

CITY AND BOROUGH OF JUNEAU, ALASKA
EXPENDITURES OF FEDERAL AWARDS REPORTS
Year Ended June 30, 2015

CITY AND BOROUGH OF JUNEAU, ALASKA
EXPENDITURES OF FEDERAL AWARDS REPORTS

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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, 2015, 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 18, 2015.

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 18, 2015

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Report on Compliance for Each Major Federal 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 *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the City and Borough's major federal programs for the year ended June 30, 2015. The City and Borough's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

The City and Borough's financial statements include the operations of the City and Borough of Juneau School District, which received \$4,385,278 in federal awards which is not included in the schedule during the year ended June 30, 2015. Our compliance 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 Circular A-133.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City and Borough's major federal 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 federal 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 federal program. However, our audit does not provide a legal determination of the City and Borough's compliance.

Basis for Qualified Opinion on Grants to States and the Airport Improvement Program

As described in the accompanying schedule of findings and questioned costs, the City and Borough did not comply with requirements regarding CFDA 45.310 Grants to States as described in finding number 2015-001 for Allowable Costs/Cost Principles, or CFDA 20.106 for the Airport Improvement Program as described in finding number 2015-002 for Reporting. Compliance with such requirements is necessary, in our opinion, for the City and Borough to comply with the requirements applicable to these programs.

Qualified Opinion on Grants to States and the Airport Improvement Program

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, 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 Grants to States and the Airport Improvement Program for the year ended June 30, 2015.

Unmodified Opinion on Each of the Other Major Federal Programs

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 other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2015.

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 federal program as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be 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.

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 federal 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 federal 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 federal 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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2015-001 and 2015-002 to be significant deficiencies.

The City and Borough's responses to the internal control over compliance findings identified in our audit are described in the accompanying corrective action plan. The City and Borough's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

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, 2015, 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 18, 2015, 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 federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 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 federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



December 18, 2015

CITY AND BOROUGH OF JUNEAU, ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2015

Federal grant or/pass-through grant or/program title	Pass-through grantor's number	Catalogue of Federal Domestic Assistance number	Program or award amount	Receivable (deferral) at June 30, 2014	Amount received	Expenditures	Receivable (deferral) at June 30, 2015
U.S. Department of Homeland Security:							
Federal Emergency Management Agency:							
Port Security Grant Program	EMW-2013-PU-00497-S01	97.056	\$ 75,000	\$ 2,813	\$ 11,648	\$ 8,835	\$ -
Staffing for Adequate Fire and Emergency Response (SAFER)	2008-FF-00417	97.083	365,985	93,443	122,703	29,260	-
State Pass-Through Grants:							
Alaska Department of Commerce, Community, and Economic Development:							
Community Assistance Programs-SSSE	AR# 29820	97.023	6,000	5,542	5,542	-	-
Community Assistance Programs-SSSE	AR# 29826	97.023	1,500	-	1,336	1,336	-
			7,500	5,542	6,878	1,336	-
Alaska Department of Military and Veterans Affairs:							
<i>Homeland Security Cluster</i>							
2011 State Homeland Security Grant Program	11SHSP-GR34076	97.067	184,033	33,175	33,175	-	-
2012 State Homeland Security Grant Program	12SHSP-GR34077	97.067	235,642	224,802	228,436	3,634	-
2013 State Homeland Security Grant Program	13SHSP-GR34078	97.067	177,275	4,613	105,363	172,663	71,913
2014 State Homeland Security Grant Program	14SHSP-GR34094	97.067	469,221	-	-	50,780	50,780
2011 Metropolitan Medical Response System Program	11MMRS-GR34076	97.067	267,609	126,631	126,631	-	-
<i>Total Homeland Security Cluster</i>			1,333,780	389,221	493,605	227,077	122,693
2013 Emergency Management Performance Grant	13EMPG-GR34457	97.042	110,000	49,887	49,887	-	-
2014 Emergency Management Performance Grant	14EMPG-GR35586	97.042	110,000	-	65,456	110,000	44,544
			220,000	49,887	115,343	110,000	44,544
Total U.S. Department of Homeland Security			2,002,265	540,906	750,177	376,508	167,237
U.S. Environmental Protection Agency:							
<i>Drinking Water State Revolving Fund Cluster</i>							
State Pass-Through Loans:							
Alaska Department of Environmental Conservation:							
West Mendenhall Valley Sewer Expansion	445291	66.468	1,600,000	-	-	18,720	18,720
Salmon Creek Water Source Secondary Disinfection	445381	66.468	1,016,000	4,604	4,604	-	-
Total U.S. Environmental Protection Agency			2,616,000	4,604	4,604	18,720	18,720

