

CITY AND BOROUGH OF JUNEAU, ALASKA

State Financial Assistance Reports

Year Ended June 30, 2011

CITY AND BOROUGH OF JUNEAU, ALASKA

State Financial Assistance Reports

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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, 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 the State of Alaska and is not intended to be and should not be used by anyone other than these specified parties.

ERM

January 20, 2012

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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, 2011. 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, 2011.

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, 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 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

January 20, 2012, except for procedures done to satisfy the State Single Audit Guide requirements, as to which the date is March 2, 2012.

CITY AND BOROUGH OF JUNEAU, ALASKA

Schedule of State Financial Assistance

Year Ended June 30, 2011

State grant or/pass-through grant or/program title	Grant number	Award amount	Receivable (deferral) at June 30, 2010	Amount received	Expenditures	Receivable (deferral) at June 30, 2011
Department of Administration:						
Employer Relief Balance SFY2011 - City and Borough of Juneau	*	ER 126 HB300	\$ 2,834,051	\$ -	\$ 2,834,051	\$ 2,834,051
Employer Relief Balance SFY2011 - Bartlett Regional Hospital	*	ER 219 HB300	<u>2,344,184</u>	<u>-</u>	<u>2,344,184</u>	<u>2,344,184</u>
Total Department of Administration			<u>5,178,235</u>	<u>-</u>	<u>5,178,235</u>	<u>-</u>
Alaska Energy Authority:						
Juneau Ground Source Heat Pump Construction	*	2195393	<u>1,450,000</u>	<u>120,590</u>	<u>322,882</u>	<u>406,707</u>
Total Alaska Energy Authority			<u>1,450,000</u>	<u>120,590</u>	<u>322,882</u>	<u>406,707</u>
Department of Commerce, Community and Economic Development:						
Direct Program						
Fisheries Business Tax	-	15,000	-	13,212	13,212	-
Designated Legislative Grant Program						
Hagevig Fire Training Center Design and Repair		08-DC-407	1,000,000	139,915	380,721	291,340
School District Career Technology Education Supplies and Equipment		08-DC-294	72,000	2,838	2,838	-
Douglas Island FAA Monitoring Station Electrical Service Ext. II		08-DC-460	1,300,000	10,915	10,915	-
Juneau School District Safety Upgrades		09-DC-479	147,000	101,623	101,623	-
Commercial Passenger Vessel Dock Retaining Wall Repair and Replacement	*	09-DC-555	1,500,000	-	578,477	908,614
Cruise Ship Dock Improvements	*	10-DC-015	2,500,000	34,161	1,955,794	1,921,633
Cruise Ship Dock Improvements	*	11-DC-645	9,000,000	-	-	2,224,057
JACC Electrical and Facility Upgrades		11-DC-242	50,000	-	8,316	18,317
Melvin Park Playground		11-DC-243	25,000	-	12,391	16,554
Capital Park Playground		11-DC-241	25,000	-	13,431	25,000
Arctic Winter Games		11-DC-240	30,148	-	30,148	30,148
Sewage System Major Repairs and Expansion		11-DC-246	1,500,000	-	45,937	104,128
School District Technology Infrastructure Upgrades		11-DC-245	<u>26,000</u>	<u>-</u>	<u>25,287</u>	<u>25,287</u>
Total Department of Commerce, Community and Economic Development			<u>17,190,148</u>	<u>289,452</u>	<u>3,179,090</u>	<u>5,578,290</u>

(continued)

See notes to schedule of state financial assistance.

