

CITY AND BOROUGH OF JUNEAU
STATE FINANCIAL ASSISTANCE REPORTS
Year Ended June 30, 2014

CITY AND BOROUGH OF JUNEAU
STATE FINANCIAL ASSISTANCE REPORTS

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ELGEE REHFELD MERTZ, LLC

CERTIFIED PUBLIC ACCOUNTANTS

9309 Glacier Highway, Suite B-200 • Juneau, Alaska 99801
907.789.3178 • FAX 907.789.7128 • www.ermcpa.com

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 units, 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, 2014, 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 10, 2014.

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 cursive script, appearing to read 'ERM'.

December 10, 2014

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE 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, 2014. 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 \$56,489,255 in state awards during the year ended June 30, 2014 which are not included in the accompanying schedule of state financial assistance. 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 *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, 2014.

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, 2014, 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 10, 2014, 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 10, 2014

CITY AND BOROUGH OF JUNEAU
SCHEDULE OF STATE FINANCIAL ASSISTANCE
Year Ended June 30, 2014

State of Alaska grant or program title	Grant number	Award amount	Receivable (deferral) at June 30, 2013	Amount received	Expenditures	Receivable (deferral) at June 30, 2014
Department of Administration:						
Employer Relief Balance SFY2014 - City and Borough of Juneau	ER 126 HB65	* \$ 4,881,535	\$ -	\$ 4,881,535	\$ 4,881,535	\$ -
Employer Relief Balance SFY2014 - Bartlett Regional Hospital	ER 126 HB65	* 4,151,989	-	4,151,989	4,151,989	-
Total Department of Administration		<u>9,033,524</u>	<u>-</u>	<u>9,033,524</u>	<u>9,033,524</u>	<u>-</u>
Alaska Housing Finance Corporation:						
Community Homeless Coordinator	CHC-11-CBJ-1	<u>80,000</u>	<u>5,500</u>	<u>5,500</u>	<u>-</u>	<u>-</u>
Department of Commerce, Community, and Economic Development:						
Direct Programs:						
Fisheries Business Tax	-	11,397	-	11,397	11,397	-
Community Revenue Sharing	-	* 2,045,305	-	2,045,305	2,045,305	-
Designated Legislative Grant Program:						
Juneau School District Safety Upgrades	09-DC-479	147,000	33,584	33,584	-	-
Juneau School District School Safety Upgrades	11-DC-244	116,000	94,361	95,554	1,193	-
Sewage System Major Repairs and Expansion	11-DC-246	* 1,500,000	26,242	912,142	979,199	93,299
Cruise Ship Dock Improvements	11-DC-645	* 9,000,000	882,105	2,305,053	1,422,948	-
School District Technology Upgrade	12-DC-370	275,000	2,707	2,972	265	-
Cruise Ship Dock Improvements	12-DC-611	* 7,500,000	-	1,810,969	4,078,703	2,267,734
Montessori Borealis Program Computer Replacement	13-DC-011	55,000	-	-	5,832	5,832
Floyd Dryden Middle School Computer Replacement	13-DC-130	100,000	9,971	10,985	1,014	-
Juneau-Douglas High School Computer Replacement	13-DC-131	100,000	-	-	7,099	7,099
Mendenhall River Community School Computer	13-DC-132	100,000	18,565	18,565	2,471	2,471
Docks and Harbors - Statter Harbor Improvements	13-DC-479	* 1,500,000	-	136,250	565,899	429,649
Mendenhall Valley Public Library	13-DC-605	* 7,000,000	108,633	901,002	1,464,265	671,896
North Douglas Highway Extension	13-RR-028	2,972,785	4,286	83,794	108,933	29,425
Airport Snow Removal Equipment Facility	14-DC-061	3,000,000	-	-	63,442	63,442
Riverbend Elementary School Playground Equipment	14-DM-020	30,000	-	30,000	21,801	(8,199)
School District Technology	14-DM-021	30,000	-	30,000	30,000	-
Thermal Imaging Cameras for Capital City Fire and Rescue	14-DM-022	35,000	-	35,000	35,000	-
Juneau School District to Purchase Curriculum Materials	14-RR-054	2,752	-	2,752	2,752	-
Total Department of Commerce, Community, and Economic Development		<u>35,520,239</u>	<u>1,180,454</u>	<u>8,465,324</u>	<u>10,847,518</u>	<u>3,562,648</u>
Department of Education and Early Development:						
Public Library Assistance	PLA-14-743-37	19,800	-	19,800	19,800	-
State Shared Revenue:						
School Debt Retirement FY13	-	12,527,100	125,256	123,987	(1,269)	-
School Debt Retirement FY14	-	* <u>13,667,600</u>	<u>-</u>	<u>13,418,353</u>	<u>13,557,442</u>	<u>139,089</u>
Total Department of Education and Early Development		<u>26,214,500</u>	<u>125,256</u>	<u>13,562,140</u>	<u>13,575,973</u>	<u>139,089</u>

(continued)

See notes to schedule of state financial assistance.