(continued)

CITY AND BOROUGH OF JUNEAU, ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2015

Federal grant or/pass-through grant or/program title	Pass-through grantor's number	Catalogue of Federal Domestic Assistance number	Program or award amount	Receivable (deferral) at June 30, 2014	Amount received	Expenditures	Receivable (deferral) at June 30, 2015
U.S. Department of Agriculture:							
<i>Forest Service Schools and Roads Cluster</i>							
State Pass-Through Grants:							
Alaska Department of Commerce, Community, and Economic Development:							
Schools and Roads - Grants to States FY12, Title III Forest Timber Receipts	-	10.665	62,712	(40,451)	-	40,451	-
Schools and Roads - Grants to States FY13, Title III Forest Timber Receipts	-	10.665	63,591	(63,591)	-	-	(63,591)
Schools and Roads - Grants to States FY14, Title III Forest Timber Receipts	-	10.665	51,024	(51,024)	-	-	(51,024)
Schools and Roads - Grants to States FY15, Title III Forest Timber Receipts	-	10.665	48,483	-	48,483	-	(48,483)
Schools and Roads - Grants to States FY15	-	10.665	<u>588,728</u>	-	<u>588,728</u>	<u>588,728</u>	-
Total U.S. Department of Agriculture			<u>814,538</u>	<u>(155,066)</u>	<u>637,211</u>	<u>629,179</u>	<u>(163,098)</u>
U.S. Department of Transportation:							
Federal Transit Administration:							
State Pass-Through Grants:							
Alaska Department of Transportation and Public Facilities:							
Alaska Community Transit - Section 5311 Grant (FY15 Operating Grant)	2511-15-0100	20.509	<u>1,000,000</u>	-	<u>1,000,000</u>	<u>1,000,000</u>	-
Federal Highway Administration:							
<i>Highway Planning and Construction Cluster</i>							
State Pass-Through Grants:							
Alaska Department of Transportation and Public Facilities:							
Auke Bay Coastal Trails Interpretive Program	SB-AK-2006-53541	20.205	71,040	15	15	66,551	66,551
Alaska Department of Natural Resources:							
Juneau Trails Wayfinding Project	10795054	20.219	<u>36,680</u>	<u>28,783</u>	<u>28,783</u>	-	-
<i>Total Highway Planning and Construction Cluster</i>			<u>107,720</u>	<u>28,798</u>	<u>28,798</u>	<u>66,551</u>	<u>66,551</u>
Total Federal Highway Administration			<u>107,720</u>	<u>28,798</u>	<u>28,798</u>	<u>66,551</u>	<u>66,551</u>
Federal Motor Carrier Safety Administration:							
State Pass-Through Grants:							
Alaska Department of Transportation and Public Facilities:							
Commercial Vehicle Inspection Training	14-PD-002	20.218	<u>7,830</u>	<u>945</u>	<u>5,985</u>	<u>5,040</u>	-

(continued)

CITY AND BOROUGH OF JUNEAU, ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2015

