

CITY AND BOROUGH OF JUNEAU, ALASKA

Expenditures of Federal Awards Reports

Year Ended June 30, 2012

CITY AND BOROUGH OF JUNEAU, ALASKA

Expenditures of Federal Awards Reports

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INDEPENDENT AUDITORS' 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 basic financial statements of the City and Borough of Juneau, Alaska (City and Borough) as of and for the year ended June 30, 2012, and have issued our report thereon dated January 15, 2013. 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

Management of the City and Borough is responsible for establishing and maintaining effective 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 opinion 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 the 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. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as items 2012-01 and 2012-02 that we consider to be significant deficiencies in internal control over financial reporting. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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*.

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

We noted certain matters that we have reported to management of the City and Borough in a separate letter dated January 15, 2013.

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.

Handwritten signature in blue ink, consisting of the letters 'ERM' in a cursive, stylized font.

January 15, 2013

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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 OMB CIRCULAR A-133

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 U.S. Office of Management and Budget Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. 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 entity'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 U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and 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 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, 2012.

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 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 as a basis for designing 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 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.

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, 2012, and have issued our report thereon dated January 15, 2013, which contained an unqualified opinion on those financial statements. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the City and Borough's financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Circular A-133 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 other 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 schedule of expenditures of federal awards 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, 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 15, 2013

CITY AND BOROUGH OF JUNEAU, ALASKA

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2012

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, 2011	Amount received	Expenditures	Receivable (deferral) at June 30, 2012
U.S. Department of Homeland Security:							
Federal Emergency Management Agency:							
Staffing for Adequate Fire and Emergency Response	2008-FF-00417	97.083	\$ 365,985	\$ 27,214	\$ -	\$ 101,798	\$ 129,012
FY2010 Assistance to Firefighters Grant Program - Operations and Safety	EMW-2010-FO-02851	97.044	39,654	-	12,073	39,654	27,581
State Pass-Through Grants:							
Alaska Department of Military and Veterans Affairs:							
<i>Homeland Security Cluster</i>							
State Homeland Security Grant 09 SHSP	09SHSP-GR34057	97.067	30,583	-	18,284	18,284	-
State Homeland Security Grant 09 SHSP	34067	97.067	141,800	-	66,501	66,501	-
2008 Metropolitan Medical Response System Grant Program	08MMRS-GR34045	97.067	311,585	(36)	-	36	-
2010 Metropolitan Medical Response System Program	10MMRS-GR34066	97.067	301,549	-	30,301	95,232	64,931
2011 Metropolitan Medical Response System Program	11MMRS-GR34076	97.067	267,609	-	100	100	-
			1,053,126	(36)	115,186	180,153	64,931
2009 Metropolitan Medical Response System Program	09MMRS-GR34046	97.071	311,585	77,217	279,921	202,704	-
<i>Total Homeland Security Cluster</i>			<u>1,364,711</u>	<u>77,181</u>	<u>395,107</u>	<u>382,857</u>	<u>64,931</u>
2011 Emergency Management Performance Grant	11EMPG-GR35584	97.042	104,565	-	67,108	104,565	37,457
Emergency Management Program CY10	10-EMPG-GR35581	97.042	104,565	13,030	13,030	-	-
			209,130	13,030	80,138	104,565	37,457
Mt. Juneau Active Avalanche Study for Local Hazard Mitigation Plan Update	1796.0012	97.039	25,875	-	-	21,320	21,320
Total U.S. Department of Homeland Security			<u>2,005,355</u>	<u>117,425</u>	<u>487,318</u>	<u>650,194</u>	<u>280,301</u>
U.S. Department of Agriculture:							
State Pass-Through Grant:							
Alaska Department of Commerce, Community, and Economic Development:							
Schools and Roads - Grants to States FY12, Title III Forest Timber Receipts	-	10.665	62,712	-	62,712	-	(62,712)
Schools and Roads - Grants to States FY12	-	10.665	761,509	-	761,509	761,509	-
Schools and Roads - Grants to States FY09, Title III	-	10.665	12,010	(12,010)	-	12,010	-
Total U.S. Department of Agriculture			<u>836,231</u>	<u>(12,010)</u>	<u>824,221</u>	<u>773,519</u>	<u>(62,712)</u>

(continued)

