

CITY AND BOROUGH OF JUNEAU, ALASKA

Expenditures of Federal Awards Reports

Year ended June 30, 2009

CITY AND BOROUGH OF JUNEAU, ALASKA

Expenditures of Federal Awards 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*

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, 2009, which collectively comprise the City and Borough's basic financial statements and have issued our report thereon dated December 11, 2009. 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.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the City and Borough's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City and Borough's financial statements that is more than inconsequential will not be prevented or detected by the City and Borough's internal control. We consider the deficiency described in the accompanying schedule of findings and questioned costs as finding 2009-1 to be significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City and Borough's internal control.



Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above is not a material weakness.

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 also noted certain other matters that we reported to management of the City and Borough in a separate letter dated December 11, 2009.

The City and Borough's response to the findings identified in our audit is described in the accompanying corrective action plan. We did not audit the City and Borough's response and, accordingly, we express no opinion on it.

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

December 11, 2009

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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 U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. 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 on the City and Borough's compliance with those requirements.

In our opinion, the City and Borough complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

The management of the City and Borough is responsible for establishing and maintaining effective internal control over compliance with 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 requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirements of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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 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, 2009, and have issued our report thereon dated December 11, 2009. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the City and Borough's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statement taken as a whole.

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

December 11, 2009

CITY AND BOROUGH OF JUNEAU, ALASKA

Schedule of Expenditures of Federal Awards

Year ended June 30, 2009

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, 2008	Amount received	Expenditures	Receivable (deferral) at June 30, 2009
U.S. Transportation Security Administration							
Department of Homeland Security							
State Pass-Through Grant:							
Department of Military and Veterans Affairs:							
State Homeland Security Grant 06	34053	97.073	\$ 17,842	\$ -	\$ 17,482	\$ 17,482	\$ -
State Homeland Security Grant 06 MMRS	34043	97.071	232,330	17,102	17,102	-	-
Total U.S. Transportation Security Administration			250,172	17,102	34,584	17,482	-
U.S. Department of Homeland Security							
National Preparedness Directorate							
State Pass-Through Grant:							
Department of Military and Veterans Affairs:							
State Homeland Security Grant 08 SHSP	34057	97.067	80,000	-	-	-	-
State Homeland Security Grant 08 MMRS	34045	97.067	311,585	-	5,091	81,277	76,186
			391,585	-	5,091	81,277	76,186
State Homeland Security Grant 07 LETPP	34051	97.074	198,387	24,805	29,805	5,000	-
State Homeland Security Grant 07 MMRS	34044	97.071	258,145	19,100	100,232	107,660	26,528
			848,117	43,905	135,128	193,937	102,714
Federal Emergency Management Agency							
Vehicle Acquisition - Tanker	2008-FV-01486	97.044	225,000	-	-	-	-
Assistance to Firefighters Grant	2008-FO-01542	97.044	149,582	-	30,846	30,846	-
			374,582	-	30,846	30,846	-
Landing Craft & Closed Circuit Surveillance	2007-GB-T7-0228	97.056	219,000	-	140,066	140,066	-
Staffing for Adequate Fire & Emergency Response	2008-FF-00417	97.083	365,985	-	-	-	-
			959,567	-	170,912	170,912	-
Total U.S. Department of Homeland Security			1,807,684	43,905	306,040	364,849	102,714
U.S. Department of Agriculture:							
State Pass-Through Grant:							
Alaska Department of Community and Economic Development:							
Schools and Roads - Grants to States FY08, Title III	-	10.665	991,763	(148,764)	-	148,764	-
Schools and Roads - Grants to States FY09	-	10.665	1,020,815	-	1,020,815	1,020,815	-
Schools and Roads - Grants to States FY09, Title III	-	10.665	12,010	-	12,010	-	(12,010)
			2,024,588	(148,764)	1,032,825	1,169,579	(12,010)
Alaska Department of Natural Resources							
Jensen Olson Arboretum Tree Purchase	-	10.664	625	625	625	-	-
Total U.S. Department of Agriculture			2,025,213	(148,139)	1,033,450	1,169,579	(12,010)

