

CITY AND BOROUGH OF JUNEAU, ALASKA

State Financial Assistance Reports

Year Ended June 30, 2010

CITY AND BOROUGH OF JUNEAU, ALASKA

State Financial Assistance Reports

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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*

To 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, 2010, which collectively comprise the City and Borough's basic financial statements and have issued our report thereon dated December 30, 2010. 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.

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 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.

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### 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 noted certain other matters that we reported to management of the City and Borough in a separate letter dated January 10, 2011.

This report is intended solely for the information and use of the Assembly, management, others within the entity, 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 30, 2010

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## INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH *STATE OF ALASKA AUDIT GUIDE AND COMPLIANCE SUPPLEMENT FOR STATE SINGLE AUDITS*

To the Members of the Assembly  
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 could have a direct and material effect on each of the City and Borough's major state programs for the year ended June 30, 2010. 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 *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 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, 2010.

### 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 our opinion on compliance 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.

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 deficiencies, significant deficiencies or material weaknesses. 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, 2010, and have issued our report thereon dated December 30, 2010, which contained unqualified opinions on those financial statements. Our audit was performed for the purpose of forming opinion on the financial statements as a whole. The accompanying Schedule of State Financial Assistance and Schedules of Expenditures - Budget and Actual are presented for purposes of additional analysis as required by *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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements 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 30, 2010

CITY AND BOROUGH OF JUNEAU, ALASKA  
Schedule of State Financial Assistance  
Year Ended June 30, 2010

State Grant / Program Title	Grant Number	Award Amount	Receivable (deferral) at June 30, 2009	Amount Received	Expenditures	Receivable (deferral) at June 30, 2010
<b>Department of Administration:</b>						
Employer Relief Balance SFY2010 - CBJ	*	ER 126 HB 81	\$ 1,849,458	\$ -	\$ 1,849,458	\$ 1,849,458
Employer Relief Balance SFY2010 - BRH	*	ER 219 HB 81	<u>1,474,565</u>	<u>-</u>	<u>1,474,565</u>	<u>1,474,565</u>
Total Department of Administration			<u>3,324,023</u>	<u>-</u>	<u>3,324,023</u>	<u>3,324,023</u>
<b>Department of Community and Economic Development:</b>						
<b>Direct Program:</b>						
Fisheries Business Tax		-	15,000	-	13,822	13,822
<b>Indirect Programs:</b>						
<b>Alaska Energy Authority:</b>						
Juneau Airport Ground Source Heat Pump	*	2195359	513,000	389,778	513,000	123,222
Juneau Ground Source Heat Pump Construction (Aquatic Center)	*	2195393	1,450,000	139,911	898,765	879,444
<b>Designated Legislative Grant Program:</b>						
Hagevig Fire Training Center Design and Repair	*	08-DC-407	1,000,000	86,431	498,906	552,390
North Douglas Sewer Line Extension		08-DC-408	1,000,000	185,365	251,622	66,257
School District Career Technology Education Supplies and Equipment		08-DC-294	72,000	48,397	48,397	2,838
Douglas Island FAA Monitoring Station Electrical Service Ext. II	*	08-DC-460	1,300,000	338,261	569,912	242,566
Juneau School District Safety Upgrades	*	09-DC-479	147,000	-	235	101,858
Airport Cruise Passenger Baggage and Facility Safety Improvements	*	09-DC-554	1,300,000	-	1,300,000	1,300,000
Commercial Passenger Dock Retaining Wall Repairs		09-DC-555	1,500,000	-	21,240	21,240
Cruise Ship Dock Improvements	*	10-DC-015	2,500,000	-	544,206	578,367
Auke Bay Seawall		10-DC-016	<u>800,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Department of Community and Economic Development			<u>11,597,000</u>	<u>1,188,143</u>	<u>4,660,105</u>	<u>3,882,004</u>
<b>Department of Education and Early Development:</b>						
Library Assistance		PLA-08-743-35	19,050	(1,510)	-	1,510
Library Assistance		PLA-10-743-36	19,050	-	19,050	19,050
Interlibrary Cooperation Grant - Netlender		ILC 08-743-108	1,500	-	-	-
Continuing Education		ILC-08-743-146d	4,500	-	2,190	3,606
Museum Grant in Aid		n/a	5,654	-	5,654	5,654
School Debt Retirement FY10	*	n/a	11,784,763	-	11,666,917	11,784,763
School Debt Retirement FY09		n/a	<u>6,094,043</u>	<u>109,773</u>	<u>109,773</u>	<u>-</u>
Total Department of Education and Early Development			<u>17,928,560</u>	<u>108,263</u>	<u>11,803,584</u>	<u>11,814,583</u>

See Notes to Schedule of State Financial Assistance.