CITY AND BOROUGH OF JUNEAU, ALASKA

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2012

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, 2011	Amount received	Expenditures	Receivable (deferral) at June 30, 2012
U.S. Department of Transportation:							
Federal Transit Administration:							
Juneau Transit Center and Related Improvements	AK-03-0030-01	20.500	1,471,643	-	197,600	197,600	-
State Pass-Through Grant:							
Alaska Department of Transportation and Public Facilities:							
Rural Public Transit - Section 5311 Grant (FY12 Operating Grant)	5311-12-101	20.509	1,000,000	-	-	1,000,000	1,000,000
Training Grant CY12	5311R-12-101	20.509	15,700	-	2,338	8,085	5,747
			<u>1,015,700</u>	-	<u>2,338</u>	<u>1,008,085</u>	<u>1,005,747</u>
Mobility Management	5316-MM-12-101	20.516	25,000	-	-	1,105	1,105
Total Federal Transit Administration			<u>2,512,343</u>	-	<u>199,938</u>	<u>1,206,790</u>	<u>1,006,852</u>
Federal Highway Administration:							
State Pass-Through Grants:							
<i>Highway Planning and Construction Cluster</i>							
Alaska Department of Transportation and Public Facilities:							
Juneau Mendenhall Valley Street Dust Control (Street Sweeper Purchase)	69552	20.205	250,000	-	238,572	-	(238,572)
Safe Routes to School	LU-20-10	20.205	45,000	-	-	45,000	45,000
			<u>295,000</u>	-	<u>238,572</u>	<u>45,000</u>	<u>(193,572)</u>
Alaska Department of Natural Resources:							
Eaglecrest Nordic Trail Development	10795703	20.219	225,854	25,224	25,224	1,570	1,570
<i>Total Highway Planning and Construction Cluster</i>			<u>520,854</u>	<u>25,224</u>	<u>263,796</u>	<u>46,570</u>	<u>(192,002)</u>
Total Federal Highway Administration			<u>520,854</u>	<u>25,224</u>	<u>263,796</u>	<u>46,570</u>	<u>(192,002)</u>
National Highway Traffic Safety Administration:							
State Pass-Through Grants:							
Alaska Department of Transportation and Public Facilities:							
<i>Highway Safety Cluster</i>							
2011 Lifesavers Conference	-	20.600	3,672	3,672	3,672	-	-
Seatbelt Overtime Enforcement FFY12	402PT 12-06-01	20.600	1,674	-	1,256	1,675	419
Seatbelt Overtime Enforcement FFY11	402PT 11-06-01	20.600	6,857	970	2,518	1,548	-
			<u>12,203</u>	<u>4,642</u>	<u>7,446</u>	<u>3,223</u>	<u>419</u>
Law Enforcement Liason	410 K8 12-01-04 (B)	20.601	13,169	-	1,124	5,389	4,265
Law Enforcement Liason	410 K8 08-01-01	20.601	13,358	3,907	3,907	-	-
Juneau "Every 15 Minutes" Training	410K8 11-01-00	20.601	1,334	1,334	1,334	-	-
			<u>27,861</u>	<u>5,241</u>	<u>6,365</u>	<u>5,389</u>	<u>4,265</u>
<i>Total Highway Safety Cluster</i>			<u>40,064</u>	<u>9,883</u>	<u>13,811</u>	<u>8,612</u>	<u>4,684</u>
Juneau Graduation Week Impaired Driving	154AL 11-01-00 (G)	20.607	5,000	5,000	5,000	-	-
DUI Overtime Enforcement FFY12	154L 12-01-03	20.607	10,046	-	3,381	5,328	1,947
DUI Overtime Enforcement FFY11	154AL 11-01-03	20.607	16,860	2,628	6,259	3,631	-
			<u>31,906</u>	<u>7,628</u>	<u>14,640</u>	<u>8,959</u>	<u>1,947</u>
Total National Highway Traffic Safety Administration			<u>71,970</u>	<u>17,511</u>	<u>28,451</u>	<u>17,571</u>	<u>6,631</u>

(continued)

