

CITY AND BOROUGH OF JUNEAU, ALASKA

State Financial Assistance Reports

Year ended June 30, 2008

CITY AND BOROUGH OF JUNEAU, ALASKA

State Financial Assistance Reports

Table of Contents

	<u>Page</u>
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	1-2
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with the <i>State of Alaska Audit Guide and Compliance Supplement for State Single Audits</i>	3-4
Schedule of State Financial Assistance	5-6
Notes to Schedule of State Financial Assistance	7
Schedule of Findings and Questioned Costs	8-9
Summary Schedule of Prior Audit Findings	10
Schedules of Expenditures - Budget and Actual: Comprehensive Behavioral Health Treatment Program	11

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CERTIFIED PUBLIC ACCOUNTANTS

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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, 2008, which collectively comprise the City and Borough's basic financial statements and have issued our report thereon dated December 18, 2008. 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 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 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.

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 controls that might be 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 also noted certain other matters that we reported to management of the City and Borough in a separate letter dated December 18, 2008.

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 18, 2008

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## REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE *STATE OF ALASKA AUDIT GUIDE AND COMPLIANCE SUPPLEMENT FOR STATE SINGLE AUDITS*

The Members of the Assembly  
The 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 are applicable to each of its major state programs for the year ended June 30, 2008. 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 the *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 requirements referred to above that are applicable to each of its major state programs for the year ended June 30, 2008.

### 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 an 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 state program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a state program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a state 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 or significant deficiencies that result in more than a remote likelihood that material noncompliance with a type of compliance requirement of a state 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 weakness. 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, 2008, and have issued our report thereon dated December 18, 2008. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City and Borough's basic financial statements. The accompanying Schedule of State Financial Assistance (pages 5-6) and Schedules of Expenditures - Budget and Actual (page 11) are presented for purposes of additional analysis as required by the *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 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 statements taken 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.



December 18, 2008

CITY AND BOROUGH OF JUNEAU

Schedule of State Financial Assistance

Year ended June 30, 2008

State grant or/pass-through grant or/program title	Grant Number	Award Amount	Receivable (deferral) at July 1, 2007	Amount Received	Expenditures	Receivable (deferral) at June 30, 2008
Department of Commerce, Community and Economic Development:						
Fisheries Business Tax	-	\$ 19,400	\$ -	\$ 14,026	\$ 14,026	\$ -
Designated legislative grants:						
Eaglecrest Nordic Ski Trail	03-DC-121	25,000	1,043	1,043	-	-
JD Treatment Plant Incinerator	04-DC-001	415,000	32	32	16,241	16,241
Dimond Park School Complex Swimming Pool Design and Plan	05-DC-056	125,000	8,451	8,451	-	-
Adair Kennedy Bleachers	06-DC-083	100,000	11,529	11,529	-	-
International Airport Terminal Renovation	* 07-DC-197	1,000,000	3,900	23,704	674,332	654,528
Dzantik'I Heeni Covered Playground	07-DC-198	15,000	983	15,000	14,017	-
Hagevig Fire Training Center Design and Repair	08-DC-407	1,000,000	-	448	2,715	2,267
North Douglas Sewer Line Extension	* 08-DC-408	1,000,000	-	236,402	379,626	143,224
Douglas Island FAA Monitoring Station Electrical Service Ext.	* 08-DC-406	1,400,000	-	-	684,085	684,085
School District Career Technology Education Supplies and Equip.	08-DC-294	72,000	-	20,765	20,765	-
Douglas Island FAA Monitoring Station Electrical Service Ext. II	08-DC-460	1,300,000	-	-	-	-
Juneau School District Safety Upgrades	09-DC-479	147,000	-	-	-	-
Municipal Energy Assistance Program	* SB53, Sec. 55	1,689,891	-	1,689,891	1,689,891	-
Municipal Capital Project Matching Grant Program - Essential Bldg Repairs II	03-MG-091	171,000	11,583	44,565	32,982	-
Total Department of Community and Economic Development		8,479,291	37,521	2,065,856	3,528,680	1,500,345
Department of Education and Early Development:						
Library Assistance	PLA-08-743-35	19,050	-	19,050	18,529	(521)
Interlibrary Cooperation Grant - Netlender	ILC 08-743-108	1,470	-	1,470	1,470	-
Continuing Education	ILC-08-743-146d	3,000	-	3,500	3,500	-
Museum Grant in Aid Four Story Totem Pole Restoration	-	8,613	-	8,613	8,613	-
State Shared Revenue:						
School Debt Retirement FY08	* -	8,561,353	-	8,475,741	8,561,353	85,612
School Debt Retirement FY07	-	6,094,043	147,387	147,387	-	-
Total Department of Education and Early Development		14,687,529	147,387	8,655,761	8,593,465	85,091
Department of Environmental Conservation:						
Hospital Drive Lift Station	44587	275,000	13,750	-	-	13,750
Bayview Sewer Expansion and North Douglas Sewer	* 44582	2,533,375	548,733	768,684	351,199	131,248
3rd Street Douglas Water and Sewer Replacement	44585	750,000	5,291	-	-	5,291
North Tee Harbor Waterline Extension	* 44586	610,912	356,406	526,394	254,506	84,518
West Mendenhall Valley Sewer Expansion	* 44588	1,120,000	-	-	176,382	176,382
CCFR Equipment Purchase and Training	MOU	17,924	-	-	11,243	11,243
Total Department of Environmental Conservation		5,307,211	924,180	1,295,078	793,330	422,432

