

CITY OF PORTLAND, MAINE

**Reports Required by the *Passenger Facility Charge*
*Audit Guide for Public Agencies***

For the Year Ended June 30, 2017

CITY OF PORTLAND, MAINE
Reports Required by the *Passenger Facility Charge*
Audit Guide for Public Agencies
For the Year Ended June 30, 2017

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE PASSENGER FACILITY CHARGE AUDIT GUIDE FOR PUBLIC AGENCIES,
ISSUED BY THE FEDERAL AVIATION ADMINISTRATION**

City Council
City of Portland, Maine

Report on Compliance

We have audited the City of Portland, Maine's compliance with the types of compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration (Guide), for its passenger facility charge program for the year ended June 30, 2017.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of awards applicable to its passenger facility charge program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the City of Portland, Maine's passenger facility charge program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Passenger Facility Charge Audit Guide for Public Agencies*. Those standards and the *Passenger Facility Charge Audit Guide for Public Agencies* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of 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 of Portland, Maine'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 on compliance for the passenger facility charge program. However, our audit does not provide a legal determination of the City of Portland, Maine's compliance.

Basis for Qualified Opinion on the Passenger Facility Charge Program

As described in finding 2017-001 in the accompanying schedule of findings and questioned costs, the City of Portland, Maine did not comply with requirements regarding reporting. Compliance with such requirements is necessary, in our opinion, for the City of Portland, Maine to comply with the requirements applicable to that program.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE PASSENGER FACILITY CHARGE AUDIT GUIDE FOR PUBLIC AGENCIES,
ISSUED BY THE FEDERAL AVIATION ADMINISTRATION, CONTINUED**

Qualified Opinion on the Passenger Facility Charge Program

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the City of Portland, Maine complied, in all material respects, with the types of 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, 2017.

Other Matters

The City of Portland, Maine's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City of Portland, Maine's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of the City of Portland, Maine is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Portland, Maine's internal control over compliance with the types of requirements that could have a direct and material effect on the passenger facility charge program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the passenger facility charge program 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 City of Portland, Maine'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 charges 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 charges 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 over compliance 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. However, material weaknesses may exist that have not been identified.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE PASSENGER FACILITY CHARGE AUDIT GUIDE FOR PUBLIC AGENCIES,
ISSUED BY THE FEDERAL AVIATION ADMINISTRATION, CONTINUED**

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 Schedule of Expenditures of Passenger Facility Charges Required by the Guide

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Portland, Maine as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City of Portland, Maine's basic financial statements. We issued our report thereon dated February 12, 2018, 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 expenditures of passenger facility charges 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 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.



February 12, 2018
South Portland, Maine

CITY OF PORTLAND, MAINE
SCHEDULE OF EXPENDITURES OF PASSENGER FACILITY CHARGES
For the Year and Each Quarter Within the Year Ended June 30, 2017

	Memorandum				Memorandum Only			
	Approved Amounts Imposed and Use	Cumulative Total June 30, 2016	Quarter Ended September 30, 2016	Quarter Ended December 31, 2016		Quarter Ended March 31, 2017	Quarter Ended June 30, 2017	Year Ended June 30, 2017
02-03-C-00-PWM								
02-03-C-01-PWM (amended)								
02-03-C-03-PWM (amended)								
Passenger facility charge revenue	\$ 18,945,754	18,307,785	-	-	-	-	-	18,307,785
Expenditures:								
Passenger boarding bridge acquisition	1,575,433	1,524,470	-	-	-	-	-	1,524,470
Terminal canopy completion	2,317,153	2,242,671	-	-	-	-	-	2,242,671
Baggage claim expansion and improvements	8,446,307	8,166,295	-	-	-	-	-	8,166,295
Passenger boarding bridge regional jet modifications	186,128	180,065	-	-	-	-	-	180,065
Runway 11/29 upgrade and relocation	1,545,899	1,480,483	-	-	-	-	-	1,480,483
Taxiway improvements	176,359	170,264	-	-	-	-	-	170,264
Terminal roadway system expansion	2,876,979	2,784,031	-	-	-	-	-	2,784,031
Snow removal equipment acquisition	1,755,041	1,694,362	-	-	-	-	-	1,694,362
PFC application costs and program administration	66,455	65,144	-	-	-	-	-	65,144
Total expenditures	\$ 18,945,754	18,307,785	-	-	-	-	-	18,307,785
10-05-C-00-PWM								
Passenger facility charge revenue	\$ 132,206,104	19,508,379	1,148,135	866,973	773,643	967,202	3,755,953	23,264,332
Expenditures:								
Terminal building expansion	120,717,387	16,870,023	1,486,403	-	1,486,403	-	2,972,806	19,842,829
Passenger boarding bridges	3,279,957	446,029	39,283	-	39,283	-	78,566	524,595
Roadway realignment project	8,208,760	1,184,516	104,320	-	104,320	-	208,640	1,393,156
Total expenditures	\$ 132,206,104	18,500,568	1,630,006	-	1,630,006	-	3,260,012	21,760,580

INDEPENDENT AUDITOR'S 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

City Council
City of Portland, Maine

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Portland, Maine as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City of Portland, Maine's basic financial statements and have issued our report thereon dated February 12, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Portland, Maine's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Portland, Maine's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Portland, Maine's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

INDEPENDENT AUDITOR'S 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*, CONTINUED

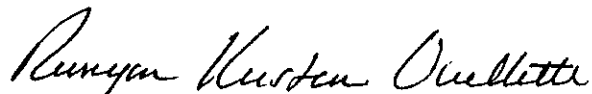
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Portland, Maine's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that are opportunities for strengthening internal controls and operating efficiency that we have reported to the management of the City of Portland, Maine in a separate letter dated February 12, 2018.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



February 12, 2018
South Portland, Maine

CITY OF PORTLAND, MAINE
Schedule Findings and Questioned Costs
June 30, 2017

Section I - Findings and Questioned Costs for Expenditures of Passenger Facility Charge Program

2017-001

Statement of Condition: Reporting standards require underlying data to be reconciled to reported amounts. PFC quarterly reports were prepared during the year, which contained inaccurate data.

Criteria: The PFC quarterly reports must accurately report revenues and expenditures charged to the various projects and ensure that the information agrees with the City's accounting system.

Effect: Expenditures could be understated or overstated and eventually not be reimbursed with PFC revenue. Revenues could be understated or overstated, resulting in the wrong cumulative total collected and reported to the airlines.

Cause: The Airport personnel were preparing the PFC reports by running information from the accounting system with inaccurate parameters. As a result, the quarterly reports were submitted with inaccurate information for most of the year.

Recommendation: The PFC quarterly reports need to properly reflect the activity for the quarter. The reports should be reviewed by someone from the City's Finance department to ensure that the information agrees to the City's records before submitting to the FAA. Subsequently, all reports have been amended to reflect the accurate data.

Questioned Costs: None

Management's response/corrective action plan: Finance department staff will review the information contained in all quarterly reports to determine whether they accurately represent, and have been accurately reconciled to, data in the City's project accounting system.

Anticipated completion date for corrective action: March 31, 2018

Contact person responsible for corrective action: Rick Marston, Principal Financial Officer, Portland International Jetport, 207-756-8025

CITY OF PORTLAND, MAINE
Schedule of Findings and Questioned Costs, Continued
June 30, 2017

Section II - Findings Required to be Reported Under *Government Auditing Standards*

NONE

CITY OF PORTLAND, MAINE
Schedule of Findings and Questioned Costs, Continued
June 30, 2017

Section III - Status of Prior Year Audit Findings

NONE