

CITY AND BOROUGH OF JUNEAU, ALASKA

STATE FINANCIAL ASSISTANCE REPORTS

Year Ended June 30, 2017

CITY AND BOROUGH OF JUNEAU, ALASKA

STATE FINANCIAL ASSISTANCE REPORTS

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ELGEE REHFELD MERTZ, LLC

CERTIFIED PUBLIC ACCOUNTANTS

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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*

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

We have audited, in accordance with 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 discretely presented component unit, each major fund, and the aggregate remaining fund information of the City and Borough of Juneau, Alaska (City and Borough) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City and Borough's basic financial statements, and have issued our report thereon dated December 22, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City and Borough'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 and Borough's internal control. Accordingly, we do not express an opinion on the effectiveness of the City and Borough'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 entity'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 over financial reporting 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 financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City and Borough'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*.

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.

Handwritten signature in black ink, consisting of the letters 'ERM' in a cursive, stylized font.

December 22, 2017

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE AND REPORT ON THE SCHEDULE OF STATE FINANCIAL ASSISTANCE REQUIRED BY THE *STATE OF ALASKA AUDIT GUIDE AND COMPLIANCE SUPPLEMENT FOR STATE SINGLE AUDITS*

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

Report on Compliance for Each Major State Program

We have audited the City and Borough of Juneau, Alaska's (City and Borough's) compliance with the types of compliance requirements described in the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits* that could have a direct and material effect on each of the City and Borough's major state programs for the year ended June 30, 2017. The City and Borough's major state programs are identified in the accompanying schedule of state financial assistance.

The City and Borough's basic financial statements include the operations of the City and Borough of Juneau School District, which received \$47,872,910 in state awards which is not included in the City and Borough's schedule of state financial assistance during the year ended June 30, 2017. Our audit, described below, did not include the operations of the City and Borough of Juneau School District because the component unit had its own audit in accordance with the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City and Borough's major state programs 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 audit requirements of the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*. Those standards and the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits* 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 a major state program occurred. An audit includes examining, on a test basis, evidence about the City and Borough'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 each major state program. However our audit does not provide a legal determination of the City and Borough's compliance.

Opinion on Each Major State Program

In our opinion, the City and Borough complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2017.

Report on Internal Control over Compliance

Management of the City and Borough 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 and Borough's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*, 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 and Borough'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 a state 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 a state 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 state 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.

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 *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of State Financial Assistance and Schedule of Expenditures - Budget and Actual Required by the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits* and the State of Alaska Department of Health and Social Services, Respectively

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, 2017, 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 December 22, 2017, 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 state financial assistance and schedule of expenditures - budget and actual are presented for purposes of additional analysis as required by the *State of Alaska Audit Guide and Compliance Supplement for State Single*

Audits and the State of Alaska Department of Health and Social Services, respectively, and are 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 state financial assistance and schedule of expenditures - budget and actual are fairly stated in all material respects in relation to the basic financial statements as a whole.

ERM

December 22, 2017

CITY AND BOROUGH OF JUNEAU, ALASKA
SCHEDULE OF STATE FINANCIAL ASSISTANCE
Year Ended June 30, 2017

State of Alaska Agency/Program Title	Grant Number	Award Amount	Receivable (deferral) at June 30, 2016	Amount Received	Expenditures	Receivable (deferral) at June 30, 2017
Department of Administration:						
Employer Relief Balance SFY2017 - City and Borough of Juneau	*	ER 126 HB256	\$ 1,707,389	\$ -	\$ 1,707,389	\$ 1,707,389
Employer Relief Balance SFY2017 - Bartlett Regional Hospital	*	ER 219 HB256	1,523,002	-	1,523,002	1,523,002
Total Department of Administration			<u>3,230,391</u>	<u>-</u>	<u>3,230,391</u>	<u>3,230,391</u>
Department of Commerce, Community, and Economic Development:						
Direct Programs:						
Fisheries Business Tax	-	-	10,604	-	10,604	10,604
Community Revenue Sharing	*	-	1,305,254	-	1,305,254	1,305,254
Designated Legislative Grant Programs:						
Lands Department Affordable Housing	-	12-DC-369	90,000	6,000	36,000	54,000
N Douglas Hwy Extension	*	13-RR-028	2,972,785	20,412	732,924	1,507,434
Construction of a Joint City, State, and Federal Parking Facility in the Willoughby District	-	15-RR-044	1,574,466	179	20,251	26,907
Airport Snow Removal Equipment Facility	-	14-DC-061	3,000,000	254,135	347,582	98,255
Phase III Statter Harbor New Haul Out Facility	*	14-DC-062	500,000	106,103	344,944	324,638
Fire Department Mobile Data Terminals	-	15-DC-069	66,000	-	7,728	7,728
International Airport Approach Lighting	-	15-DC-070	93,750	272	1,302	1,288
School District Curriculum Materials	-	15-DC-073	200,000	80	80	-
Total Department of Commerce, Community, and Economic Development			<u>9,812,859</u>	<u>387,181</u>	<u>2,806,669</u>	<u>3,336,108</u>
Department of Education and Early Development:						
Public Library Assistance	-	PLA-17-743-01	20,700	-	20,700	20,700
State Shared Revenue:						
School Debt Retirement FY16	-	-	12,442,179	124,421	124,421	-
School Debt Retirement FY17	*	-	9,722,808	-	6,715,743	9,722,808
Total Department of Education and Early Development			<u>22,185,687</u>	<u>124,421</u>	<u>6,860,864</u>	<u>9,743,508</u>
Department of Environmental Conservation:						
Salmon Creek LT2 Upgrade	*	44593	4,000,000	932,918	951,902	169,481
CCFR Equipment Purchase and Training	-	MOU-FY17	7,500	-	7,500	7,500
Total Department of Environmental Conservation			<u>4,007,500</u>	<u>932,918</u>	<u>959,402</u>	<u>176,981</u>

