



# ASSEMBLY FINANCE COMMITTEE AGENDA

August 02, 2023 at 6:00 PM

Assembly Chambers/Zoom Webinar

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<https://juneau.zoom.us/j/93917915176> or 1-253-215-8782 Webinar ID: 939 1791 5176

**A. CALL TO ORDER**

**B. ROLL CALL**

**C. APPROVAL OF MINUTES**

1. June 7, 2023

**D. AGENDA TOPICS**

2. Assembly Grant Process

3. Hotel Bed Tax Allocation

4. Info Only: FY22 Final Audit Report

**E. NEXT MEETING DATE**

5. September 6, 2023

**F. ADJOURNMENT**

ADA accommodations available upon request: Please contact the Clerk's office 36 hours prior to any meeting so arrangements can be made for closed captioning or sign language interpreter services depending on the meeting format. The Clerk's office telephone number is 586-5278, TDD 586-5351, e-mail: [city.clerk@juneau.or](mailto:city.clerk@juneau.or)

## ASSEMBLY FINANCE COMMITTEE MINUTES -DRAFT

June 7, 2023, at 6:00 PM

Assembly Chambers/Zoom Webinar



<https://juneau.zoom.us/j/93917915176> or 1-253-215-8782 Webinar ID: 939 1791 5176

### A. CALL TO ORDER

The meeting was called to order at 6:02 pm by Chair Triem.

### B. ROLL CALL

Committee Members Present: Chair Carole Triem; Mayor Beth Weldon; Maria Gladziszewski; Michelle Hale; Greg Smith; Christine Woll; Alicia Hughes-Skandijs; Wade Bryson

Committee Members Absent: Wáahlaal Gíidaak

Staff Members Present: Rorie Watt, City Manager; Angie Flick, Incoming Finance Director; Jeff Rogers, Outgoing Finance Director; Adrien Speegle, Budget Manager

### C. APPROVAL OF MINUTES

#### 1. May 17, 2023

The May 17, 2023 minutes were approved as presented.

### D. AGENDA TOPICS

#### 2. CBJ Bonding Capacity & General Obligation Bond Planning

Jeff Rogers, Finance Director, introduced the memo found on pages 10-14 of the packet which gives a history of the debt service mill rate over previous years. Mr. Rogers stated that in recent years there has been a shift in methodology affecting the debt service mill rate, favoring a more stable rate year after year. Mr. Rogers presented the chart found on page 10 of the packet, which shows the debt service mill rate being constant at 1.20 mills over the previous five years.

Mr. Rogers explained that the debt service mill rate is not a rate set by the Assembly but is the result of how bonds and debt repayments are structured. He further stated that the method that finance staff has used when structuring debt is to structure debt in a way that keeps the debt service mill rate at 1.20 mills, effectively working in reverse to determine debt structure.

Mr. Rogers answered Committee questions, stating that although bond debt has funded a variety of CBJ capital asset needs, the majority of these debts have been issued to fund school facility needs. He further stated that bonds have the ability to be repaid at varying capacities, with some debts being paid rapidly, and others over a longer period.

Mr. Rogers reviewed page 11 of the packet which contains a graph depicting the trajectory of the debt service mill rate if CBJ does not issue any new debts going forward. This chart shows that the CBJ has tremendous debt capacity going into FY25, with .47 mills becoming available to fund capital needs. Mr. Rogers stressed the significance of this capacity to be able to fund CBJ capital needs in the future.

Mr. Rogers reviewed page 12 of the packet, stating for the Committee that there are various methods that can be used to determine debt allowance for municipalities. The method CBJ uses is known as debt tolerance capacity, or in other words the amount of debt the community and the Assembly is comfortable with. This methodology ensures that CBJ can maintain a stable debt service mill rate of 1.20 mills, keeping CBJ debt under all other debt allowance methods.

Mr. Rogers stated that under this model of General Obligation (GO) bond debt issuance, the CBJ will have the capacity to issue \$48 million in GO bonds while maintaining its 1.20 debt service mill rate. Mr. Rogers clarified for the Committee that GO bonds can only be used for capital asset needs and cannot be used for day-to-day operations of the CBJ.