CITY AND BOROUGH OF JUNEAU, ALASKA

Schedule of Expenditures of Federal Awards

Year ended June 30, 2009

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, 2008	Amount received	Expenditures	Receivable (deferral) at June 30, 2009
U.S. Department of Transportation:							
Federal Transit Administration:							
Downtown Transit Center	AK-04-0015-01	20.500	2,177,110	-	-	-	-
Juneau Transit Center	AK-03-0030-00	20.500	1,274,043	-	751,281	1,119,359	368,078
			<u>3,451,153</u>	<u>-</u>	<u>751,281</u>	<u>1,119,359</u>	<u>368,078</u>
State Pass-Through Grants:							
Alaska Department of Transportation and Public Facilities:							
Section 5311 Grant (FY07/FFY06 - Operations)	AK 18-X026	20.500	1,000,000	140,982	150,000	9,018	-
Section 5311 Grant (FY08/FFY07 - Operations)	-	20.500	1,000,000	1,000,000	1,000,000	-	-
Section 5311 Grant (FY09 - Downtown Transit Center)	-	20.500	181,940	-	-	181,940	181,940
Section 5311 Grant (FY09/FFY08 - Operations)	-	20.500	1,100,000	-	1,100,000	1,100,000	-
Section 5311 Grant (FY07/FFY06 - Capital - Buses)	-	20.500	1,720,200	174,625	174,625	178,548	178,548
			<u>5,002,140</u>	<u>1,315,607</u>	<u>2,424,625</u>	<u>1,469,506</u>	<u>360,488</u>
Training Grant CY08/09	-	20.509	25,000	14,787	25,568	16,342	5,561
			<u>5,027,140</u>	<u>1,330,394</u>	<u>2,450,193</u>	<u>1,485,848</u>	<u>366,049</u>
Federal Highway Administration:							
State Pass-Through Grants:							
Alaska Department of Transportation and Public Facilities:							
Law Enforcement Liason	410 K8 08-01-01	20.601	13,358	223	241	4,083	4,065
Portable Breath Testers	410 K8	20.600	4,453	-	4,453	4,453	-
Seatbelt and DUI Overtime Enforcement FFY06	-	20.600	31,600	5,862	13,924	15,575	7,513
			<u>36,053</u>	<u>5,862</u>	<u>18,377</u>	<u>20,028</u>	<u>7,513</u>
State Pass-Through Grants:							
Alaska Department of Natural Resources							
Eaglecrest Nordic Trail Development	10795703	20.219	92,674	7,561	13,361	12,844	7,044
Federal Motor Carrier Safety Administration							
State Pass-Through Grants:							
Alaska Department of Transportation and Public Facilities:							
Commercial Vehicle Inspection Training	-	20.218	6,605	-	3,230	3,610	380
Federal Aviation Administration:							
Snow Removal Equipment Building Design (AIP 25)	-	20.106	656,196	48,677	260,056	211,379	-
Environmental Impact Statement (AIP 46)	-	20.106	862,500	37,846	45,755	11,632	3,723
Expand Terminal Building (AIP 47)	-	20.106	1,000,000	92,825	512,322	419,497	-
Construct Runway Safety Area, Phase I (AIP 48)	-	20.106	14,700,000	267,162	4,201,741	4,220,531	285,952
Construct Runway Safety Area, Phase II (AIP 49)	-	20.106	10,506,094	-	2,735,305	2,735,305	-
Delta I Ramp Expansion (AIP 43)	-	20.106	1,491,528	24,203	26,055	1,852	-
Total Federal Aviation Administration			<u>29,216,318</u>	<u>470,713</u>	<u>7,781,234</u>	<u>7,600,196</u>	<u>289,675</u>
Total U.S. Department of Transportation			<u>37,843,301</u>	<u>1,814,753</u>	<u>11,017,917</u>	<u>10,245,968</u>	<u>1,042,804</u>