(continued)

CITY AND BOROUGH OF JUNEAU, ALASKA
SCHEDULE OF STATE FINANCIAL ASSISTANCE

Year Ended June 30, 2017

State of Alaska Agency/Program Title	Grant Number	Award Amount	Receivable (deferral) at June 30, 2016	Amount Received	Expenditures	Receivable (deferral) at June 30, 2017
Department of Fish and Game:						
Amalga Harbor Fish Cleaning Float	15-049	12,500	1,991	1,991	47	47
Total Department of Fish and Game		12,500	1,991	1,991	47	47
Department of Health and Social Services:						
Nurse Practitioner Services	0615-001	30,000	1,500	4,590	4,740	1,650
Comprehensive Behavioral Health Treatment and Recovery Program - FY16	602-208-1618	668,243	33,905	33,905	-	-
Comprehensive Behavioral Health Treatment and Recovery Program - FY17	* 602-218-1718	568,132	-	539,726	568,132	28,406
Diabetes Prevention Grant (FY15-17)	607-305-1603	16,651	767	767	-	-
Diabetes Prevention Grant (FY15-17)	607-305-1703	15,818	-	15,818	14,961	(857)
Mental Health Essential Equipment - Videotaping Equipment	C05-538-1513	25,000	-	25,000	25,000	-
Total Department of Health and Social Services		1,323,844	36,172	619,806	612,833	29,199
Department of Labor and Workforce Development:						
State Training and Employment Program - FY 2017	STEP#11	14,961	-	10,428	10,428	-
Total Department of Labor and Workforce Development		14,961	-	10,428	10,428	-
Department of Military and Veterans Affairs:						
Local Emergency Planning Committee FY16	20LEPC-GY16	19,018	4,507	4,507	-	-
Local Emergency Planning Committee FY17	20LEPC-GY17	18,139	-	9,498	18,139	8,642
Total Department of Military and Veterans Affairs		37,157	4,507	14,005	18,139	8,642
Department of Revenue:						
State Shared Revenue FY17:						
Aviation Fuel	-	67,086	-	-	67,086	67,086
Liquor Taxes	-	53,250	-	41,550	53,250	11,700
Marijuana Fee	-	5,000	-	5,000	5,000	-
Raw Fish Tax	* -	312,519	-	312,519	312,519	-
Commercial Passenger Vessel Excise Taxes	* -	4,622,160	-	4,622,160	230,811	(4,391,349)
State Shared Revenue FY16:						
Liquor Taxes	-	91,000	16,900	16,900	-	-
Commercial Passenger Vessel Excise Taxes	* -	4,460,365	(4,460,365)	-	2,297,566	(2,162,799)
State Shared Revenue FY15:						
Commercial Passenger Vessel Excise Taxes	* -	4,393,395	(3,680,620)	-	3,680,620	-
Total Department of Revenue		14,004,775	(8,124,085)	4,998,129	6,646,852	(6,475,362)

(continued)

See notes to schedule of state financial assistance.

CITY AND BOROUGH OF JUNEAU, ALASKA
SCHEDULE OF STATE FINANCIAL ASSISTANCE

Year Ended June 30, 2017

State of Alaska Agency/Program Title	Grant Number	Award Amount	Receivable (deferral) at June 30, 2016	Amount Received	Expenditures	Receivable (deferral) at June 30, 2017
Department of Transportation and Public Facilities:						
Lifesavers National Conference 2017 - Hatch	408PT-17-06-00(D)-1	2,831	-	2,782	2,782	-
JNU Airport SRE Building	69416 AIP 3-02-0133-051-2011	37,941	(1,162)	(1,162)	-	-
JNU AIP RSA Construction Phase 6	67892 AIP 3-02-0133-054 2011	185,463	7,886	7,886	-	-
JNU AIP Conduct Airport Master Plan Match	68368 AIP 3-02-0133-59-2013	23,437	7,031	1,997	2,497	7,531
JNU AIP Runway Rehab Match II	68550 AIP 3-02-0133-60-2014	685,601	5,424	-	5,886	11,309
JNU AIP Acquire ARFF Vehicle Match	SSAPT00025 AIP 3-02-0133-062-2015	21,582	20,656	20,684	28	-
JNU AIP ARFF BLDG Mod Match	SSAPT00026 AIP 3-02-0133-2015	7,812	5,584	6,898	1,313	-
JNU AIP Apron Design Match 64	SSAPT00035 AIP 3-02-0133-064-2015	27,126	9,786	20,162	13,666	3,290
CBJ A/P Expand ARFF Building Match 65	SSAPT00082 AIP 3-02-0133-065-2016	73,344	-	25,276	59,101	33,826
CBJ A/P Expand RSA Apron II Match 66	SSAPT00095 AIP 3-02-0133-066-2016	111,125	-	-	62,157	62,157
CBJ A/P Expand SRE Building Match 67	* SSAPT00096 AIP 3-02-0133-067-2016	556,467	-	-	153,223	153,223
JNU Glacier Hwy Brotherhood Bridge Replacement (Waterline Inspection)	3-67987-1401	50,000	2,408	-	7,255	9,664
Old Douglas Harbor Rebuild Phase I Project	* 09-HG-002	2,044,230	163,180	1,635,383	1,881,050	408,847
Statter Harbor Moorage Improvements	11-HG-001	5,000,000	2,422,827	-	-	2,422,827
Aurora Harbor Rebuild Phase II Project	17-HG-005	2,000,000	-	-	15,996	15,996
Alaska Community Transit Reimbursable Grant (FY16 Operating Grant)	2511-16-0200	109,760	15,646	15,646	-	-
Alaska Community Transit Reimbursable Grant (FY17 Operating Grant)	* 2511-17-0200	130,990	-	103,607	184,268	80,662
Total Department of Transportation and Public Facilities		<u>11,067,709</u>	<u>2,659,266</u>	<u>1,839,159</u>	<u>2,389,222</u>	<u>3,209,332</u>
Total State Financial Assistance		<u>\$ 65,697,383</u>	<u>\$ (3,977,629)</u>	<u>\$ 21,340,844</u>	<u>\$ 26,164,509</u>	<u>\$ 846,039</u>

*Major Program

See notes to schedule of state financial assistance.

CITY AND BOROUGH OF JUNEAU, ALASKA

NOTES TO SCHEDULE OF STATE FINANCIAL ASSISTANCE

Year Ended June 30, 2017

General

The accompanying schedule of state financial assistance presents the activity of all state financial assistance programs of the City and Borough of Juneau, Alaska (City and Borough). The City and Borough's reporting entity is defined in Note 1 to the City and Borough's basic financial statements. State financial assistance received directly from state agencies is included in the schedule.

Basis of Accounting

The accompanying schedule of state financial assistance is presented using the modified-accrual basis of accounting, which is described in Note 1 to the City and Borough's basic financial statements. Negative amounts shown on the schedule of state financial assistance represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Relationship to Basic Financial Statements

The following is a reconciliation of state revenues reported in the City and Borough's basic financial statements to state expenditures reported in the schedule of state financial assistance:

State revenues as reported in the basic financial statements:

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	\$ 15,898,235
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Combining Statement of Revenues, Expenses, and Changes in Net
Position:

Proprietary Funds	2,706,546
Internal Service Funds	1,532,160

Plus:

Amounts reported as state expenditures in the schedule of state financial assistance, but not reported as state revenues in the basic financial statements:

State grant revenue sources reported as capital contributions in Juneau International Airport, Boat Harbors, Dock, Areawide Water Utility and Areawide Wastewater Utility enterprise funds	9,022,383
State grant revenue recorded by Bartlett Regional Hospital	349,105
City and Borough PERS Employer Relief recorded by Bartlett Regional Hospital	4,452

(continued)

CITY AND BOROUGH OF JUNEAU, ALASKA
NOTES TO SCHEDULE OF STATE FINANCIAL ASSISTANCE

Year Ended June 30, 2017

Less:

Amounts reported as state revenue in the basic financial statements
but not included in the schedule of state financial assistance:

Federal grants passed through the State of Alaska or reported as state sources in the capital projects and operations	(3,287,396)
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Amounts reported as state revenue in the basic financial statements but do not meet the definition of state financial assistance for fiscal year 2017	<u>(60,976)</u>
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Total state expenditures as reported in the schedule of state financial assistance	<u>\$ 26,164,509</u>
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CITY AND BOROUGH OF JUNEAU, ALASKA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2017

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? Yes x No

State Financial Assistance

Type of auditor’s report issued on compliance for major programs: Unmodified

Internal control over major programs:

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

Dollar threshold used to distinguish a State major program: \$ 100,000

SECTION II – FINANCIAL STATEMENT FINDINGS

None to report for fiscal year 2017.

SECTION III – STATE AWARD FINDINGS AND QUESTIONED COSTS

None to report for fiscal year 2017.

CITY AND BOROUGH OF JUNEAU, ALASKA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year Ended June 30, 2017

FINANCIAL STATEMENT FINDINGS

None reported for fiscal year 2016.

STATE AWARD FINDINGS AND QUESTIONED COSTS

None reported for fiscal year 2016.

CITY AND BOROUGH OF JUNEAU, ALASKA
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
Comprehensive Behavioral Health Treatment and Recovery (602-208-1718)
Year Ended June 30, 2017

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Personnel services	\$ 568,132	\$ 568,132	\$ -

See independent auditor's report.