

CITY AND BOROUGH OF JUNEAU, ALASKA

Expenditures of Federal Awards Reports

Year Ended June 30, 2011

CITY AND BOROUGH OF JUNEAU, ALASKA

Expenditures of Federal Awards Reports

Table of Contents

	<u>Page</u>
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	1-2
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 OMB Circular A-133	3-4
Schedule of Expenditures of Federal Awards	5-9
Notes to Schedule of Expenditures of Federal Awards	10
Schedule of Findings and Questioned Costs	11-13
Summary Schedule of Prior Year Findings	14
Corrective Action Plan	15

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

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, 2011, which collectively comprise the City and Borough's basic financial statements and have issued our report thereon dated January 20, 2012. 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 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.

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 March 2, 2012.

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

January 20, 2012

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 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 OMB CIRCULAR A-133

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

Compliance

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 *OMB Circular A-133 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, 2011. The City and Borough's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal 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 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. Our audit does not provide a legal determination of the City and Borough's compliance with those requirements.

As described in items 2011-01 and 2011-02 in the accompanying schedule of findings and questioned costs, the City and Borough did not comply with requirements regarding reporting and procurement that are applicable to its ARRA-Auke Bay Loading Facility Phase II major federal program. Compliance with such requirements is necessary, in our opinion, for the City and Borough to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, 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 federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

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 federal 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 federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance 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.

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.

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. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as items 2011-01 and 2011-02. 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.

Schedule of Expenditures of Federal Awards

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, 2011, which collectively comprise the City and Borough's basic financial statements, and have issued our report thereon dated January 20, 2012, which contained unqualified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City and Borough's basic financial statements. The schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the 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.

The City and Borough's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City and Borough's responses and, accordingly, we express no opinion on the responses.

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



January 20, 2012, except for procedures done to satisfy the OMB Circular A-133 requirements, as to which the date is March 2, 2012.

CITY AND BOROUGH OF JUNEAU, ALASKA

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2011

Federal grant or/pass-through grant or/program title	Grant number	Catalogue of federal domestic assistance number	Program or award amount	Receivable (deferral) at June 30, 2010	Amount received	Expenditures	Receivable (deferral) at June 30, 2011
U.S. Department of Homeland Security:							
Federal Emergency Management Agency:							
Staffing for Adequate Fire and Emergency Response	2008-FF-00417	97.083	\$ 365,985	\$ 2,321	\$ 19,089	\$ 43,982	\$ 27,214
Landing Craft and Closed Circuit Surveillance	2007-GB-T7-0228	97.056	219,000	-	78,934	78,934	-
State Pass-Through Grants:							
Alaska Department of Military and Veterans Affairs:							
<i>Homeland Security Cluster</i>							
2008 Metropolitan Medical Response System Grant Program	08MMRS-GR34045	97.067	311,585	20,824	200,719	179,859	(36)
State Homeland Security Grant 08 SHSP	34057	97.067	29,750	9,181	9,181	-	-
			341,335	30,005	209,900	179,859	(36)
2009 Metropolitan Medical Response System Program	09MMRS-GR34046	97.071	311,585	-	31,664	108,881	77,217
<i>Total Homeland Security Cluster</i>			652,920	30,005	241,564	288,740	77,181
Emergency Management Program CY10	10-EMPG-GR35581	97.042	104,565	20,709	91,535	83,856	13,030
Total Federal Emergency Management Agency			1,342,470	53,035	431,122	495,512	117,425
Total U.S. Department of Homeland Security			1,342,470	53,035	431,122	495,512	117,425
U.S. Department of Agriculture:							
State Pass-Through Grants:							
Alaska Department of Commerce, Community and Economic Development:							
Schools and Roads - Grants to States FY11	-	10.665	815,850	-	815,850	815,850	-
Schools and Roads - Grants to States FY09, Title III	-	10.665	12,010	(12,010)	-	-	(12,010)
Total U.S. Department of Agriculture			827,860	(12,010)	815,850	815,850	(12,010)
U.S. Department of Transportation:							
Federal Transit Administration:							
Downtown Transit Center	AK-04-0015-01	20.500	2,993,100	2,993,100	2,993,100	-	-
State Pass-Through Grants:							
Alaska Department of Transportation and Public Facilities:							
Section 5311 Grant (FY07/FFY06 - Capital - Buses)	AK-85-001	20.509	1,720,200	1,335,436	1,335,436	-	-
ARRA Economic Stimulus - Section 5311 Grant Buses	ARRA-10-101	20.509	800,000	704,870	761,672	56,802	-
Rural Public Transit - Section 5311 Grant (FY11 Operating Grant)	5311-11-101	20.509	1,100,000	-	1,100,000	1,100,000	-