CITY AND BOROUGH OF JUNEAU, ALASKA

Schedule of Expenditures of Federal Awards

Year ended June 30, 2009

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, 2008	Amount received	Expenditures	Receivable (deferral) at June 30, 2009
U.S. Department of the Interior:							
Bureau of Land Management:							
"In Lieu of Tax" receipts	-	15.226	506,947	-	1,922,255	1,922,255	-
National Park Service:							
State Pass-Through Grants:							
Alaska Department of Natural Resources:							
LWCF Fish Creek Improvements	02-00396	15.916	125,000	-	-	1,674	1,674
Downtown Design Standards Evaluations Phase II	06-480	15.904	39,197	11,236	11,712	476	-
Juneau Historic Preservation Database	08-491	15.904	11,876	-	1,792	11,400	9,608
Preservation Commission Annual Conference Travel Grant	07-498	15.904	5,781	-	5,781	5,781	-
			<u>56,854</u>	<u>11,236</u>	<u>19,285</u>	<u>17,657</u>	<u>9,608</u>
			<u>181,854</u>	<u>11,236</u>	<u>19,285</u>	<u>19,331</u>	<u>11,282</u>
Fish and Wildlife Service:							
Stormwater Pre-Treatment Guidelines	70181-7-G442	15.631	24,823	4,241	10,696	6,455	-
Stormwater Management Standards & Guidelines	70181-8-G514	15.631	50,000	-	-	12,534	12,534
Jordan Creek Sediment Transport Analysis	70181-7-G480	15.631	20,000	15,208	17,528	2,320	-
			<u>94,823</u>	<u>19,449</u>	<u>28,224</u>	<u>21,309</u>	<u>12,534</u>
State Pass-Through Grants:							
Alaska Department of Fish and Game:							
Aurora Harbor Pump Out Stations	05-041	15.605	180,000	11,068	11,068	1,427	1,427
Taku Harbor Transient Moorage Rehabilitation, Amend.2	05-071	15.605	900,105	-	-	716	716
Statter Harbor Ramp Planning	08-015	15.605	187,500	65,805	126,295	120,619	60,129
Amalga Harbor Ramp Rehabilitation	03-045	15.605	1,901,250	38,317	38,317	61,028	61,028
			<u>3,168,855</u>	<u>115,190</u>	<u>175,680</u>	<u>183,790</u>	<u>123,300</u>
			<u>3,263,678</u>	<u>134,639</u>	<u>203,904</u>	<u>205,099</u>	<u>135,834</u>
Total U.S. Department of the Interior			<u>3,952,479</u>	<u>145,875</u>	<u>2,145,444</u>	<u>2,146,685</u>	<u>147,116</u>
U.S. Department of Education:							
State Pass-Through Grants:							
Alaska Department of Education and Early Development:							
Regional Services Grant	RS-07-743-194	45.310	107,000	(27,068)	60,884	87,952	-
Total U.S. Department of Education			<u>107,000</u>	<u>(27,068)</u>	<u>60,884</u>	<u>87,952</u>	<u>-</u>