Mr. Rogers further stated that taking out additional debt is not the only option available to the Committee. There are various methodologies employed to fund capital asset needs other than debt issuance. Several other communities choose to use a “pay as you go” method that does not require the issuance of debt, but instead employs short-term increases to sales and property taxes to fund projects.

Mr. Rogers stated that the benefit of issuing bond debt to pay for city needs is that you align city services with those that use them instead of blanket taxation.

Mr. Rogers stated that as an alternative option to issuing additional bond debt, the Assembly could direct staff to keep the debt service mill rate at 1.20 mills in FY25 and pay off current callable bonds early. The CBJ currently can retire up to \$8 million over the course of the next three fiscal years.

Mr. Rogers reviewed the recommendations listed on page 14 of the packet, stating that there are various projects and CIP needs that can be met with new bond debt issuance. Mr. Roger further clarified that GO bonds can be combined in purpose, meaning that if the Committee wished to bond fund multiple projects, it is possible and wise to issue the bond at one time. He stated the reason for this is that each bond has flat issuance costs; packaging multiple bonds together results in a more efficient transaction.

Mr. Rogers answered Committee questions on bond issuance costs.

Rorie Watt, City Manager, responded to questions from Assemblymember Woll regarding the process for determining potential needs of various departments, and whether there is a need to fund these projects with debt. Mr. Watt stated that the timeline is short, but it is possible for staff to put together a list of options for the Committee to consider.

Assemblymember Bryson stated his concern with entering into new bond discussions when CBJ should be focused on passing the bond package for the degrading city hall facility. He stated that adding another bond package to the ballot could draw focus away from passing this much needed facility upgrade. He expresses further concern for trying to create smaller bonds to address needs that have not been fully realized.

Assemblymember Hughes-Skandijs stated her reservation for funding future park projects with bond debt.

Mayor Weldon echoed Assemblymember Bryson’s statement against proposing too many bond issuance options on the ballot and expressed her support for the new city hall bond, stating that it is CBJ’s highest priority capital.

Assemblymember Gladziszewski and Hale expressed further support for city hall.

Mr. Rogers answered additional Committee questions on GO bond issuance.

Mr. Rogers further stated that GO bonds can be used to address the capital needs for CBJ enterprise funds if needed, stating that while not recommended, it is possible to do.

### **3. Update of Sales Tax Delinquencies**

Angie Flick, Finance Director, presented the memo found on page 15 of the packet, which gives an update on the Sales Tax delinquencies for the CBJ. Ms. Flick stated that every effort is being put into settling these tax delinquencies and that most merchants in Juneau work with the Sales Tax Office to settle their sales tax remittances. Ms. Flick clarified that all organizations, regardless of tax-exempt status, are required to file with the Sales Tax Office.

Ms. Flick reviewed the process for merchants that do not file their sales tax, stating that finance staff works with the Law Department to determine what the next steps are for each case. She further stated that the priority of the Sales Tax Office is to help merchants that operate in Juneau get into compliance with CBJ tax code.

Ms. Flick reviewed the publication that has been included on pages 16-23 of the packet, which lists the names and amounts of delinquent sales tax filers for the CBJ.

Ms. Flick answered Committee questions on how efforts of collection are prioritized, stating that the CBJ has a third-party collection agency that is employed after every effort has been made by the Sales Tax Office to collect overdue taxes.

### **4. Wildflower Court Bond Covenant Waiver**

Mr. Rogers presented memos found on packet pages 24-26, stating that Wildflower Court has been struggling financially and as a result violated a bond covenant in 2022 that required a specific debt to income ratio. The Assembly has authorized Bartlett Regional Hospital (BRH) to acquire Wildflower Court and as part of that acquisition, the entirety of the bond will be paid in full, removing a required rate study consultation.

Mr. Rogers stated that no action is recommended at this time, however, if BRH is not able to acquire Wildflower Court, the Committee should revisit this issue.