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, 2011

Federal grant or/pass-through grant or/program title	Grant number	Catalogue of federal domestic assistance number	Program or award amount	Receivable (deferral) at June 30, 2010	Amount received	Expenditures	Receivable (deferral) at June 30, 2011
U.S. Department of Transportation (continued):							
Federal Transit Administration:							
State Pass-Through Grants:							
Alaska Department of Transportation and Public Facilities:							
Training Grant CY10	-	20.509	2,600	2,503	2,503	-	-
Training Grant CY11	-	20.509	4,050	-	1,793	4,050	2,257
			3,626,850	2,042,809	3,201,404	1,160,852	2,257
Total Federal Transit Administration			6,619,950	5,035,909	6,194,504	1,160,852	2,257
Federal Highway Administration:							
State Pass-Through Grants:							
Alaska Department of Transportation and Public Facilities:							
<i>Highway Safety Cluster</i>							
Law Enforcement Liaison	410 K8 08-01-01	20.601	13,358	3,206	2,856	3,557	3,907
Juneau Graduation Week Impaired Driving	154AL 11-01-00 (G)	20.600	5,000	-	-	5,000	5,000
2011 Lifesavers Conference	-	20.600	3,672	-	1,981	5,653	3,672
Juneau "Every 15 Minutes" Training	410K8 11-01-00	20.600	1,334	-	-	1,334	1,334
Juneau "Every 15 Minutes" Program	154AL 10-01-11	20.600	1,940	1,244	1,244	-	-
Juneau "Every 15 Minutes" Training	410K8 10-00-00(I)	20.600	1,164	1,164	1,164	-	-
DUI Overtime Enforcement FFY11	-	20.600	7,046	-	11,741	14,369	2,628
DUI Overtime Enforcement FFY10	-	20.600	6,698	10,878	10,698	(180)	-
Seatbelt Overtime Enforcement FFY11	-	20.600	1,132	-	592	1,562	970
Seatbelt Overtime Enforcement FFY10	-	20.600	1,160	1,202	1,055	(147)	-
			29,146	14,488	28,475	27,591	13,604
<i>Total Highway Safety Cluster</i>			42,504	17,694	31,331	31,148	17,511
Alaska Department of Natural Resources:							
Eaglecrest Nordic Trail Development	10795703	20.219	225,854	26,305	80,311	79,230	25,224
Total Federal Highway Administration			268,358	43,999	111,642	110,378	42,735

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, 2011

Federal grant or/pass-through grant or/program title	Grant number	Catalogue of federal domestic assistance number	Program or award amount	Receivable (deferral) at June 30, 2010	Amount received	Expenditures	Receivable (deferral) at June 30, 2011
U.S. Department of Transportation (continued):							
Federal Motor Carrier Safety Administration:							
State Pass-Through Grants:							
Alaska Department of Transportation and Public Facilities:							
Commercial Vehicle Inspection Training	10-PD-004	20.218	7,168	-	5,700	5,700	-
Commercial Vehicle Inspection Training	11-PD-004	20.218	<u>6,720</u>	-	-	<u>315</u>	<u>315</u>
Total Federal Motor Carrier Safety Administration			<u>13,888</u>	-	<u>5,700</u>	<u>6,015</u>	<u>315</u>
Federal Aviation Administration:							
Construct Runway Safety Area, Phase I (AIP 48)	-	20.106	16,903,834	5,042,406	7,246,241	2,203,835	-
Construct Runway Safety Area, Phase II (AIP 49)	-	20.106	10,506,094	1,662,558	7,158,630	5,539,869	43,797
Construct Runway Safety Area, Phase III (AIP 50)	-	20.106	<u>15,576,902</u>	-	<u>1,345,389</u>	<u>9,513,496</u>	<u>8,168,107</u>
Total Federal Aviation Administration			<u>42,986,830</u>	<u>6,704,964</u>	<u>15,750,260</u>	<u>17,257,200</u>	<u>8,211,904</u>
Maritime Administration							
ARRA - Auke Bay Loading Facility Phase II	DTMA1G10002	20.932	<u>3,640,000</u>	-	-	<u>1,441,402</u>	<u>1,441,402</u>
Total Maritime Administration			<u>3,640,000</u>	-	-	<u>1,441,402</u>	<u>1,441,402</u>
Total U.S. Department of Transportation			<u>53,529,026</u>	<u>11,784,872</u>	<u>22,062,106</u>	<u>19,975,847</u>	<u>9,698,613</u>
U.S. Department of the Interior:							
Bureau of Land Management:							
Payments in Lieu of Taxes	-	15.226	<u>1,338,400</u>	-	<u>1,559,614</u>	<u>1,559,614</u>	-
National Park Service:							
State Pass-Through Grants:							
Alaska Department of Natural Resources:							
Treadwell Mining Camp	09-510	15.904	10,291	323	9,312	8,989	-
Juneau Historic Preservation Database Phase II	10-531	15.904	<u>11,273</u>	-	-	<u>3,424</u>	<u>3,424</u>
			21,564	323	9,312	12,413	3,424
LWCF Fish Creek Improvements	02-00396	15.916	<u>125,000</u>	<u>19,413</u>	<u>77,089</u>	<u>93,316</u>	<u>35,640</u>
Total National Park Service			<u>146,564</u>	<u>19,736</u>	<u>86,401</u>	<u>105,729</u>	<u>39,064</u>

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, 2011

<u>Federal grant or/pass-through grant or/program title</u>	<u>Grant number</u>	<u>Catalogue of federal domestic assistance number</u>	<u>Program or award amount</u>	<u>Receivable (deferral) at June 30, 2010</u>	<u>Amount received</u>	<u>Expenditures</u>	<u>Receivable (deferral) at June 30, 2011</u>
U.S. Department of the Interior (continued):							
Fish and Wildlife Service:							
Southeast Alaska's Partners for Fish and Wildlife	70181-8-G514	15.631	<u>50,000</u>	<u>16,900</u>	<u>16,900</u>	-	-
State Pass-Through Grants:							
Alaska Department of Fish and Game:							
Aurora Harbor Pump Out Stations	05-041	15.605	180,000	1,427	-	1,532	2,959
Taku Harbor Transient Moorage Rehabilitation, Amend. 2	05-071	15.605	900,105	70,597	70,597	-	-
Statter Harbor Ramp Planning	08-015	15.605	800,000	112,500	112,500	247,709	247,709
Amalga Harbor Ramp Rehabilitation	03-045	15.605	<u>1,901,250</u>	-	<u>231</u>	<u>231</u>	-
			<u>3,781,355</u>	<u>184,524</u>	<u>183,328</u>	<u>249,472</u>	<u>250,668</u>
Total Fish and Wildlife Service			<u>3,831,355</u>	<u>201,424</u>	<u>200,228</u>	<u>249,472</u>	<u>250,668</u>
Total U.S. Department of the Interior			<u>5,316,319</u>	<u>221,160</u>	<u>1,846,243</u>	<u>1,914,815</u>	<u>289,732</u>
National Endowment for the Humanities:							
Institute of Museum and Library Services:							
State Pass-Through Grant:							
Alaska Department of Education and Early Development:							
Southeast Regional Books-by-Mail Service	RS-11-743-102	45.310	<u>94,750</u>	-	<u>94,750</u>	<u>94,750</u>	-
Total National Endowment for the Humanities			<u>94,750</u>	-	<u>94,750</u>	<u>94,750</u>	-
U.S. Department of Commerce:							
National Oceanic and Atmospheric Administration:							
State Pass-Through Grants:							
Alaska Department of Commerce, Community and Economic Development:							
Alaska Coastal Management FY10	800419	11.419	43,500	1,761	1,761	-	-
Alaska Coastal Management FY11	11-ACMP-003	11.419	38,800	-	38,800	38,800	-
Wetlands Management Plan Atlas Update	800471	11.419	<u>31,000</u>	<u>14,935</u>	<u>29,870</u>	<u>14,935</u>	-
			113,300	16,696	70,431	53,735	-
Alaska Department of Military and Veterans Affairs:							
2007 Public Safety Interoperable Communications	07PSIC-GR34037	11.555	<u>600,000</u>	-	<u>198,592</u>	<u>600,001</u>	<u>401,409</u>
Total National Oceanic and Atmospheric Administration			<u>713,300</u>	<u>16,696</u>	<u>269,023</u>	<u>653,736</u>	<u>401,409</u>
Total U.S. Department of Commerce			<u>713,300</u>	<u>16,696</u>	<u>269,023</u>	<u>653,736</u>	<u>401,409</u>

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, 2011

Federal grant or/pass-through grant or/program title	Grant number	Catalogue of federal domestic assistance number	Program or award amount	Receivable (deferral) at June 30, 2010	Amount received	Expenditures	Receivable (deferral) at June 30, 2011
U.S. Department of Energy:							
ARRA - Energy Efficiency and Conservation Block Grant	DE-RW0000110	81.128	<u>131,400</u>	<u>131,400</u>	<u>131,400</u>	<u>-</u>	<u>-</u>
Total U.S. Department of Energy			<u>131,400</u>	<u>131,400</u>	<u>131,400</u>	<u>-</u>	<u>-</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 FY11	-	14.xxx	<u>39,297</u>	<u>-</u>	<u>-</u>	<u>39,297</u>	<u>39,297</u>
"In Lieu of Tax" receipts FY10	-	14.xxx	<u>30,000</u>	<u>55,004</u>	<u>55,004</u>	<u>-</u>	<u>-</u>
Total U.S. Department of Housing and Urban Development			<u>69,297</u>	<u>55,004</u>	<u>55,004</u>	<u>39,297</u>	<u>39,297</u>
U.S. Department of Health and Human Services:							
State Pass-Through Grants:							
Alaska Department of Health and Social Services:							
Healthcare Organization Preparedness FFY10	5U3REP090257-02-00	93.889	<u>40,433</u>	<u>-</u>	<u>40,433</u>	<u>40,433</u>	<u>-</u>
SHIP FFY10	H3HR00026-09-00	93.301	<u>7,402</u>	<u>-</u>	<u>7,402</u>	<u>7,402</u>	<u>-</u>
SHIP FFY09	5-H3HRHR00026-08-00	93.301	<u>7,735</u>	<u>(7,735)</u>	<u>-</u>	<u>7,735</u>	<u>-</u>
			<u>15,137</u>	<u>(7,735)</u>	<u>7,402</u>	<u>15,137</u>	<u>-</u>
Total U.S. Department of Health and Human Services			<u>55,570</u>	<u>(7,735)</u>	<u>47,835</u>	<u>55,570</u>	<u>-</u>
U.S. Department of Justice:							
ARRA - Crisis Intervention	2009-SB-B9-0484	16.738	<u>147,543</u>	<u>1,559</u>	<u>65,479</u>	<u>86,336</u>	<u>22,416</u>
COPS 2003 Technology Grant	2003CKWX0275	16.710	<u>904,085</u>	<u>117,893</u>	<u>221,839</u>	<u>103,946</u>	<u>-</u>
Bullet Proof Vests	99003463	16.607	<u>26,434</u>	<u>1,930</u>	<u>6,626</u>	<u>4,696</u>	<u>-</u>
Total U.S. Department of Justice			<u>1,078,062</u>	<u>121,382</u>	<u>293,944</u>	<u>194,978</u>	<u>22,416</u>
Total Federal Expenditures			<u>\$ 63,158,054</u>	<u>\$ 12,363,804</u>	<u>\$ 26,047,277</u>	<u>\$24,240,355</u>	<u>\$ 10,556,882</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, 2011

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.

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 Changes in Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 2,616,318
Statement of Revenues, Expenses and Changes in Net Assets - Proprietary Funds	139,967

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	3,825,223
Federal grant revenue sources reported in Airport and Port capital projects	17,336,133
Other	488,259

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 classified Transportation Security Administration reimbursement for security upgrades as federal revenue	(139,967)
Other amounts reported as federal revenue in the basic financial statements but do not meet the definition of federal financial assistance	<u>(25,578)</u>

Total federal expenditures per Schedule of Expenditures of Federal Awards	<u>\$ 24,240,355</u>
------------------------------------------------------------------------------	----------------------

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

Year Ended June 30, 2011

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 deficiencies 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 auditors' report issued on compliance for major programs:

ARRA -Auke Bay Loading Facility Phase II	<u>Qualified</u>
All other major programs	<u>Unqualified</u>

Internal control over major programs:

- Material weakness(es) identified? Yes x No
- Significant deficiencies 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	Construct Runway Safety Area, Phase I (AIP 48)
20.106	Construct Runway Safety Area, Phase II (AIP 49)
20.106	Construct Runway Safety Area, Phase III (AIP 50)
20.509	ARRA Economic Stimulus - Section 5311 Grant Buses
20.509	Rural Public Transit - Section 5311 Grant (FY11 Operating Grant)
20.509	Training Grant CY11
20.932	ARRA - Auke Bay Loading Facility Phase II
10.665	Schools and Roads - Grants to States FY11

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

Year Ended June 30, 2011

Dollar threshold used to distinguish between
type A and type B programs: \$ 727,211

Auditee qualified as low-risk auditee? X Yes ___ No

FINDINGS – FINANCIAL STATEMENT AUDIT

None to report for fiscal year 2011.

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

Finding: 2011-01 Significant Deficiency in Internal Controls over Compliance and Compliance - Reporting

Program: ARRA - U.S. Department of Transportation, CFDA 20.932, Transportation Investments Generating Economic Recovery (TIGER) Discretionary Grant Program – Auke Bay Loading Facility Phase II

Criteria: The American Recovery and Reinvestment Act (ARRA) of 2009, 2.2 Sec.1512, *Reports on Use of Funds*, requires that the total amount of federal ARRA expenditures are reported each quarter. The City and Borough is also required to report detailed information, on any subcontracts or subgrants awarded by the recipient (the City and Borough), including data elements as outlined in the 1512 online report and as required by the Federal Funding Accountability and Transparency Act of 2006 (Public Law 109-282). The data elements include the total number of payments made to vendors over \$25,000, as well as other detailed information on subawards.

Condition: The City and Borough did not report any of the required data elements for vendor payments and subcontracts awarded nor did they report expenditures for the year under audit.

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

Effect: The City and Borough did not comply with the ARRA reporting requirements.

Cause: Report preparation occurred outside of the finance department without sufficient oversight or monitoring due to employee turnover.

Recommendation: Management should implement procedures to track required reports, provide adequate training to preparers and monitor that submitted reports are accurate and complete.

Views of responsible Officials: Management concurs with the finding. See corrective action plan.

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

Year Ended June 30, 2011

<u>Finding: 2011-02</u>	Significant Deficiency in Internal Controls over Compliance and Compliance - Procurement
Program:	ARRA - U.S. Department of Transportation, CFDA 20.932, Transportation Investments Generating Economic Recovery (TIGER) Discretionary Grant Program – Auke Bay Loading Facility Phase II
Criteria:	<p>As required by the grant agreement and Sec. 902 of the American Recovery and Reinvestment Act, each contract awarded by ARRA funds must include a provision that provides the U.S. Comptroller General and his representatives with the authority to: 1) examine any records of the contractor or any of its subcontractors, or any State or local agency administering such contract, that directly pertain to, and invoice transactions related to, the contract or subcontract, and 2) to interview any office or employee of the contractor or any of its subcontractors, or any State or local government agency administering the contract, regarding such transactions.</p> <p>Further, as required by the grant agreement and 49 CFR Parts 18 and 20, the grantee shall include specific language related to lobbying and other contract provisions in their construction, professional service or other contracts funded by this grant.</p>
Condition:	The City and Borough did not include the required wording, as explained in the criteria section above, in the construction or professional service contracts funded by this grant.
Questioned costs:	There are no questioned costs associated with this finding.
Effect:	The City and Borough is not in compliance with the procurement requirements related to documentation in its contracts funded by this grant.
Cause:	There was no monitoring in place to ensure the necessary grant provisions were communicated and documented in accordance with grant requirements.
Recommendation:	Management should ensure that the necessary grant provisions are included in contract documents. There should be integration between the grant agreement and the procurement documents, and a monitoring system in place to ensure that the necessary integration is achieved.
Views of responsible Officials:	Management concurs with the finding. See corrective action plan.

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

Year Ended June 30, 2011

FINDINGS – FINANCIAL STATEMENT AUDIT

None reported for fiscal year 2010.

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None reported for fiscal year 2010.

CITY AND BOROUGH OF JUNEAU, ALASKA

CORRECTIVE ACTION PLAN

Year Ended June 30, 2011

Corrective Action Plan 2011-01

Management will implement procedures to track required reports, provide adequate training to preparers and monitor that submitted reports are accurate and complete.

Corrective Action Plan 2011-02

Management will ensure that the necessary grant provisions are included in contract documents.

Anticipated Completion Date for Both Findings

June 2012

Person to Contact

Mary Norcross
Controller
City and Borough of Juneau
907-586-0340
155 S. Seward Street
Juneau, Alaska 99801