CITY AND BOROUGH OF JUNEAU, ALASKA

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2012

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, 2011	Amount received	Expenditures	Receivable (deferral) at June 30, 2012
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	11-PD-004	20.218	6,720	315	6,720	6,405	-
Federal Aviation Administration:							
Airport Improvement Program (AIP)							
Construct Runway Safety Area, Phase II (AIP 49)	-	20.106	10,506,094	43,797	612,159	568,362	-
Construct Runway Safety Area, Phase III (AIP 50)	-	20.106	15,576,902	8,168,107	14,231,513	6,063,406	-
Construct Snow Removal Equipment Building, Phase II (AIP 51)	-	20.106	1,441,744	-	60,606	303,897	243,291
Construct Runway Safety Area, Phase IV (AIP 52)	-	20.106	4,509,960	-	2,785,911	4,509,960	1,724,049
Construct Runway Safety Area, Phase V (AIP 53)	-	20.106	2,000,000	-	2,000,000	2,000,000	-
Construct Runway Safety Area, Phase VI (AIP 54)	-	20.106	6,301,428	-	-	1,044,397	1,044,397
Total Federal Aviation Administration			40,336,128	8,211,904	19,690,189	14,490,022	3,011,737
Office of the Secretary Administration Secretariate:							
ARRA - Auke Bay Loading Facility - Phase II	DTMA1G10002	20.932	3,640,000	1,441,402	3,108,310	1,935,196	268,288
Total U.S. Department of Transportation			47,088,015	9,696,356	23,297,404	17,702,554	4,101,506
U.S. Department of the Interior:							
Bureau of Land Management:							
Payments in Lieu of Taxes	-	15.226	1,793,885	-	1,793,885	1,793,885	-
National Park Service:							
State Pass-Through Grants:							
Alaska Department of Natural Resources:							
Treadwell and Jualpa Mines Interpretive Signs	10-536	15.904	25,213	-	25,213	25,213	-
Juneau Historic Preservation Database Phase II	10-531	15.904	11,273	3,424	10,914	7,490	-
			36,486	3,424	36,127	32,703	-
LWCF Fish Creek Improvements	02-00396	15.916	125,000	35,640	448	3,672	38,864
Total National Park Service			161,486	39,064	36,575	36,375	38,864
Fish and Wildlife Service:							
Habitat Restoration at Montana Creek Parcel USS 2337, Tract A	70181BJ034	15.630	25,000	-	25,000	25,000	-
State Pass-Through Grants:							
Alaska Department of Fish and Game:							
Statter Harbor Ramp Planning	08-015	15.605	900,000	247,709	318,318	120,238	49,629
Montana Creek Access Improvements	COOP-11-075	15.605	21,000	-	-	3,699	3,699
			921,000	247,709	318,318	123,937	53,328
Total Fish and Wildlife Service			946,000	247,709	343,318	148,937	53,328
Total U.S. Department of the Interior			2,901,371	286,773	2,173,778	1,979,197	92,192

(continued)

CITY AND BOROUGH OF JUNEAU, ALASKA

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2012

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, 2011	Amount received	Expenditures	Receivable (deferral) at June 30, 2012
National Endowment for the Humanities							
Institute of Museum and Library Services:							
State Pass-Through Grant:							
Alaska Department of Education and Early Development:							
Continuing Education FY11	CED-11-743	45.310	4,500	2,888	2,888	-	-
Continuing Education FY12	CED-12-743	45.310	5,944	-	5,499	5,944	445
Southeast Regional Books-by-Mail Service	RS-12-743-102	45.310	<u>96,200</u>	<u>-</u>	<u>96,200</u>	<u>96,200</u>	<u>-</u>
Total National Endowment for the Humanities			<u>106,644</u>	<u>2,888</u>	<u>104,587</u>	<u>102,144</u>	<u>445</u>
U.S. Department of Commerce:							
National Telecommunications and Information Administration:							
State Pass-Through Grants:							
Alaska Department of Military and Veterans Affairs:							
2007 Public Safety Interoperable Communications	07PSIC-GR34037	11.555	<u>641,156</u>	<u>401,409</u>	<u>442,565</u>	<u>41,156</u>	<u>-</u>
Total U.S. Department of Commerce			<u>641,156</u>	<u>401,409</u>	<u>442,565</u>	<u>41,156</u>	<u>-</u>
U.S. Department of Housing and Urban Development:							
State Pass-Through Grant:							
Alaska Department of Revenue:							
Alaska Housing Finance Corporation:							
"In Lieu of Tax" receipts FY11	-	14-unknown	39,297	39,297	39,297	-	-
"In Lieu of Tax" receipts FY10	-	14-unknown	<u>41,147</u>	<u>-</u>	<u>-</u>	<u>41,147</u>	<u>41,147</u>
Total U.S. Department of Housing and Urban Development			<u>80,444</u>	<u>39,297</u>	<u>39,297</u>	<u>41,147</u>	<u>41,147</u>
U.S. Department of Health and Human Services:							
Health Resources and Services Administration:							
Health Care and Other Facilities (CT Scanner)	C76HF16474	93.887	<u>471,240</u>	<u>-</u>	<u>471,240</u>	<u>471,240</u>	<u>-</u>
State Pass-Through Grant:							
Alaska Department of Health and Social Services:							
SHIP FFY10	H3HR00026-09-00	93.301	7,402	(7,402)	-	7,402	-
SHIP FFY11	6-H3HRHR00026-10-01	93.301	<u>7,475</u>	<u>-</u>	<u>7,475</u>	<u>7,475</u>	<u>-</u>
			<u>14,877</u>	<u>(7,402)</u>	<u>7,475</u>	<u>14,877</u>	<u>-</u>
Office of the Secretary:							
State Pass-Through Grant:							
Alaska Department of Health and Social Services:							
Healthcare Organization Preparedness FFY11	5U3REP090257-03-00	93.889	24,353	-	24,353	24,353	-
Healthcare Organization Preparedness FFY11	5U3REP090257-03-02	93.889	<u>10,803</u>	<u>-</u>	<u>10,803</u>	<u>10,803</u>	<u>-</u>
			<u>35,156</u>	<u>-</u>	<u>35,156</u>	<u>35,156</u>	<u>-</u>
Total U.S. Department of Health and Human Services			<u>521,273</u>	<u>(7,402)</u>	<u>513,871</u>	<u>521,273</u>	<u>-</u>