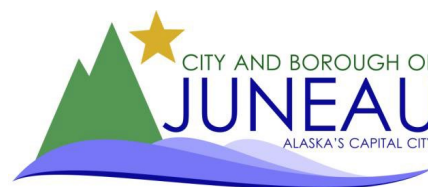
### **F. NEXT MEETING DATE**

August 2, 2023

### **G. ADJOURNMENT**

*The meeting was adjourned at 7:13 pm.*

# MEMORANDUM



**DATE:** July 27, 2023

**TO:** Assembly Finance Committee

**FROM:** Angie Flick, Finance Director

**SUBJECT:** Assembly Grants (Community Grants) Process

105 Municipal Way  
Juneau, AK 99801  
Phone: (907) 586-5215

The purpose of this memo is to provide a set of options for discussion to the Assembly Finance Committee (AFC) regarding the process for reviewing and awarding Assembly Grants, also known as Community Grants, for the upcoming budget cycle. There are many options and variations available to the AFC for managing the granting process. This memo speaks to three options: A pre-budget process similar to the Marine Passenger Fee model, a post-budget process, and the status quo.

The Assembly has awarded grants annually to fund various programs and projects which benefit the community in a large range of amounts for both one-time and ongoing operations. Throughout this memo and discussion, there are a few terms and groups that I would like to define.

**Partner Agencies** – these are organizations that are regularly awarded grants for their ongoing operations; and some act as a conduit granting agency on the Assembly’s behalf.

**Non-Competitive Grantees** – some organizations are regular annual recipients of grants because they are performing a function on behalf of CBJ.

**Operating funding** – the normal ongoing expenditures for an organization to function: staff, rent, utilities, basic supplies.

**One-time funding**– funds that are utilized for a unique project or purchase that does not recur and has an end date. Examples might include: the purchase of a piece of land or equipment; a one-time study or event.

## **Option 1: Pre-Budget Process**

In this scenario, staff would solicit grant applications in the same general time frame and manner as the Marine Passenger Fee process. December 1<sup>st</sup> would start the grant solicitation period. A list of projects/grants would be compiled and available for public comment no later than January 15<sup>th</sup>. The comment period would close February 15<sup>th</sup>. The City Manager’s recommendations will be available no later than March 1<sup>st</sup> and included in the Manager’s recommended budget. The Manager will provide the AFC with all applications and comments.

Through the application process, grantees will indicate the nature of the funding request (funding of operations or one-time funding), what other funding sources they are pursuing and how their request meets a community need. Grant applications will be evaluated against Assembly Goals, the Legislative Priority List, the CIP and 1% Sales Tax Schedule. Grant applications that are more suited to the Assembly’s conduit granting agencies (JEDC, JAHG, JCF) will be directed to make application through those agencies. Of note, JAHG’s grant deadline is mid-April and JCF’s is the first week in March; providing applicants sufficient time to meet those deadlines.

In this scenario, the Assembly would likely decide to exclude certain partner agencies and non-competitive grantees from this process and request the Manager include the appropriate grant funding in the Manager’s recommended budget. The Assembly should decide which organizations are in these categories. However, in looking over past grant recipients, the following organizations would likely be categorized as Partner Agencies

and Non-Competitive Grantees:

- Juneau Arts and Humanities Council (JAHC) – Partner Agency
- Juneau Economic Development Council (JEDC) – Partner Agency
- Travel Juneau – Partner Agency
- Juneau Community Foundation (JCF) – Partner Agency
- Southeast Alaska Association for the Education of Young Children (AEYC) / Childcare – Partner Agency
- Juneau Festival Committee – Non-Competitive Grantee
- Douglas Fourth of July – Non-Competitive Grantee
- Parents for Safe Graduation – Non-Competitive Grantee
- Better Capital City (KTOO and Alaska Committee) – Non-Competitive Grantee

Partner agencies can be scheduled to present an update on their organization at any time throughout the year, rather than utilizing budget development AFC meetings for that purpose. The vetting process for the other grant applicants is done prior to the budget work of the AFC, so that grant applicants will not need to present at AFC meetings during April and May.