CITY AND BOROUGH OF JUNEAU
SCHEDULE OF STATE FINANCIAL ASSISTANCE

Year Ended June 30, 2014

State of Alaska grant or program title	Grant number	Award amount	Receivable (deferral) at June 30, 2013	Amount received	Expenditures	Receivable (deferral) at June 30, 2014
Department of Environmental Conservation:						
North Douglas Sewer Phase II	44582	2,533,375	89,670	-	37,000	126,670
West Mendenhall Valley Sewer Expansion	44588	2,422,755	1,837	10,174	10,682	2,345
North Douglas Sewer Expansion Phase III	44589	1,461,351	146,135	-	-	146,135
East Valley Reservoir/Jordan Creek Rehabilitation	44590	486,918	-	3,742	3,915	173
West Mendenhall Valley Sewer Expansion Phase III	44591	1,562,000	9,225	32,981	23,756	-
North Douglas Sewer Expansion Phase IV	44592	1,752,000	161,995	298,481	224,086	87,600
CCFR Equipment Purchase and Training	MOU-FY13	10,000	9,865	9,865	-	-
CCFR Equipment Purchase and Training	MOU-FY14	10,000	-	10,000	10,000	-
Total Department of Environmental Conservation		<u>10,238,399</u>	<u>418,727</u>	<u>365,243</u>	<u>309,439</u>	<u>362,923</u>
Department of Fish and Game:						
Montana Creek Access Improvements	COOP-11-075	7,000	1,395	1,395	-	-
Department of Health and Social Services:						
Nurse Practitioner Services	0611-120	36,000	960	8,970	8,010	-
Tobacco Cessation Intervention - FY13	601-13-110	116,500	57,846	57,846	-	-
Comprehensive Behavioral Health Treatment and Recovery Program - FY13	602-13-243	650,414	97,581	97,581	-	-
Comprehensive Behavioral Health Treatment and Recovery Program - FY14	602-14-243	684,550 *	-	594,851	684,550	89,699
RRC Women's Outpatient - FY13	602-13-551	159,530	10,465	10,465	-	-
Total Department of Health and Social Services		<u>1,646,994</u>	<u>166,852</u>	<u>769,713</u>	<u>692,560</u>	<u>89,699</u>
Department of Military and Veterans Affairs:						
Local Emergency Planning Committee FY13	LEPC FY13-GR35602	14,776	776	1,209	433	-
Local Emergency Planning Committee FY14	14LEPC-GR35602	19,018	-	13,428	19,018	5,590
Total Department of Military and Veterans Affairs		<u>33,794</u>	<u>776</u>	<u>14,637</u>	<u>19,451</u>	<u>5,590</u>
Department of Revenue:						
State Shared Revenue FY14:						
Aviation Fuel	-	89,246	-	89,246	89,246	-
Liquor Taxes	-	55,000	-	45,900	45,900	-
Raw Fish Tax	-	304,415 *	-	304,415	304,415	-
Commercial Passenger Vessel Excise Taxes	-	4,598,565	-	4,598,565	-	(4,598,565)
State Shared Revenue FY13:						
Liquor Taxes	-	55,000	14,200	14,200	-	-
Commercial Passenger Vessel Excise Taxes	-	4,151,020	(4,151,020)	-	-	(4,151,020)
State Shared Revenue FY12:						
Commercial Passenger Vessel Excise Taxes	-	4,096,730	(1,157,002)	-	-	(1,157,002)
Total Department of Revenue		<u>13,349,976</u>	<u>(5,293,822)</u>	<u>5,052,326</u>	<u>439,561</u>	<u>(9,906,587)</u>

(continued)

See notes to schedule of state financial assistance.

CITY AND BOROUGH OF JUNEAU
SCHEDULE OF STATE FINANCIAL ASSISTANCE

Year Ended June 30, 2014

State of Alaska grant or program title	Grant number	Award amount	Receivable (deferral) at June 30, 2013	Amount received	Expenditures	Receivable (deferral) at June 30, 2014
Department of Transportation and Public Facilities:						
JNU Runway Safety Area Construct Aircraft Apron NE & NW Quad Phase III	69310 AIP 3-02-0133-050-2009	435,033	-	-	25,115	25,115
JNU Airport SRE Building	69416 AIP 3-02-0133-051-2011	37,941	751	4,213	2,300	(1,162)
JNU A/P RSA Construction Phase 6	67892/AIP #3-02-0133-54(11)	185,463	12,652	48,413	39,358	3,597
JNU A/P RSA Phase 7 Match	67654 AIP 3-02-0133-055-2012	557,566	176,089	222,689	50,136	3,536
JNU A/P RSA Phase 9 Match	68220 AIP 3-02-0133-057-2013	61,414	-	61,414	61,414	-
JNU A/P Runway Rehabilitation 8/26 Match	68368 AIP 3-02-0133-58-2013	39,062	-	24,365	35,400	11,035
JNU A/P Conduct Airport Master Plan Match	68368 AIP 3-02-0133-59-2013	23,437	-	11,719	735	(10,984)
CBJ A/P Runway Rehab Match II	68550 AIP 3-02-0133-60-2014	610,757	-	-	8	8
JNU Glacier Hwy Brotherhood Bridge Replacement (Waterline Inspection)	3-67987-14-01	50,000	-	-	617	617
Statter Harbor Moorage Improvements	11-HG-001	5,000,000	963,906	1,081,648	17,105	(100,637)
Alaska Community Transit Reimbursable Grant	2511-14-0200	124,978	-	124,978	124,978	-
State Transit Match	ASGR-12-101	136,870	1,228	1,228	-	-
State Transit Match	ASGF-13-101	293,183	289,369	289,369	-	-
Total Department of Transportation and Public Facilities		<u>7,555,704</u>	<u>1,443,995</u>	<u>1,870,036</u>	<u>357,166</u>	<u>(68,875)</u>
Alaska Mental Health Trust Authority:						
Mobility Management	AMHTA-MM-12-101	10,000	8,895	8,895	-	-
Seeking Safety Training	Gift #5716	3,955	-	-	75	75
MHU Furniture	Gift #5235	9,690	-	9,690	9,690	-
Total Alaska Mental Health Trust Authority		<u>23,645</u>	<u>8,895</u>	<u>18,585</u>	<u>9,765</u>	<u>75</u>
Total State Financial Assistance		<u>\$ 103,703,775</u>	<u>\$ (1,941,972)</u>	<u>\$ 39,158,423</u>	<u>\$ 35,284,957</u>	<u>\$ (5,815,438)</u>

*Major Program

See notes to schedule of state financial assistance.

CITY AND BOROUGH OF JUNEAU

NOTES TO SCHEDULE OF STATE FINANCIAL ASSISTANCE

Year Ended June 30, 2014

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.

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	\$ 23,813,661
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Statement of Changes in Revenues, Expenditures, and Changes in Net Assets:	
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Proprietary Funds	6,132,325
Internal Service Funds	157,667

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 Airport, Harbors, Port, Water and Sewer enterprise funds	7,641,817
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State grant revenue passed-through to, and recorded by, the City and Borough of Juneau School District	71,235
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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 operation	(2,516,509)
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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 FY14	<u>(15,239)</u>
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Total state expenditures as reported in the Schedule of State Financial Assistance	<u>\$ 35,284,957</u>
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CITY AND BOROUGH OF JUNEAU
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2014

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: \$ 300,000

SECTION II – FINANCIAL STATEMENT FINDINGS

None to report for fiscal year 2014.

SECTION III – STATE AWARD FINDINGS AND QUESTIONED COSTS

None to report for fiscal year 2014.

CITY AND BOROUGH OF JUNEAU
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year Ended June 30, 2014

FINANCIAL STATEMENT FINDINGS

None reported for fiscal year 2013.

STATE AWARD FINDINGS AND QUESTIONED COSTS

None reported for fiscal year 2013.

CITY AND BOROUGH OF JUNEAU
 SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
 Comprehensive Behavioral Health Treatment and Recovery Program (602-14-243)
 Year Ended June 30, 2014

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
Personnel services	\$ 683,288	\$ 685,376	\$ (2,088)
Travel	1,192	1,192	-
Supplies	26	26	-
Other	44	44	-
	<u>\$ 684,550</u>	<u>\$ 686,638</u>	<u>\$ (2,088)</u>

See independent auditor's report.