CITY AND BOROUGH OF JUNEAU, ALASKA

Schedule of State Financial Assistance

Year Ended June 30, 2011

State grant or/pass-through grant or/program title	Grant number	Award amount	Receivable (deferral) at June 30, 2010	Amount received	Expenditures	Receivable (deferral) at June 30, 2011
Department of Education and Early Development:						
Library Assistance	PLA-11	18,900	-	18,900	18,900	-
Continuing Education	ILC-08-743-146d	4,500	1,416	1,416	2,888	2,888
Museum Grant in Aid FY11	-	9,980	-	9,980	9,980	-
State Shared Revenue:						
School Debt Retirement FY11	*	-	-	12,153,497	12,276,261	122,764
School Debt Retirement FY10	-	11,784,763	117,846	117,846	-	-
Total Department of Education and Early Development		24,094,404	119,262	12,301,639	12,308,029	125,652
Department of Environmental Conservation:						
North Douglas Sewer Phase II	44582	2,533,375	88,170	-	1,500	89,670
West Mendenhall Valley Sewer Expansion	*	44588	485,248	905,121	500,578	80,705
North Douglas Sewer Expansion Phase III	*	44589	1,461,351	954,374	760,998	171,930
East Valley Reservoir/Jordan Creek Rehabilitation	44590	486,918	66,522	69,617	10,269	7,174
North Douglas Sewer Expansion	44592	1,752,000	-	-	274,732	274,732
CCFR Equipment Purchase and Training	MOU	10,000	-	10,714	10,714	-
Total Department of Environmental Conservation		8,666,399	1,005,246	1,939,826	1,558,791	624,211
Department of Fish and Game:						
Statter Harbor Ramp Planning	08-015	100,000	37,500	37,500	-	-
Total Department of Fish and Game		100,000	37,500	37,500	-	-
Department of Health and Social Services:						
Nurse Practitioner Services	0609-007	12,245	-	15,965	15,965	-
Tobacco Cessation Interventions - FY11	601-11-110	105,000	-	91,671	105,000	13,329
Tobacco Cessation Interventions - FY10	601-10-110	102,800	21,862	21,862	-	-
Comprehensive Behavioral Health Treatment and Recovery Prgm. - FY11	*	602-11-243	-	641,642	675,414	33,772
Comprehensive Behavioral Health Treatment and Recovery Prgm. - FY10	602-10-243	650,414	32,521	32,521	-	-
RRC Women's Outpatient - FY11	602-11-551	67,863	-	40,718	49,060	8,342
Total Department of Health and Social Services		1,613,736	54,383	844,379	845,439	55,443
Department of Military and Veterans Affairs:						
Local Emergency Planning Committee FY10	35253	7,500	6,155	6,155	-	-
Local Emergency Planning Committee FY11	35602	11,279	-	944	11,236	10,292
Total Department of Military and Veterans Affairs		18,779	6,155	7,099	11,236	10,292

(continued)

See notes to schedule of state financial assistance.

CITY AND BOROUGH OF JUNEAU, ALASKA

Schedule of State Financial Assistance

Year Ended June 30, 2011

State grant or/pass-through grant or/program title	Grant number	Award amount	Receivable (deferral) at June 30, 2010	Amount received	Expenditures	Receivable (deferral) at June 30, 2011
Department of Revenue:						
State Shared Revenue FY10:						
Aviation Fuel	-	65,000	66,685	66,685	-	-
Liquor Taxes	-	60,000	11,500	11,500	-	-
Raw Fish Tax	-	400,000	372,805	298,863	(73,942)	-
State Shared Revenue FY11:						
Aviation Fuel	-	70,865	-	-	70,865	70,865
Liquor Taxes	-	12,200	-	33,950	46,150	12,200
Raw Fish Tax	*	430,561	-	-	430,561	430,561
Community State Shared Revenue	*	2,017,698	-	2,017,698	2,017,698	-
Total Department of Revenue		<u>3,056,324</u>	<u>450,990</u>	<u>2,428,696</u>	<u>2,491,332</u>	<u>513,626</u>
Department of Transportation and Public Facilities:						
North Douglas Highway Expansion	68013	600,000	-	-	92,442	92,442
Construct Runway Safety Area, Phase I (AIP 48)	68271	386,842	132,695	132,695	57,996	57,996
Construct Runway Safety Area, Phase II (AIP 49)	68395	276,476	(22,505)	122,128	145,786	1,153
Construct Runway Safety Area, Phase II (AIP 50)	69310	409,918	(368,000)	-	250,355	(117,645)
Downtown Transportation Center	ASGF-10-101	750,000	750,000	750,000	-	-
Total Department of Transportation and Public Facilities		<u>2,423,236</u>	<u>492,190</u>	<u>1,004,823</u>	<u>546,579</u>	<u>33,946</u>
Total State Financial Assistance		<u>\$ 63,791,261</u>	<u>\$ 2,575,768</u>	<u>\$ 27,244,169</u>	<u>\$ 28,924,638</u>	<u>\$ 4,256,237</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, 2011

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 Changes in Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	\$ 19,373,237
Statement of Changes in Revenues, Expenses, and Changes in Net Assets:	
Proprietary Fund	3,362,686
Internal Service Funds	309,515
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 in Airport, Harbors, Port, Water and Sewer capital projects	8,851,519
Bartlett Regional Hospital grant revenues reported as operating revenues	829,474
Other	74,072
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	(3,825,223)
Amounts reported as state revenue in the basic financial statements but do not meet the definition of state financial assistance	<u>(50,642)</u>
Total state expenditures as reported in the Schedule of State Financial Assistance	<u>\$ 28,924,638</u>

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

Year Ended June 30, 2011

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 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 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 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 2011.

SECTION III – STATE AWARD FINDINGS AND QUESTIONED COSTS

None to report for fiscal year 2011.

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

Year Ended June 30, 2011

FINANCIAL STATEMENT FINDINGS

None reported for fiscal year 2010.

STATE AWARD FINDINGS AND QUESTIONED COSTS

None reported for fiscal year 2010.

CITY AND BOROUGH OF JUNEAU, ALASKA
 SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
 Comprehensive Behavioral Health Treatment and Recovery Program (602-11-243)
 Year Ended June 30, 2011

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
Personal services	<u>\$ 675,414</u>	<u>\$ 675,414</u>	<u>\$ -</u>
	<u><u>\$ 675,414</u></u>	<u><u>\$ 675,414</u></u>	<u><u>\$ -</u></u>