### **Option 2: Post-Budget Process**

In this scenario, the Assembly Finance Committee would determine an amount of funding for competitive grants to be solicited, reviewed, and awarded starting in July. The funding amount would be determined through the normal budgeting process and appropriated with the budget approval. Either staff or a granting committee (as determined by the AFC) would then solicit grant applications in July and make awards up to the funding approved by the Assembly. If desired, a complete packet of applications and minutes can be provided to the AFC after the grant awards are complete.

Similar to Option 1, the Assembly would likely decide to exclude certain partner agencies and non-competitive grantees from this process and request the manager include the appropriate grant funding in the manager's recommended budget. Partner agencies can be scheduled to present an update on their organization throughout the year to the AFC.

### **Option 3: Status Quo**

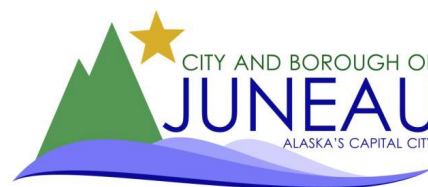
The Assembly Finance Committee may desire to follow the same process as in previous years. In this scenario, grant requests can filter to the AFC through a variety of channels, or the AFC can solicit grant requests with a deadline for submission. In conjunction with the AFC Chair, staff will schedule grant applicants for presentation to the AFC over the course of one to two meetings. The AFC can then make recommendations for inclusion in the budget.

In this scenario, partner agencies will be included in the presentation schedule. Non-competitive grantees will be included in the manager's recommended budget.

### **Staff Recommendation**

Assemblymembers always have the privilege of bringing ideas and projects to the Assembly through various committees for consideration of support. Staff recommends the AFC select Option 1, a process modeled after the Marine Passenger Fee project process for soliciting, reviewing, and recommending funding for Assembly Grants. This process provides for public notice of the opportunity, public comment and evaluation of the request against stated Assembly priorities. The AFC will receive information on all grant applications. The pre-budget process provides greater flexibility in addressing large, one-time requests from organizations. These can be accommodated in the other options; however, knowing about them early increases the flexibility in addressing the needs.

# MEMORANDUM



**DATE:** July 27, 2023

**TO:** Assembly Finance Committee

**FROM:** Angie Flick, Finance Director

**SUBJECT:** **Hotel-Bed Tax Distribution**

105 Municipal Way  
Juneau, AK 99801  
Phone: (907) 586-5215

The purpose of this memo is to lay the ground work for the Assembly Finance Committee (AFC) to discuss the allocation of 9% of the hotel-bed tax revenue. Please see the attached memo from Jeff Rogers dated September 7, 2022 in which he discussed the history of the hotel-bed tax and options as it related to short-term rentals and the Affordable Housing fund.

While the AFC has a resolution which directs 9% of the initial allocation of the tax revenues towards Tourism Promotion (4%), Centennial Hall Operations (3%) and Centennial Hall Improvements (2%); in the FY 2024 budget, the Assembly funded these three categories at the level of support needed rather than at the percentages prescribed. Additionally, it has been a strategy of the Assembly and City Manager to increase funding opportunities toward affordable housing to address the Juneau workforce housing shortage.

In the attached memo from Mr. Rogers, he suggested two mechanical ways to change the distribution percentages and approach to shift some funds into the Affordable Housing fund. Another approach is for the AFC to state its priorities of funding with respect to the 9% of the hotel-bed tax revenues and direct the City Manager to include funding for those priorities in the Manager's recommended budget.

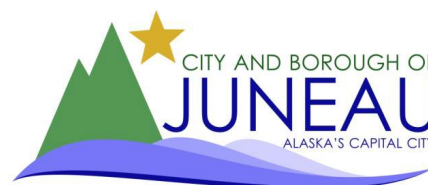
For ease of viewing, here are four options for discussion:

1. Status Quo – allocate 9% of the hotel-bed tax revenue to Tourism Promotion (4%), Centennial Hall Operations (3%) and Centennial Hall Improvements (2%) as described in the current resolution.
2. Transfer the amount of hotel-bed taxes received from short-term rentals to the Affordable Housing Fund by applying the historic percentage split only to the taxes received from typical hotels. Taxes received from short-term rentals would instead be transferred directly to the Affordable Housing fund.
3. Redesign the historical percentage split of all hotel-bed tax receipts in recognition of the overall impact of short-term rentals. For example, instead of a 4%/3%/2% split, the Assembly could choose a 3%/2%/2% split and then direct 2% to the Affordable Housing fund.
4. Move away from a formulaic split of the hotel-bed tax, and provide the Manager with priorities to include in their recommended budget based on those priorities and the budgetary needs of tourism promotion, Centennial Hall and the forecasted revenue.