Federal grant or/pass-through grant or/program title	Pass-through grantor's number	Catalogue of Federal Domestic Assistance number	Program or award amount	Receivable (deferral) at June 30, 2014	Amount received	Expenditures	Receivable (deferral) at June 30, 2015
U.S. Department of Transportation (continued):							
Federal Aviation Administration:							
Airport Improvement Program:							
Construct Runway Safety Area (RSA) Design and Placement of Fill Phase 1; Design of SREB and Placement of Fill Phase 1; Construct NE and NW Quad Areas Design and Placement of Fill Phase 1; Environmental Mitigation For All Items	3-02-0133-048-2007	20.106	16,795,899	-	(107,935)	(107,935)	-
Construct Runway Safety Area (RSA) Phase 3; Construct Aprons (NE & NW Quad Areas) Phase 3; Construct Snow Removal Equipment Building (SREB) Embankment & Mechanical Phase 2	3-02-0133-050-2009	20.106	16,556,356	979,454	-	-	979,454
Construct Snow Removal Equipment Building (SREB), Phase 2	3-02-0133-051-2011	20.106	1,441,744	(7,315)	(7,315)	-	-
Construct Runway Safety Area (RSA) Runway 08/26, Phase 4	3-02-0133-052-2011	20.106	4,509,960	135,299	-	-	135,299
Construct Runway Safety Area (RSA) Runway 08/26, Phase 6 (AIP 54)	3-02-0133-054-2011	20.106	7,233,027	120,604	199,646	193,582	114,540
Construct Runway Safety Area (RSA), Phase 7 (AIP 55)	3-02-0133-055-2012	20.106	17,284,543	458,906	(1,931)	84,879	545,716
Construct Runway Safety Area, Phase VIII (AIP 56)	3-02-0133-056-2012	20.106	5,500,000	165,000	165,000	-	-
Construct Runway Safety Area, Phase 9 (AIP 57)	3-02-0133-057-2013	20.106	1,903,817	57,115	-	-	57,115
Rehabilitate Runway 08/26 (Design)	3-02-0133-058-2013	20.106	1,171,875	76,682	-	109,857	186,539
Update Airport Master Plan	3-02-0133-059-2013	20.106	703,125	15,604	-	192,608	208,212
Rehabilitate Runway 08/26	3-02-0133-060-2014	20.106	19,308,206	233	6,409,878	17,646,507	11,236,862
Total Federal Aviation Administration			<u>92,408,552</u>	<u>2,001,582</u>	<u>6,657,343</u>	<u>18,119,498</u>	<u>13,463,737</u>
Total U.S. Department of Transportation			<u>93,524,102</u>	<u>2,031,325</u>	<u>7,692,126</u>	<u>19,191,089</u>	<u>13,530,288</u>
U.S. Department of the Interior:							
Office of the Secretary:							
Payments in Lieu of Taxes FY14	-	15.226	1,895,653	(1,895,653)	-	1,895,653	-
Payments in Lieu of Taxes FY15	-	15.226	1,916,143	-	1,916,143	-	(1,916,143)
			<u>3,811,796</u>	<u>(1,895,653)</u>	<u>1,916,143</u>	<u>1,895,653</u>	<u>(1,916,143)</u>
National Park Service-							
Empty Chair Project	P13AP00123	15.933	80,000	40,000	-	1,930	41,930
State Pass-Through Grants:							
Alaska Department of Natural Resources:							
Salt Water Pump House Stabilization - Treadwell Mine Complex	13595	15.904	24,588	16,600	21,624	5,024	-
NAPC Conference, Philadelphia, PA	HPF 14611	15.904	6,086	-	6,033	6,033	-
Evergreen Cemetery	HPF 14621	15.904	17,031	-	-	3,242	3,242
			<u>47,705</u>	<u>16,600</u>	<u>27,657</u>	<u>14,299</u>	<u>3,242</u>
LWCF Fish Creek Improvements	02-00396	15.916	125,000	2,521	2,521	-	-
Total National Park Service			<u>252,705</u>	<u>59,121</u>	<u>30,178</u>	<u>16,229</u>	<u>45,172</u>

(continued)

See notes to schedule of expenditures of federal awards.