CITY AND BOROUGH OF JUNEAU, ALASKA

Schedule of Expenditures of Federal Awards

Year ended June 30, 2009

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, 2008	Amount received	Expenditures	Receivable (deferral) at June 30, 2009
U.S. Department of Commerce:							
National Oceanic and Atmospheric Administration:							
State Pass-Through Grants:							
Alaska Department of Community and Economic Development:							
Alaska Coastal Management FY08	880885	11.419	38,500	23,469	23,469	-	-
Alaska Coastal Management FY09	870388	11.419	43,900	-	43,899	43,899	-
ACMP Plan Amendment Funding	870791	11.419	950	950	950	-	-
Total U.S. Department of Commerce			83,350	24,419	68,318	43,899	-
U.S. Department of Defense:							
State Pass-Through Grants:							
Alaska Department of Military and Veterans Affairs:							
Emergency Management Program CY08	-	83.552	100,000	20,014	75,936	55,922	-
Emergency Management Program CY09	-	83.552	100,000	-	22,496	37,771	15,275
Total U.S. Department of Defense			200,000	20,014	98,432	93,693	15,275
U.S. Department of Housing and Urban Development:							
State Pass-Through Grant:							
Alaska Department of Community and Economic Development							
Homeless Shelters Upgrades	871357	14.228	360,078	13,952	13,952	276,174	276,174
State Pass-Through Grant:							
Alaska Department of Revenue:							
Alaska Housing Finance Corporation:							
"In Lieu of Tax" receipts FY09	-	14.xxx	29,866	-	-	47,480	47,480
"In Lieu of Tax" receipts FY08	-	14.xxx	30,000	25,182	25,182	-	-
			59,866	25,182	25,182	47,480	47,480
Total U.S. Department of Housing and Urban Development			419,944	39,134	39,134	323,654	323,654
U.S. Department of Health and Human Services:							
State Pass-Through Grant:							
Alaska State Hospital and Nursing Home Association							
ASHNHA FY08 (Health Facilities)	-	93.889	32,036	2,558	32,036	29,478	-
Total U.S. Department of Health and Human Services			32,036	2,558	32,036	29,478	-
U.S. Department of Justice:							
2003 COPS Technology Grant	2003CKWX0275	16.710	904,085	30,640	217,509	258,888	72,019
Bullet Proof Vests	99003463	16.607	26,434	7,194	3,920	2,108	5,382
			930,519	37,834	221,429	260,996	77,401

CITY AND BOROUGH OF JUNEAU, ALASKA

Schedule of Expenditures of Federal Awards

Year ended June 30, 2009

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, 2008	Amount received	Expenditures	Receivable (deferral) at June 30, 2009
U.S. Department of Justice (continued):							
State Pass-Through Grant:							
Alaska Department of Public Safety:							
2001 COPS Technology Grant	2001CKWX008	16.710	976,900	112,123	171,599	75,040	15,564
Total U.S. Department of Justice			1,907,419	149,957	393,028	336,036	92,965
U.S. Environmental Protection Agency							
State Pass-Through Grant:							
Alaska Department of Environmental Conservation							
Stormwater Management Standards & Guidelines	ACWA 09-03	66.605	90,000	-	-	90,000	90,000
Water Quality Monitoring at Sandy Beach (FY09)	ACWA 09-B03	66.472	26,750	-	5,336	8,129	2,793
Water Quality Monitoring at Sandy Beach	ACWA 08-B04	66.472	26,500	10,612	10,612	-	-
			53,250	10,612	15,948	8,129	2,793
Total U.S. Environmental Protection Agency			143,250	10,612	15,948	98,129	92,793
Denali Commission							
Juneau Auke Bay Commercial Landing Facility	279-07	90.100	1,000,000	1,000,000	1,000,000	-	-
State Pass-Through Grant:							
Alaska Department of Health and Social Services:							
Alaska State Hospital and Nursing Home Association							
BRH - PACS	-	90.100	408,435	-	408,435	408,435	-
BRH - Digital Mammography Equipment	-	90.100	420,958	-	-	420,958	420,958
BRH - Infusion Remodel	-	90.100	512,686	35,888	261,470	143,552	(82,030)
BRH - Physical Therapy Remodel	-	90.100	639,241	159,810	319,621	223,735	63,924
			1,981,320	195,698	989,526	1,196,680	402,852
Total Denali Commission			2,981,320	1,195,698	1,989,526	1,196,680	402,852
Total Federal Expenditures			\$ 51,753,168	\$ 3,288,820	\$ 17,234,741	\$ 16,154,084	\$ 2,208,163

CITY AND BOROUGH OF JUNEAU, ALASKA

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2009

General

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards programs of the City and Borough of Juneau, Alaska. 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:

Direct Grants:

Federal revenues as reported in the basic financial statements:	
Governmental Funds	\$ 3,347,064
Proprietary Funds	152,820
Internal Service Funds	178,548

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	(152,820)
Non-grant Federal revenues	(85,000)
Adjustments to prior year accounts receivable	(920)
Rounding	(2)

Plus:

Amounts reported as federal revenue in the Schedule of Expenditures of Federal Awards, but not included as federal revenue in the basic financial statements:

Grants passed through the State of Alaska	3,657,305
Bartlett Regional Hospital grant revenues reported as operating revenues	1,226,157
Federal monies included in airport, harbors, hospital, water and sewer capital projects	7,815,583
Expenditures not included above in Governmental Funds	<u>15,349</u>
Total federal expenditures per Schedule of Expenditures of Federal Awards	<u>\$ 16,154,084</u>

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

Year Ended June 30, 2009

SUMMARY OF AUDIT 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)? x Yes None reported

Noncompliance material to financial statements? Yes x No

Federal Awards

Type of auditors' report issued on compliance for major programs: Unqualified

Internal control over compliance:

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

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

Major programs:

<u>CFDA #</u>	<u>NAME</u>
10.665	Schools and Roads – Grants to States FY08
10.665	Schools and Roads – Grants to States FY09
<i>Federal Transit Cluster</i>	
20.500	Section 5311 Grant (FFY07 – FFY06 – Operations)
20.500	Section 5311 Grant (FFY07 – FFY06 – Capital Buses)
20.500	Section 5311 Grant (FFY09 – FFY08 – Operations)
20.500	Section 5311 Grant (FY09 – Downtown Transit Center)
20.500	Juneau Transit Center
97.056	Landing Craft and Closed Circuit Surveillance

Dollar threshold used to distinguish between type A and type B programs: \$ 300,000

Auditee qualified as a low-risk auditee? x Yes No

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

Year Ended June 30, 2009

FINDINGS – FINANCIAL STATEMENT AUDIT

Significant Deficiency: 2009-01, Internal Controls over Capital Projects Interest Allocation

Condition: CBJ allocates interest earnings from unspent bond proceeds to capital project funds as required by its bond agreements. During fiscal 2009, the investment pool placement of the proceeds from a bond issuance totaling \$38 million was not accurately identified in communications between the Treasury and Controller Divisions and Finance Director.

Criteria: Generally accepted accounting principles and OMB Circular A-87 require that entities maintain a system of internal controls to provide reasonable assurance regarding the achievement of objectives in the following three categories:

- Reliability of financial reporting,
- Compliance with applicable laws and regulations and
- Effectiveness and efficiency of operations.

Effect: CBJ used the yield from an incorrect investment pool to allocate interest to the school capital projects associated with this bond issue. As a result, CBJ over-allocated interest to the projects by approximately \$593,000. The incorrect interest allocation was identified through audit procedures and corrected in the CBJ's fiscal 2009 Comprehensive Annual Financial Report.

Cause of Condition: The CBJ has not developed processes to document the specific bond investments within the bond allocation/arbitrage files at the time of purchase. Documenting the specific investments at the time of purchase within the bond files will help ensure that interest earnings are properly identified and allocated from the appropriate investments and rates to the to the related capital projects.

Recommendation: We recommend that CBJ improve its processes and controls for documenting investments and determining the yield to be used to allocate interest earnings to capital projects, and for monitoring interest allocated to these projects.

Views of Responsible Official and Corrective Action Plan: Management concurs with the finding. Management will work to develop documentation over the processes and controls related to specific bond investments within the bond allocation/arbitrage files at the time of purchase, and allocation of interest to the related capital projects.

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None to report for fiscal year 2009.

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

Year Ended June 30, 2009

FINDINGS – FINANCIAL STATEMENTS AUDIT

None reported for fiscal year 2008.

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None reported for fiscal year 2008.