

CITY AND BOROUGH OF JUNEAU, ALASKA

Passenger Facility Charges Report

Year Ended June 30, 2013

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE PASSENGER FACILITY CHARGES PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH *FAA PASSENGER FACILITY CHARGE AUDIT GUIDE FOR PUBLIC AGENCIES*

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

Report on Compliance for the Passenger Facility Charges Program

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 *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration (FAA Guide), that could have a direct and material effect on the City and Borough's passenger facility charges program for the year ended June 30, 2013. The City and Borough's passenger facility charges program is identified as a major program in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its passenger facility charges program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the City and Borough's major passenger facility charges program based on our audit of the types of compliance requirements referred to above. 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 the FAA Guide. Those standards and the FAA Guide 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 the passenger facility charges 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 on compliance for the passenger facility charges program. However, our audit does not provide a legal determination of the City and Borough's compliance.

Opinion on the Passenger Facility Charges Program

In our opinion, the City and Borough complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its passenger facility charges program for the year ended June 30, 2013.

Report on Internal Control over Compliance

Management of the City and Borough is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City and Borough's internal control over compliance with the types of requirements that could have a direct and material effect on the passenger facility charges program as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the passenger facility charges program and to test and report on internal control over compliance in accordance with the FAA Guide, 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. 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.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the FAA Guide. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Passenger Facility Charges Required by the FAA Guide

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, 2013, and the related notes to the financial statements, which collectively comprise the City and Borough's basic financial statements. We issued our report thereon dated December 13, 2013, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of passenger facility charges is presented for purposes of additional analysis as required by the FAA Guide and is 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 basic 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 basic financial statements or to the basic 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 passenger facility charges is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2013 on our consideration of the City and Borough's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City and Borough's internal control over financial reporting and compliance.

ERM

December 13, 2013

CITY AND BOROUGH OF JUNEAU, ALASKA
Schedule of Expenditures of Passenger Facility Charges
Year Ended June 30, 2013

	Application Amount	Receivable (Deferral) at July 1, 2012	Amount Collected	Interest Earned	Expenditures	Receivable (Deferral) at June 30, 2013
Application: 98-01-C-00-JNU & 01-04-U-00-JNU Closeout March 26, 2013	\$ 1,194,429	\$ (52,237)	\$ -	\$ -	\$ -	\$ (52,237)
Application: 00-02-C-00-JNU (No. 2)	407,248	(27,487)	-	1,040	-	(28,527)
Application: 01-03-C-00-JNU (No. 3) Closeout March 29, 2011	440,449	-	-	-	-	-
Application: 01-05-C-01-JNU (No. 5) Closeout March 21, 2004	549,196	-	-	-	-	-
Application: 02-06-C-00-JNU (No. 6) Closeout November 2006	716,769	-	-	-	-	-
Application: 04-07-C-00-JNU (No. 7)	3,566,606	(267,686)	-	14,516	-	(282,202)
Application: 08-08-C-00-JNU (No. 8)	<u>8,142,712</u>	<u>(66)</u>	<u>727,605</u>	<u>-</u>	<u>727,671</u>	<u>-</u>
Totals	<u>\$ 15,017,409</u>	<u>\$ (347,476)</u>	<u>\$ 727,605</u>	<u>\$ 15,556</u>	<u>\$ 727,671</u>	<u>\$ (362,966)</u>

See independent auditor's report.

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

Year Ended June 30, 2013

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? Yes No

Passenger Facility Charges (PFC)

Type of auditor's report issued on compliance for the PFC program: Unmodified

Internal control over the PFC program:

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

Major program:

<u>CFDA #</u>	<u>NAME</u>
n/a	Passenger Facility Charges Program

FINDINGS – FINANCIAL STATEMENT AUDIT

None to report for fiscal year 2013.

FINDINGS AND QUESTIONED COSTS – PFC PROGRAM AUDIT

None to report for fiscal year 2013.

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

Year Ended June 30, 2013

FINDINGS – FINANCIAL STATEMENT AUDIT

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

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

Status: The City and Borough has made progress in documenting some of the aspects of its annual accounting close. Significant deficiency finding considered resolved; however, there remains a control deficiency in that a comprehensive accounting procedures manual still does not exist. See current year comment in the Letter to the Assembly.

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

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

Status: The City and Borough significantly improved the timeliness and accuracy of its financial reporting process in the current year. Finding considered resolved.

FINDINGS AND QUESTIONED COSTS – PFC PROGRAM AUDIT

None reported for fiscal year 2012.