transparent examinations of how state and local governments use public funds, we hold ourselves to those same standards by continually improving our audit quality and operational efficiency, and by developing highly engaged and committed employees.

As an agency, the State Auditor's Office has the independence necessary to objectively perform audits, attestation engagements and investigations. Our work is designed to comply with professional standards as well as to satisfy the requirements of federal, state and local laws. The Office also has an extensive quality control program and undergoes regular external peer review to ensure our work meets the highest possible standards of accuracy, objectivity and clarity.

Our audits look at financial information and compliance with federal, state and local laws for all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits and cybersecurity audits of state agencies and local governments, as well as state whistleblower, fraud and citizen hotline investigations.

The results of our work are available to everyone through the more than 2,000 reports we publish each year on our website, www.sao.wa.gov. Additionally, we share regular news and other information via an email subscription service and social media channels.

We take our role as partners in accountability seriously. The Office provides training and technical assistance to governments both directly and through partnerships with other governmental support organizations.

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