CITY AND BOROUGH OF JUNEAU, ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2015

Federal grant or/pass-through grant or/program title	Pass-through grantor's number	Catalogue of Federal Domestic Assistance number	Program or award amount	Receivable (deferral) at June 30, 2014	Amount received	Expenditures	Receivable (deferral) at June 30, 2015
U.S. Department of the Interior (continued):							
Fish and Wildlife Service:							
State Pass-Through Grants:							
Alaska Department of Fish and Game:							
<i>Fish and Wildlife Cluster</i>							
Aurora Harbor Pump Out Stations	05-041	15.605	180,000	8,599	-	-	8,599
Amalga Harbor Fish Cleaning Float	15-049	15.605	37,500	-	-	4,102	4,102
<i>Total Fish and Wildlife Cluster</i>			<u>217,500</u>	<u>8,599</u>	<u>-</u>	<u>4,102</u>	<u>12,701</u>
Alaska Department of Commerce, Community, and Economic Development:							
Habitat Mapping and Analysis Project	10-CIAP-009	15.668	1,628,164	310,029	310,029	457,126	457,126
Total Fish and Wildlife Service			1,845,664	318,628	310,029	461,228	469,827
Total U.S. Department of the Interior			<u>5,910,165</u>	<u>(1,517,904)</u>	<u>2,256,350</u>	<u>2,373,110</u>	<u>(1,401,144)</u>
National Endowment for the Humanities-							
An Energy-Efficient Climate Control System for the Juneau-Douglas Museum	PF-50253-12	45.149	275,000	201,583	201,583	-	-
Total National Endowment for the Humanities			<u>275,000</u>	<u>201,583</u>	<u>201,583</u>	<u>-</u>	<u>-</u>
Institute of Museum and Library Services:							
Grants to States:							
State Pass-Through Grants:							
Alaska Department of Education and Early Development:							
Continuing Education FY14	CED14743157	45.310	9,000	1,500	1,500	-	-
Continuing Education FY15	15-74	45.310	6,000	-	5,935	5,935	-
Alaska Mail Services FY2015	RS-15-743-101	45.310	228,342	-	171,252	228,342	57,090
Total Institute of Museum and Library Services			<u>243,342</u>	<u>1,500</u>	<u>178,687</u>	<u>234,277</u>	<u>57,090</u>
U.S. Department of Housing and Urban Development:							
State Pass-Through Grants:							
Alaska Department of Revenue:							
Alaska Housing Finance Corporation:							
"In Lieu of Tax" receipts FY15	-	14-unknown	52,559	-	52,559	52,559	-
Total U.S. Department of Housing and Urban Development			<u>52,559</u>	<u>-</u>	<u>52,559</u>	<u>52,559</u>	<u>-</u>

(continued)

CITY AND BOROUGH OF JUNEAU, ALASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2015

Federal grant or/pass-through grant or/program title	Pass-through grantor's number	Catalogue of Federal Domestic Assistance number	Program or award amount	Receivable (deferral) at June 30, 2014	Amount received	Expenditures	Receivable (deferral) at June 30, 2015
U.S. Department of Health and Human Services:							
Health Resources and Services Administration:							
State Pass-Through Grants:							
Alaska Department of Health and Social Services:							
Alaska Rural Small Hospital Improvement Program (SHIP)	H3HRH00026-12-00	93.301	8,618	-	8,618	8,618	-
Office of the Secretary:							
State Pass-Through Grant:							
Alaska Department of Health and Social Services:							
Healthcare Organization Preparedness FFY14	1U90TP000501-03	93.889	<u>19,460</u>	-	-	<u>15,664</u>	<u>15,664</u>
Total U.S. Department of Health and Human Services			<u>28,078</u>	-	<u>8,618</u>	<u>24,282</u>	<u>15,664</u>
U.S. Department of Justice:							
Office of Community Oriented Policing Services:							
COPS Hiring Program Grant	2011UMWX0001	16.710	<u>567,452</u>	<u>48,802</u>	<u>174,023</u>	<u>125,221</u>	-
Bureau of Justice Assistance:							
Bullet Proof Vests	12063583	16.607	5,434	-	1,297	1,297	-
Bullet Proof Vests	2013BUBX13065793	16.607	2,889	1,967	2,075	980	872
Bullet Proof Vests	2014BUBX14071621	16.607	<u>3,228</u>	-	-	<u>1,810</u>	<u>1,810</u>
Total Bureau of Justice Assistance			<u>11,551</u>	<u>1,967</u>	<u>3,372</u>	<u>4,087</u>	<u>2,682</u>
Total U.S. Department of Justice			<u>579,003</u>	<u>50,769</u>	<u>177,395</u>	<u>129,308</u>	<u>2,682</u>
Total Federal Expenditures			<u>\$ 106,045,052</u>	<u>\$ 1,157,717</u>	<u>\$ 11,959,310</u>	<u>\$ 23,029,032</u>	<u>\$ 12,227,439</u>