(continued)

CITY AND BOROUGH OF JUNEAU, ALASKA

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2012

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, 2011	Amount received	Expenditures	Receivable (deferral) at June 30, 2012
U.S. Department of Justice:							
Office of Community Oriented Policing Services:							
COPS Hiring Program	2011UMWX0001	16.710	567,452	-	-	46,041	46,041
Bureau of Justice Assistance:							
<i>JAG Program Cluster</i>							
ARRA - Police Crisis Intervention Program	2009-SB-B9-0484	16.804	147,543	22,416	51,917	29,501	-
FY2010 Justice Assistance Grant Program	2010-DJ-BX-0255	16.738	30,886	-	5,083	30,886	25,803
Police Crisis Intervention Specialist - Continuation	2011-DJ-BX-2092	16.738	26,254	-	-	4,889	4,889
			<u>57,140</u>	<u>-</u>	<u>5,083</u>	<u>35,775</u>	<u>30,692</u>
<i>Total JAG Program Cluster</i>			<u>204,683</u>	<u>22,416</u>	<u>57,000</u>	<u>65,276</u>	<u>30,692</u>
Bullet Proof Vests	11056262	16.607	7,320	-	-	5,461	5,461
Total Bureau of Justice Assistance			<u>212,003</u>	<u>22,416</u>	<u>57,000</u>	<u>70,737</u>	<u>36,153</u>
Total U.S. Department of Justice			<u>779,455</u>	<u>22,416</u>	<u>57,000</u>	<u>116,778</u>	<u>82,194</u>
Total Federal Expenditures			<u>\$ 54,959,944</u>	<u>\$ 10,547,152</u>	<u>\$ 27,940,041</u>	<u>\$ 21,927,962</u>	<u>\$ 4,535,073</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, 2012

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	\$ 3,058,704
Statement of Changes in Revenues, Expenses and Changes in Net Assets - Proprietary Funds	135,031

Plus:

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

Federal grants passed through the State of Alaska	2,304,256
Federal grant revenue sources reported as capital contributions in Airport and Port enterprise funds	16,544,224
Federal grant revenue reported as capital contributions in Bartlett Regional Hospital enterprise fund	471,240

Less:

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

Juneau International Airport Transportation Security Administration reimbursement reported as federal revenue	(135,871)
Internal service grant reported as federal financial assistance in prior year	(401,409)
Other amounts reported as federal revenue in the basic financial statements but do not meet the definition of federal financial assistance	<u>(48,213)</u>

Total federal expenditures per Schedule of Expenditures of Federal Awards	<u>\$ 21,927,962</u>
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CITY AND BOROUGH OF JUNEAU, ALASKA
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 Year Ended June 30, 2012

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)? x Yes None reported

Noncompliance material to financial statements noted? Yes x No

Federal Awards

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

Internal control over major programs:

- 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>
20.500	Juneau Transit Center and Related Improvements
20.106	Airport Improvement Program
20.932	ARRA - Auke Bay Loading Facility - Phase II
93.887	Health Care and Other Facilities (CT Scanner)
JAG Program Cluster:	
16.804	ARRA - Police Crisis Intervention Program
16.738	FY2010 Justice Assistance Grant Program
16.738	Police Crisis Intervention Specialist – Continuation