## **Staff Recommendation**

Staff recommends the AFC provide funding priorities to the Manager, and the Manager then include the appropriate budget recommendation based on hotel-bed tax revenues and the needs of Centennial Hall, tourism promotion and other priorities established by the AFC such as Affordable Housing. As stated in Mr. Roger's memo, if the Assembly wishes to make a change, it should direct staff to prepare a new resolution modifying the future disposition of hotel bed tax receipts.

# MEMORANDUM



**DATE:** September 7, 2022

**TO:** Assembly Finance Committee

**FROM:** Jeff Rogers, Finance Director

105 Municipal Way  
Juneau, AK 99801  
Phone: (907) 586-5215  
Fax: (907) 586-0358

**SUBJECT: Reallocation of Short Term Rental Bed Tax to Affordable Housing Fund**

With the rise of short-term rentals over the last decade, there is a perceived impact on the affordability and availability of long-term rentals for Juneau residents. At the same time, those short-term rentals are producing significant hotel-bed tax receipts, approximately \$340,000 in FY2022. The Assembly may wish to consider using hotel-bed taxes received from short-term rentals to mitigate the impact of short-term rentals on local housing availability by allocating those receipts to the Affordable Housing Fund.

Mechanically, the Assembly could accomplish this in two ways, either by:

- A. Transferring the amount of hotel-bed taxes received from short-term rentals to the Affordable Housing Fund by applying the historic percentage split only to the taxes received from typical hotels. Taxes received from short-term rentals would instead be transferred directly to the Affordable Housing fund.
- B. Redesigning the historical percentage split of all hotel-bed tax receipts in recognition of the overall impact of short-term rentals. For example, instead of a 4%/3%/2% split, the Assembly could choose a 3%/2%/2% split and then direct 2% to the Affordable Housing Fund.

Both methods would be subject to the uncertainty of budget forecasting. For the purpose of the calculation below, I have presumed at \$2.6 million in hotel-bed tax receipts in FY2024.

					FY2024 Options					
					Option A	Option B				
					STR to AHF	Alt Percentages				
Revenues										
Hotels	87%	\$	2,244,100	\$	1,815,361.90	\$	2,258,300	\$	2,258,300	
Non-Hotels (STRs)	13%	\$	339,500	\$	274,638.10	\$	341,700	\$	341,700	
Total		\$	2,583,600	\$	2,090,000	\$	2,600,000	\$	2,600,000	
Expenditures									Alt	
Tourism Promotion	4%	\$	555,600	\$	928,900	\$	1,003,700	\$	866,700	3%
Centennial Hall Operations	3%	\$	416,700	\$	639,100	\$	752,800	\$	577,800	2%
Centennial Hall Imprvmnts	2%	\$	277,700	\$	464,400	\$	501,800	\$	577,800	2%
Downtown Business Assoc	n/a	\$	-	\$	75,000	\$	-	\$	-	n/a
Interdepartmental Charges	n/a	\$	26,600	\$	37,000	\$	37,000	\$	37,000	n/a
Affordable Housing Fund	n/a	\$	-	\$	-	\$	341,700	\$	577,800	2%
Total	9%	\$	1,276,600	\$	2,144,400	\$	2,637,000	\$	2,637,100	

A series of resolutions from the 1980's established Juneau's disposition of hotel bed tax receipts. A 1993 memo from the City Clerk memorializes the current split. If the Assembly wishes to make a change, it should direct staff to prepare a new resolution modifying the future disposition of hotel bed tax receipts. Also, as a result of higher than expected revenue, the Hotel-Bed Tax fund has a balance exceeding \$1 million at the end of FY2022. The Assembly could consider transferring these funds to the Affordable Housing Fund in the concept that they potentially represent bed tax receipts from short-term rentals prior to FY2022.