CITY AND BOROUGH OF JUNEAU

Schedule of State Financial Assistance

Year ended June 30, 2008

State grant or/pass-through grant or/program title	Grant Number	Award Amount	Receivable (deferral) at July 1, 2007	Amount Received	Expenditures	Receivable (deferral) at June 30, 2008
Department of Fish and Game:						
Amalga Harbor Ramp Rehabilitation	03-045	600,000	286	-	12,486	12,772
Statter Harbor Ramp Planning	08-015	62,500	-	-	21,935	21,935
Fish Creek and Montana Creek Access Improvements	06-010	4,000	3,697	3,888	191	-
Total Department of Fish and Game		666,500	3,983	3,888	34,612	34,707
Department of Health and Social Services:						
Comp. Behavioral Health Treatment FY07	602-07-243	621,100	31,055	31,055	-	-
Comp. Behavioral Health Treatment FY08	* 602-08-243	613,833	-	586,775	613,833	27,058
Total Department of Health and Social Services		1,234,933	31,055	617,830	613,833	27,058
Department of Military and Veterans Affairs:						
Local Emergency Planning Committee FY08	-	5,000	-	3,106	4,364	1,258
Local Emergency Planning Committee FY07	-	2,350	759	759	-	-
Total Department of Military and Veterans Affairs		7,350	759	3,865	4,364	1,258
Department of Revenue:						
State Shared Revenue FY08:						
Aviation Fuel	-	65,000	-	-	75,398	75,398
Liquor Taxes	-	60,000	-	21,600	66,000	44,400
Raw Fish Tax	* -	400,000	-	-	289,024	289,024
PERS	* -	3,813,750	-	3,612,788	3,612,788	-
State Shared Revenue FY07:						
Aviation Fuel	-	80,000	79,914	79,914	-	-
Liquor Taxes	-	60,000	33,600	33,600	-	-
Raw Fish Tax	-	250,000	334,326	334,326	-	-
Total Department of Revenue		4,728,750	447,840	4,082,228	4,043,210	408,822
Department of Transportation and Public Facilities:						
Snow Removal Equipment Building (AIP 25)	67642	21,873	368	628	2,359	2,099
Delta 1 Ramp Expansion (AIP 43)	67754	39,250	399	1,302	1,540	637
Juneau Airport EIS Phase III (AIP 46)	68895	19,737	6,822	9,533	5,374	2,663
Construct Runway Safety Area, Phase I	68271	386,842	-	-	27,898	27,898
Douglas Harbor Breakwater Army Corp of Eng. MOA	* 67779	800,000	(396,040)	4,000	796,000	395,960
Total Department of Transportation and Public Facilities		1,267,702	(388,451)	15,463	833,171	429,257
Total State Financial Assistance		\$ 36,379,266	\$ 1,204,274	\$ 16,739,969	\$ 18,444,665	\$ 2,908,970

\* Major Program



CITY AND BOROUGH OF JUNEAU, ALASKA

Notes to Schedule of State Financial Assistance

Year ended June 30, 2008

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. 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:	
Changes in Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	\$ 17,072,948
Changes in Revenues, Expenses, and Changes in Net Assets:	
Proprietary Fund	1,041,995
Internal Service Funds	<u>57,178</u>
	18,172,121
Less:	
Federal grants passed through the State of Alaska	(3,220,579)
Amounts reported as state revenue in the basic financial statements not included in the Schedule of State Financial Assistance	(13,856)
Rounding	(3)
Plus:	
Amounts reported as State revenue included in the Schedule of State Financial Assistance, but not included in the basic financial statements:	
Bartlett Regional Hospital grant revenues reported as operating revenues	613,833
Airport, Harbors, Water and Sewer capital projects	2,881,499
Donated assets reported as capital asset addition	<u>11,650</u>
Total State expenditures as reported in the Schedule of State Financial Assistance	<u>\$ 18,444,665</u>

CITY AND BOROUGH OF JUNEAU, ALASKA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2008

**SUMMARY OF AUDIT RESULTS**

***Financial Statements***

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

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

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

Dollar threshold used to distinguish a State major program: \$ 100,000

CITY AND BOROUGH OF JUNEAU, ALASKA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2008

**FINDINGS – FINANCIAL STATEMENT AUDIT**

None to report for fiscal year 2008.

**FINDINGS AND QUESTIONED COSTS – MAJOR STATE AWARD PROGRAMS AUDIT**

None to report for fiscal year 2008.

CITY AND BOROUGH OF JUNEAU, ALASKA  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED JUNE 30, 2008

**FINDINGS – FINANCIAL STATEMENT AUDIT**

**Finding 07-01 Internal Controls over Financial Reporting**

Status: This finding has been resolved. The City and Borough of Juneau allocated additional resources to ensure that inventory pricing is accurate and established procedures for monitoring inventory unit pricing information in the accounting records.

**FINDINGS AND QUESTIONED COSTS - MAJOR STATE AWARDS PROGRAMS AUDIT**

No findings were reported for fiscal year 2007.

CITY AND BOROUGH OF JUNEAU, ALASKA  
 SCHEDULE OF EXPENDITURES - BUDGET TO ACTUAL  
 Comprehensive Behavioral Health Treatment Programs (602-08-243)  
 Year ended June 30, 2008

	BUDGET	ACTUAL	VARIANCE
Personal services	\$ 613,833	\$ 613,833	\$ -
	\$ 613,833	\$ 613,833	\$ -