CITY AND BOROUGH OF JUNEAU, ALASKA  
Schedule of State Financial Assistance  
Year Ended June 30, 2010

State Grant / Program Title	Grant Number	Award Amount	Receivable (deferral) at June 30, 2009	Amount Received	Expenditures	Receivable (deferral) at June 30, 2010
Department of Environmental Conservation:						
Hospital Drive Lift Station		275,000	13,750	13,750	-	-
Bayview Sewer Expansion & North Douglas Sewer	*	44582 2,533,375	145,927	529,955	472,198	88,170
3rd Street Douglas Water and Sewer Replacement		44585 750,000	5,291	5,291	-	-
North Tee Harbor Waterline Extension		44586 610,912	30,546	30,546	-	-
West Mendenhall Valley Sewer Expansion	*	44588 2,422,755	96,480	257,145	645,913	485,248
North Douglas Sewer Expansion	*	44589 1,461,351	287,784	335,047	412,569	365,306
East Valley Reservoir/Jordan Creek Rehabilitation	*	44590 486,918	150,962	260,159	175,719	66,522
North Douglas Sewer Expansion		44592 1,752,000	-	-	-	-
CCFR Equipment Purchase and Training		MOU 9,600	-	9,274	9,274	-
Total Department of Environmental Conservation		<u>10,301,911</u>	<u>730,740</u>	<u>1,441,167</u>	<u>1,715,673</u>	<u>1,005,246</u>
Department of Fish and Game:						
Amalga Harbor Ramp Rehabilitation		03-045 633,750	20,343	25,917	5,574	-
Statter Harbor Ramp Planning		08-015 100,000	20,043	20,402	37,859	37,500
Total Department of Fish and Game		<u>733,750</u>	<u>40,386</u>	<u>46,319</u>	<u>43,433</u>	<u>37,500</u>
Department of Health and Social Services:						
Nurse Practitioner Services		0609-007 12,245	-	7,470	7,470	-
Tobacco Cessation Intervention FY09		601-09-110 86,133	21,306	21,306	-	-
Tobacco Cessation Intervention FY10	*	601-10-110 102,800	-	80,710	102,572	21,862
Comprehensive Behavioral Health Treatment FY09		602-09-243 639,218	31,961	31,961	-	-
Comprehensive Behavioral Health Treatment and Recovery Program FY10	*	602-10-243 650,414	-	617,893	650,414	32,521
Total Department of Health and Social Services		<u>1,490,810</u>	<u>53,267</u>	<u>759,340</u>	<u>760,456</u>	<u>54,383</u>
Department of Military and Veterans Affairs:						
Juneau Avalanche Training		GF2010001 1,076	-	1,076	1,076	-
Local Emergency Planning Committee FY10		- 7,500	-	1,345	7,500	6,155
Local Emergency Planning Committee FY09		- 7,500	5,030	5,030	-	-
Total Department of Military and Veterans Affairs		<u>16,076</u>	<u>5,030</u>	<u>7,451</u>	<u>8,576</u>	<u>6,155</u>

See Notes to Schedule of State Financial Assistance.



CITY AND BOROUGH OF JUNEAU, ALASKA  
Schedule of State Financial Assistance  
Year Ended June 30, 2010