See notes to schedule of expenditures of federal awards.

CITY AND BOROUGH OF JUNEAU, ALASKA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2015

General

The accompanying schedule of expenditures of federal awards presents the activity of all federal award 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. Federal awards received directly from federal agencies, as well as federal financial assistance passed through the State of Alaska and other agencies, are included in the schedule.

Basis of Accounting

The accompanying schedule of expenditures of federal awards 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 Expenditures

The City and Borough's FY08 and FY10 schedules of expenditures of federal awards reported expenditures for Federal Aviation Administration (FAA), Construct Runway Safety Area grant 3-02-0133-048-2007. In FY15 the FAA determined unallowable costs were reimbursed with this grant, therefore negative expenditures are reported on the FY15 schedule of expenditures of federal awards for grant funds returned to the FAA.

Loans Outstanding

The City and Borough has loans from the State of Alaska Department of Environmental Conservation that pass-through funds from the U.S. Environmental Protection Agency. At June 30, 2015, Loan 445291 has an outstanding balance of \$676,135, and Loan 445381 has an outstanding balance of \$49,538, for loan funds used to date. Included in these balances is \$18,720 reported in the schedule of expenditures of federal awards as loan expenditures in fiscal year 2015.

Relationship to Basic Financial Statements

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

Federal revenues as reported in the basic financial statements:

Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 2,697,254
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Combining Statement of Revenues, Expenses, Transfers and Changes in Retained Earnings (Deficit) - Proprietary Funds	88,040
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Plus:

Amounts reported as federal expenditures in the schedule of expenditures of federal awards, but not reported as federal revenue in the basic financial statements:

Federal grants passed through the State of Alaska	2,192,547
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Federal grant and loan sources reported as capital contributions in Airport, Port, and Sewer enterprise funds	18,151,158
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Less:

Amounts reported as federal revenue in the basic financial statements but not included in the schedule of expenditures of federal awards:

Juneau International Airport Transportation Security Administration and Police Department reimbursements reported as federal revenue	(99,967)
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Total federal expenditures per schedule of expenditures of federal awards	\$ 23,029,032
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CITY AND BOROUGH OF JUNEAU, ALASKA
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 Year Ended June 30, 2015

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 weakness(es)? Yes x None reported

Noncompliance material to financial statements noted? Yes x No

Federal Awards

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

Airport Improvement Program	<u>Qualified</u>
Payment in Lieu of Taxes	<u>Unmodified</u>
Grants to States	<u>Qualified</u>

Internal control over major programs:

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

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? x Yes No

Major programs:

<u>CFDA#</u>	<u>NAME</u>
20.106	Airport Improvement Program
15.226	Payment in Lieu of Taxes
45.310	Grants to States

Dollar threshold used to distinguish between type A and type B programs: \$ 690,871

Auditee qualified as low-risk auditee? x Yes No

FINANCIAL STATEMENT FINDINGS

None to report for fiscal year 2015.

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

Year Ended June 30, 2015

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2015-001 Major Program Noncompliance and Significant Deficiency in Internal Controls over Compliance – Allowable Costs/Cost Principles

Program: Institute of Museum and Library Services, passed through the State of Alaska Department of Education and Early Development, Grants to States, Alaska Mail Services FY2015, CFDA 45.310

Criteria: OMB Circular A-87, Appendix B, 8.h.(3) states, “Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first-hand knowledge of the work performed by the employees.”

Condition and context: The five employees coded solely to the Alaska Mail Services grant did not complete semi-annual payroll certifications for the year ended June 30, 2015. Accordingly, the documentation requirement for payroll costs to be allowable for the grant has not been met.

Cause: Management did not understand that semi-annual payroll certifications are required for employees coded 100% to a federal program.

Effect: Payroll expenditures coded to the Alaska Mail Services grant are unallowable, and the grantor could request a portion of the grant be returned.

Questioned costs: Payroll expenditures of \$126,255 coded to the Alaska Mail Services grant.

Recommendation: Management should ensure that all employees complete appropriate time records as required by federal grant regulations. Specifically to this grant, management should review whether library technicians coded solely to the Alaska Mail Services grant work only on this grant, and if so, have these employees complete semi-annual payroll certifications. If the library technicians work on activities outside the federally approved grant budget, we recommend management have employees keep detailed timesheets to support payroll costs charged to the grant.

Views of responsible officials: Management believed that the regular timecard submission process qualified as certification for time worked on the grant. This belief was based on the facts that the regular timecard process includes all of the significant elements of the semi-annual certification form, including employee approval, supervisor approval, and a line specifying hours worked coded to the grant.

Auditor comment: The timecards referred to in the views of responsible officials do not reflect a grant name or description which would provide a way for the employee to attest that the proper grant is charged for his or her time.

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

Year Ended June 30, 2015

2015-002

Major Program Noncompliance and Significant Deficiency in Internal Controls over Compliance – Reporting

Program: U.S. Department of Transportation, Airport Improvement Program, CFDA 20.106

Criteria: Federal SF-270 and SF-271 reports are due annually for each grant award within 90 days of the end of the federal fiscal year.

Condition and context: As of September 30, 2014, the City and Borough of Juneau had nine open Airport Improvement Program grants, none of which had SF-270 or SF-271 reports submitted for the federal fiscal year end.

Cause: Management mistakenly understood that the SF-270 and SF-271 reports are only required to be submitted when a reimbursement request is made.

Effect: The grantor could consider grants to the City and Borough of Juneau to have more risk, and require additional documentation be submitted with grant reports.

Questioned costs: There are no questioned costs associated with this finding.

Recommendation: At least two employees track the City and Borough of Juneau's grant reporting deadlines to monitor that grants are submitted timely.

Views of responsible officials: Management has hired a second grants accountant and is currently training this person. This will ensure that required grant reports are not missed when meeting reporting deadlines.

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

Year Ended June 30, 2015

FINANCIAL STATEMENT FINDINGS

None reported for fiscal year 2014.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported for fiscal year 2014.

CITY AND BOROUGH OF JUNEAU, ALASKA

CORRECTIVE ACTION PLAN

Year Ended June 30, 2015

Corrective Action Plan Finding 2015-001

As of December 7, 2015, the City and Borough Library Department (Library) management has changed payroll procedures for this grant such that each year in the first pay period of January and the first pay period of July, employees and their supervisor will complete a certification form for the previous six months of work, in addition to their regular timecards. These certification forms will be transmitted from the Library to the City and Borough Payroll Division and to the Alaska State Library Grant Coordinator.

Corrective Action Plan Finding 2015-002

The required Federal SF-270 and SF-271 reports for the years ended September 30, 2014 and September 30, 2015 were filed as of December 4, 2015. Procedures have been changed to ensure that these reports are prepared on an annual basis for all open grants in the future.

Person to Contact

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