Dollar threshold used to distinguish between type A and type B programs: \$ 657,839

Auditee qualified as low-risk auditee? Yes x No

CITY AND BOROUGH OF JUNEAU, ALASKA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2012

FINDINGS – FINANCIAL STATEMENT AUDIT

**Finding: 2012-01 Significant Deficiency - Internal Controls over Financial Reporting –
Absence of Documented Accounting Procedures Manual**

Criteria: City and Borough ordinance 57.05.090, *Fiscal procedures manual*, requires City and Borough management to develop an accounting policies manual as follows:

“The department of administration and finance shall prepare and adopt a fiscal procedures manual outlining those fiscal and accounting policies and procedures which will serve as a guide to supplement this title. Such manual shall be supplemented or revised as the director of the department shall deem necessary.”

Condition: The City and Borough has not developed and maintained a Fiscal Procedures Manual as required by City and Borough code.

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

Effect: Certain important and rather complex tasks associated with the annual close of the CBJ’s accounting records and the production of its financial reports are not properly documented, and are known by very few individuals. The CBJ is required by its bond covenants and federal regulations to produce these reports within certain timeframes. The lack of documented procedures makes it difficult to train individuals in instances of extended vacancies in key positions. It also exposes CBJ to inaccuracies in financial reporting and missing its reporting deadlines.

Cause: The Finance Department has not devoted sufficient resources to the development of a Financial Procedures Manual which properly documents important accounting and financial reporting tasks.

Recommendation: We recommend that Finance Department staff develop accounting procedures manuals as outlined above. The City and Borough should consider outsourcing such project as we believe that outsourcing costs will be recovered through lower overtime costs and more efficient training and utilization of staff time after the manuals have been developed.

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, 2012

Finding: 2012-02 **Significant Deficiency - Internal Controls over Financial Reporting – Accounting Close and Audit Preparation**

Criteria: Generally accepted accounting principles and OMB Circular A-110 (Subpart C, Section 21) require that entities maintain a system of internal controls to provide reasonable assurance regarding the achievement of objectives in the following three categories:

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

Condition: The City and Borough of Juneau did not maintain adequate internal controls over timely and accurate general ledger and supporting schedules reconciliations.

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

Effect: Significant accounts, funds and schedules were not reconciled on a timely basis during the year. Many were done as part of the year end close or subsequent to year end. Several versions of fund statements, note disclosures and grant schedules were provided to the auditors. Several audit adjustments and other changes to the financial statements identified during the audit were necessary to properly state the financial statements and related schedules.

Cause: The cumulative impact of turnover and vacancies in finance department positions, lack of documentation of accounting procedures, work load issues brought about by position vacancies, and the protracted accounting systems implementation project all contributed to delays in regular and timely accounting closing as well as limited self- and cross- review by the accountants of the CAFR exhibits before those were provided to the auditors.

Recommendation: We recommend a monthly close of all significant account balances and transaction classes occur on a timely basis.

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

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None to report for fiscal year 2012.

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

Year Ended June 30, 2012

FINDINGS – FINANCIAL STATEMENT AUDIT

None reported 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

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.

Status: The City and Borough appeared to have filed all required reports during the current fiscal year. While some of the reports were filed late, none of such late filings were considered to be material instances of non-compliance. Finding considered resolved.

Finding: 2011-02 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

Condition: The City and Borough did not include the grantor required wording in the construction or professional service contracts funded by this grant.

Status: The City and Borough has amended the original contract terms to include grantor required wording and has notified its vendors of the amendments. Finding considered resolved.

CITY AND BOROUGH OF JUNEAU, ALASKA

CORRECTIVE ACTION PLAN

Year Ended June 30, 2012

Corrective Action Plan 2012-01

Management will develop and maintain a fiscal procedures manual that would outline daily, monthly, quarterly and annual accounting and finance tasks. Such manual will be documented concurrently, if feasible, during streamlining regular accounting closes procedures.

Corrective Action Plan 2012-02

Management commit resources to assure that Finance staff turnover is addressed immediately. Management and lead staff assure that accounting subsystems and general ledger are closed on a monthly basis. Develop management reports and control schedules that facilitate timely review and analysis of the financial information to assure accuracy and consistency.

Anticipated Completion Date for Both Findings

June 2013

Person to Contact

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