State Grant / Program Title	Grant Number	Award Amount	Receivable (deferral) at June 30, 2009	Amount Received	Expenditures	Receivable (deferral) at June 30, 2010
Department of Revenue:						
State Shared Revenue FY10:						
Aviation Fuel	-	65,000	-	-	66,685	66,685
Liquor Taxes	-	60,000	-	53,900	65,400	11,500
Raw Fish Tax	*	400,000	-	-	372,805	372,805
Community State Shared Revenue	*	2,032,210	-	2,032,210	2,032,210	-
State Shared Revenue FY09:						
Aviation Fuel	-	80,000	70,935	70,935	-	-
Liquor Taxes	-	60,000	22,300	22,300	-	-
Raw Fish Tax	-	<u>250,000</u>	<u>342,695</u>	<u>342,695</u>	<u>-</u>	<u>-</u>
Total Department of Revenue		<u>2,947,210</u>	<u>435,930</u>	<u>2,522,040</u>	<u>2,537,100</u>	<u>450,990</u>
Department of Public Safety:						
Alaska Public Standards Council Mobile Field Force Training	-	<u>2,000</u>	<u>-</u>	<u>2,000</u>	<u>2,000</u>	<u>-</u>
Total Department of Public Safety		<u>2,000</u>	<u>-</u>	<u>2,000</u>	<u>2,000</u>	<u>-</u>
Department of Transportation and Public Facilities:						
Juneau Airport EIS Phase III (AIP 46)	68895	19,737	98	98	-	-
Construct Runway Safety Area, Phase I (AIP 48)	*	68271	386,842	(54,456)	60,726	247,877
Construct Runway Safety Area, Phase II (AIP 49)	68395	276,476	(66,256)	-	43,751	(22,505)
Douglas Harbor Breakwater Army Corp of Eng. MOA	67779	800,000	392,150	392,150	-	-
Construct Runway Safety Area, Phase II (AIP 50)	69310	409,918	-	368,000	-	(368,000)
Downtown Transportation Center	*	ASGF-10-101	<u>750,000</u>	<u>-</u>	<u>750,000</u>	<u>750,000</u>
Total Department of Transportation and Public Facilities		<u>2,642,973</u>	<u>271,536</u>	<u>820,974</u>	<u>1,041,628</u>	<u>492,190</u>
Total State Financial Assistance		<u>\$ 50,984,313</u>	<u>\$ 2,833,295</u>	<u>\$ 25,387,003</u>	<u>\$ 25,129,476</u>	<u>\$ 2,575,768</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, 2010

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:	
Changes in Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	\$ 23,636,855
Changes in Revenues, Expenses, and Changes in Net Assets:	
Proprietary Fund	2,283,175
Internal Service Funds	<u>31,941</u>
	25,951,968
Less:	
Federal grants passed through the State of Alaska	(5,915,991)
Amounts classified as state revenue in the basic financial statements but not included in the Schedule of State Financial Assistance	(13,888)
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	760,456
Airport, Harbors, Water and Sewer capital projects	4,330,011
Other	<u>16,917</u>
Total State expenditures as reported in the Schedule of State Financial Assistance	<u>\$ 25,129,476</u>

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

Year Ended June 30, 2010

**SECTION I – SUMMARY OF AUDITORS’ RESULTS**

***Financial Statements***

Type of auditors’ report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified?      Yes   x   No
- Significant deficiency (ies) identified?      Yes   x   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?      Yes   x   No
- Significant deficiency (ies) identified?      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 2010.

**SECTION III – STATE AWARD FINDINGS AND QUESTIONED COSTS**

None to report for fiscal year 2010.

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

Year Ended June 30, 2010

**FINANCIAL STATEMENT FINDINGS**

**Finding 2009-01 Internal Controls over Capital Projects Interest Allocation**

Status: Corrective action has been taken and this matter has been fully resolved.

**STATE AWARD FINDINGS AND QUESTIONED COSTS**

No findings were reported for fiscal year 2009.

CITY AND BOROUGH OF JUNEAU, ALASKA

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL

Comprehensive Behavioral Health Treatment and Recovery Program (602-10-243)

Year Ended June 30, 2010

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
Personal services	<u>\$ 650,414</u>	<u>\$ 650,414</u>	<u>\$ -</u>
	<u><u>\$ 650,414</u></u>	<u><u>\$ 650,414</u></u>	<u><u>\$ -</u></u>

CITY AND BOROUGH OF JUNEAU, ALASKA  
 SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL

Tobacco Cessation Interventions (601-10-110)

Year Ended June 30, 2010

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
Personal services	\$ 64,514	\$ 64,514	\$ -
Travel	16,112	16,112	-
Facility expenses	160	160	-
Supplies	2,359	2,131	228
Equipment	4,491	4,491	-
Other expenses	15,164	15,164	-
	<u>\$ 102,800</u>	<u>\$ 102,572</u>	<u>\$ 228</u>