CITY AND BOROUGH OF JUNEAU, ALASKA

LETTER TO THE ASSEMBLY

Year Ended June 30, 2022

March 31, 2023



# Elgee Rehfeld Alaska's CPA Firm

Founders: George Elgee, CPA & Robert Rehfeld, CPA

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Janelle Anderson, CPA  
Ryan Beason, CPA  
Sarah Griffith, CPA  
Mark Mesdag, CPA  
Adam Sycks, CPA  
Karen Tarver, CPA

Section D, Item 4.

March 31, 2023

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

Dear Members:

We have audited the financial statements of the City and Borough of Juneau, Alaska (City and Borough) as of and for the year ended June 30, 2022, and have issued our report thereon dated March 31, 2023. Professional standards require that we advise you of the following matters relating to our audit.

## **Our Responsibility in Relation to the Financial Statement Audit**

As communicated in our engagement letter dated April 28, 2022, our responsibility, as described by professional standards, is to form and express opinions about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the City and Borough solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

## **Planned Scope and Timing of the Audit**

We were not able to conduct our financial statement audit consistent with the planned scope and timing we previously communicated to you. We delayed the completion of the audits as requested documentation and the draft annual comprehensive financial report (ACFR), necessary for completion of our audit procedures, were not available until after the timeframe we originally planned. Significant changes to the ACFR draft continued to occur throughout the audit period creating inefficiencies and a delay in our ability to conclude the audit.

## Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, and our firm have complied with all relevant ethical requirements regarding independence. Our financial statement preparation services are designed to ensure our independence is not impaired. Management reviews and accepts responsibility of the draft Bartlett Regional Hospital and Juneau School district financial statements, which are prepared from their respective accounting systems and records provided to us.

## Significant Risks Identified

Our audit standards require we communicate significant risks identified in the planning phase and that we design our audit to provide reasonable assurance that the financial statements are free of material misstatement whether caused by error or fraud. The significant risks identified are consistent with the risks we discussed with you during planning and at the conclusion of our audit procedures.

## Qualitative Aspects of the Entity's Significant Accounting Practices

### *Significant Accounting Policies*

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the City and Borough is included in Note 1 to the financial statements.

As described in Note 20 to the financial statements, during the year, the City and Borough changed aspects of its financial statement presentation by adopting Governmental Accounting Standards Board (GASB) *Statement No. 87, Leases*, *Statement No. 91, Conduit Debt Obligations*, *Statement No. 97, Certain Component Unit Criteria*, and *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, and *Statement No. 98, the Annual Comprehensive Financial Report*. Only *Statement No. 87, Leases*, had an impact on the City and Borough's financial reporting and accordingly, the cumulative effect of the accounting change as of the beginning of the year has been reported in the Statement of Revenues, Expenses, and Changes in Net Position.

As described in Note 23 to the financial statements, during the year, the City and Borough determined that prior period adjustments were necessary for:

- \$95,190 and \$1,535 to accurately present balances as of June 30, 2022 in a capital project fund and an internal service fund.
- \$14,419 restatement of Bartlett Regional Hospital's net position related to the lease standard implementation.
- Reclassification of a fund from an enterprise to a governmental fund type during fiscal year 2022. The impact was to increase governmental activities fund balance and decrease business-type activities net assets by \$1,604,862. The General Fund beginning fund balance was restated by \$764,199 as a result of the fund type change.

No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

### *Significant Accounting Estimates*

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

We evaluated the key factors and assumptions used to develop the values below in determining that it was reasonable in relation to the basic financial statements taken as a whole and in relation to the applicable opinion units. The most sensitive accounting estimates affecting the financial statements are:

- Management's estimate of the net pension liability, OPEB asset, OPEB liabilities, and related deferred inflows and outflows, are based on information provided by the State of Alaska.
- Management's estimates of the net realizable value of accounts, taxes, assessments and government agency receivables are based on historical collections of these receivables, current market conditions and management's assessment of the collectability of the various individual and classes of receivables.
- