

CITY AND BOROUGH OF JUNEAU, ALASKA

State Financial Assistance Reports

Year ended June 30, 2009

CITY AND BOROUGH OF JUNEAU, ALASKA

State Financial Assistance Reports

Year Ended June 30, 2009

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CERTIFIED PUBLIC ACCOUNTANTS

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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*

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

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 of Juneau, Alaska, (City and Borough) as of and for the year ended June 30, 2009, which collectively comprise the City and Borough's basic financial statements and have issued our report thereon dated December 11, 2009. We conducted our audit 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City and Borough's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City and Borough's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the City and Borough's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City and Borough's financial statements that is more than inconsequential will not be prevented or detected by the City and Borough's internal control. We consider the deficiency described in the accompanying schedule of findings and questioned costs as finding 2009-1 to be significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City and Borough's internal control.



Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above is not a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City and Borough's financial statements are free of 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 also noted certain other matters that we reported to management of the City and Borough in a separate letter dated December 11, 2009.

The City and Borough's response to the findings identified in our audit is described in the accompanying corrective action plan. We did not audit the City and Borough's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Assembly, management, others within the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

ERM

December 11, 2009

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE *STATE OF ALASKA AUDIT GUIDE AND COMPLIANCE SUPPLEMENT FOR STATE SINGLE AUDITS*

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

Compliance

We have audited the compliance of the City and Borough of Juneau, Alaska (City and Borough) with the types of compliance requirements described in the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits* that are applicable to each of its major state programs for the year ended June 30, 2009. The City and Borough's major state programs are identified in the accompanying Schedule of State Financial Assistance. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major state programs is the responsibility of the City and Borough's management. Our responsibility is to express an opinion on the City and Borough'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 financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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. Our audit does not provide a legal determination of the City and Borough's compliance with those requirements.

In our opinion, the City and Borough complied, in all material respects, with the requirements referred to above that are applicable to each of its major state programs for the year ended June 30, 2009.

Internal Control Over Compliance

The management of the City and Borough is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to state programs. In planning and performing our audit, we considered the City and Borough's internal control over compliance with the requirements that could have a direct and material effect on a major state program in order to determine our auditing procedures for the purpose of expressing an opinion on compliance, 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 control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a state program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a state program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a state program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination or significant deficiencies that result in more than a remote likelihood that material noncompliance with a type of compliance requirement of a state program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weakness. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of State Financial Assistance and Schedules of Expenditures - Budget and Actual

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, 2009, and have issued our report thereon dated December 11, 2009. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City and Borough's basic financial statements. The accompanying Schedule of State Financial Assistance and Schedules 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 are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Assembly, management, and the State of Alaska, and is not intended to be and should not be used by anyone other than these specified parties.

ERM

December 11, 2009

CITY AND BOROUGH OF JUNEAU
Schedule of State Financial Assistance
Year ended June 30, 2009

State grant / program title	Grant Number	Award Amount	Receivable (deferral) at July 1, 2008	Amount Received	Expenditures	Receivable (deferral) at June 30, 2009
Governor's Office						
Alaska Statehood 50th Anniversary Celebration	-	\$ 52,000	\$ -	\$ 52,000	\$ 52,000	\$ -
Total Governor's Office		52,000	-	52,000	52,000	-
Department of Administration						
Employer Relief Balance SFY2009	*	ER 126 HB310	4,189,032	-	4,189,032	4,189,032
Total Department of Administration			4,189,032	-	4,189,032	4,189,032
Department of Community and Economic Development:						
Direct Program						
Fisheries Business Tax	-	15,000	-	16,848	16,848	-
Alaska Energy Authority						
Juneau Airport Ground Source Heat Pump	*	2195359	513,000	-	389,778	389,778
Diamond Park Geothermal Loop Field Heat Pump	*	2195359	1,450,000	-	139,911	139,911
Designated Legislative Grant Program						
JD Treatment Plant Incinerator	04-DC-001	415,000	16,241	16,241	-	-
International Airport Terminal Renovation	*	07-DC-197	1,000,000	654,528	974,391	319,863
Hagevig Fire Training Center Design & Repair	*	08-DC-407	1,000,000	2,267	46,586	130,750
North Douglas Sewer Line Extension	*	08-DC-408	1,000,000	143,225	511,977	554,117
Douglas Island FAA Monitoring Station Electrical Service Ext.	*	08-DC-406	1,400,000	684,085	1,400,000	715,915
School District Career Technology Education Supplies & Equip.	*	08-DC-294	72,000	-	-	48,397
Douglas Island FAA Monitoring Station Electrical Service Ext. II	*	08-DC-460	1,300,000	-	719,173	1,057,433
Juneau School District Safety Upgrades	*	09-DC-479	147,000	-	-	-
JIA Cruise Passenger Bag and Facility Safety Improvements	*	09-DC-554	1,300,000	-	-	-
Commercial Passenger Dock Retaining Wall Repairs	*	09-DC-555	1,500,000	-	-	-
Total Department of Community and Economic Development		11,112,000	1,500,346	3,685,216	3,373,012	1,188,142
Department of Education and Early Development:						
Library Assistance	PLA-08-743-35	19,050	(521)	19,050	18,061	(1,510)
Interlibrary Cooperation Grant - Netlender	ILC 08-743-108	1,500	-	1,254	1,254	-
Continuing Education	ILC-08-743-146d	3,000	-	3,000	3,000	-
Museum Grant in Aid Oversize Collection Storage Upgrade	n/a	8,893	-	8,893	8,893	-
State Shared Revenue:						
School Debt Retirement FY08	-	8,561,353	85,612	85,612	-	-
School Debt Retirement FY09	*	-	6,094,043	-	11,327,520	11,437,293
Total Department of Education and Early Development		14,687,839	85,091	11,445,329	11,468,501	108,263

CITY AND BOROUGH OF JUNEAU
Schedule of State Financial Assistance
Year ended June 30, 2009

State grant / program title	Grant Number	Award Amount	Receivable (deferral) at July 1, 2008	Amount Received	Expenditures	Receivable (deferral) at June 30, 2009
Department of Environmental Conservation:						
Hospital Drive Lift Station	44587	275,000	13,750	-	-	13,750
Bayview Sewer Expansion & North Douglas Sewer	* 44582	2,533,375	131,248	837,968	852,646	145,926
3rd Street Douglas Water and Sewer Replacement	44585	750,000	5,291	-	-	5,291
North Tee Harbor Waterline Extension	44586	610,912	84,518	53,972	-	30,546
West Mendenhall Valley Sewer Expansion	* 44588	2,316,755	176,382	943,440	863,538	96,480
North Douglas Sewer Expansion	* 44589	1,342,351	-	-	287,784	287,784
East Valley Reservoir/Jordan Creek Rehab.	* 44590	446,918	-	29,519	180,480	150,961
CCFR Equipment Purchase and Training	MOU	17,924	11,243	17,607	6,364	-
Total Department of Environmental Conservation		<u>8,293,235</u>	<u>422,432</u>	<u>1,882,506</u>	<u>2,190,812</u>	<u>730,738</u>
Department of Fish and Game:						
Amalga Harbor Ramp Rehabilitation	03-045	633,750	12,772	12,772	20,342	20,342
Statter Harbor Ramp Planning	08-015	62,500	21,935	42,098	40,205	20,042
Total Department of Fish and Game		<u>696,250</u>	<u>34,707</u>	<u>54,870</u>	<u>60,547</u>	<u>40,384</u>
Department of Health and Social Services:						
Healthcare Organization Preparedness	02-09-2009	31,094	-	31,094	19,094	(12,000)
Tobacco Cessation Intervention	601-09-110	86,133	-	63,821	85,127	21,306
Comp. Behavioral Health Treatment (FY09)	* 602-09-243	639,218	-	607,257	639,218	31,961
Comp. Behavioral Health Treatment (FY08)	602-08-243	613,833	27,058	27,058	-	-
Total Department of Health and Social Services		<u>1,370,278</u>	<u>27,058</u>	<u>729,230</u>	<u>743,439</u>	<u>41,267</u>
Department of Military and Veterans Affairs:						
Local Emergency Planning Committee FY08	-	5,000	1,258	1,258	-	-
Local Emergency Planning Committee FY09	-	7,500	-	10	5,039	5,029
Total Department of Military and Veterans Affairs		<u>12,500</u>	<u>1,258</u>	<u>1,268</u>	<u>5,039</u>	<u>5,029</u>
Department of Revenue:						
State Shared Revenue FY08:						
Aviation Fuel	-	65,000	75,398	75,398	-	-
Liquor Taxes	-	60,000	44,400	44,400	-	-
Raw Fish Tax	-	400,000	289,024	289,024	-	-
State Shared Revenue FY09:						
Aviation Fuel	-	80,000	-	-	70,935	70,935
Liquor Taxes	-	60,000	-	28,450	50,750	22,300
Raw Fish Tax	* -	250,000	-	-	342,695	342,695
Community Sharing	* -	2,000,000	-	2,042,388	2,042,388	-
Total Department of Revenue		<u>2,915,000</u>	<u>408,822</u>	<u>2,479,660</u>	<u>2,506,768</u>	<u>435,930</u>

CITY AND BOROUGH OF JUNEAU
 Schedule of State Financial Assistance
 Year ended June 30, 2009

State grant / program title	Grant Number	Award Amount	Receivable (deferral) at July 1, 2008	Amount Received	Expenditures	Receivable (deferral) at June 30, 2009
Department of Transportation and Public Facilities:						
Snow Removal Equipment Building (AIP 25)	67642	21,873	2,098	9,143	7,045	-
Delta 1 Ramp Expansion (AIP 43)	67754	39,250	637	685	48	-
Juneau Airport EIS Phase III (AIP 46)	68895	19,737	2,664	2,871	305	98
Construct Runway Safety Area, Phase I (AIP 48)	68271	386,842	27,898	193,421	111,067	(54,456)
Construct Runway Safety Area, Phase II (AIP 49)	68395	276,476	-	138,238	71,982	(66,256)
Douglas Harbor Breakwater Army Corp of Eng. MOA	67779	800,000	395,960	-	(3,810)	392,150
Total Department of Transportation and Public Facilities		<u>1,544,178</u>	<u>429,257</u>	<u>344,358</u>	<u>186,637</u>	<u>271,536</u>
Total State Financial Assistance		<u>\$ 44,872,312</u>	<u>\$ 2,908,971</u>	<u>\$ 24,863,469</u>	<u>\$ 24,775,787</u>	<u>\$ 2,821,289</u>

*Major Program

CITY AND BOROUGH OF JUNEAU, ALASKA

Notes to Schedule of State Financial Assistance

Year ended June 30, 2009

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. 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.

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:	
Changes in Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	\$ 22,493,090
Changes in Revenues, Expenses, and Changes in Net Assets:	
Proprietary Fund	1,203,451
Internal Service Funds	<u>70,535</u>
	23,767,076
Less:	
Federal grants passed through the State of Alaska	(3,657,305)
Amounts reported as state revenue in the basic financial statements not included in the Schedule of State Financial Assistance – signage grant	(5,000)
Grant revenue recognized in prior year	(3,810)
Rounding	(4)
Plus:	
Amounts reported as State revenue included in the Schedule of State Financial Assistance, but not included in the basic financial statements:	
Bartlett Regional Hospital grant revenues reported as operating revenues	743,439
Airport, Harbors, Water and Sewer capital projects	3,882,994
Grants passed through to the Juneau School District	<u>48,397</u>
Total State expenditures as reported in the Schedule of State Financial Assistance	<u>\$ 24,775,787</u>

CITY AND BOROUGH OF JUNEAU, ALASKA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2009

SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditors' report issued:

Unqualified

Internal control over financial reporting:

- Material weakness(es) identified?
- Significant deficiencies identified that are not considered to be material weakness(es)?

___ Yes x No

x Yes ___ None reported

Noncompliance material to financial statements?

___ Yes x No

State Financial Assistance

Type of auditors' report issued on compliance for major programs:

Unqualified

Internal control over major programs:

- Material weakness(es) identified?
- Significant deficiencies identified that are not considered to be material weakness(es)?

___ Yes x No

___ Yes x None reported

Dollar threshold used to distinguish a State major program:

\$ 100,000

CITY AND BOROUGH OF JUNEAU, ALASKA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2009

FINDINGS – FINANCIAL STATEMENT AUDIT

Significant Deficiency: 2009-01, Internal Controls over Capital Projects Interest Allocation

Condition: CBJ allocates interest earnings from unspent bond proceeds to capital project funds as required by its bond agreements. During fiscal 2009, the investment pool placement of the proceeds from a bond issuance totaling \$38 million was not accurately identified in communications between the Treasury and Controller Divisions and Finance Director.

Criteria: Generally accepted accounting principles and OMB Circular A-87 require that entities maintain a system of internal controls to provide reasonable assurance regarding the achievement of objectives in the following three categories:

- Reliability of financial reporting,
- Compliance with applicable laws and regulations and
- Effectiveness and efficiency of operations.

Effect: CBJ used the yield from an incorrect investment pool to allocate interest to the school capital projects associated with this bond issue. As a result, CBJ over-allocated interest to the projects by approximately \$593,000. The incorrect interest allocation was identified through audit procedures and corrected in the CBJ's fiscal 2009 Comprehensive Annual Financial Report.

Cause of Condition: The CBJ has not developed processes to document the specific bond investments within the bond allocation/arbitrage files at the time of purchase. Documenting the specific investments at the time of purchase within the bond files will help ensure that interest earnings are properly identified and allocated from the appropriate investments and rates to the related capital projects.

Recommendation: We recommend that CBJ improve its processes and controls for documenting investments and determining the yield to be used to allocate interest earnings to capital projects, and for monitoring interest allocated to these projects.

Views of Responsible Official and Corrective Action Plan: Management concurs with the finding. Management will work to develop documentation over the processes and controls related to specific bond investments within the bond allocation/arbitrage files at the time of purchase, and allocation of interest to the related capital projects.

FINDINGS AND QUESTIONED COSTS – MAJOR STATE AWARD PROGRAMS AUDIT

None to report for fiscal year 2009.

CITY AND BOROUGH OF JUNEAU, ALASKA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2009

FINDINGS – FINANCIAL STATEMENT AUDIT

No findings were reported for fiscal year 2008.

FINDINGS AND QUESTIONED COSTS - MAJOR STATE AWARDS PROGRAMS AUDIT

No findings were reported for fiscal year 2008.

CITY AND BOROUGH OF JUNEAU, ALASKA

SCHEDULE OF EXPENDITURES - BUDGET TO ACTUAL

Comprehensive Behavioral Health Treatment and Recovery Program (602-09-243)

Year ended June 30, 2009

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
Personal services	\$ 639,218	\$ 639,218	\$ -
	<u>\$ 639,218</u>	<u>\$ 639,218</u>	<u>\$ -</u>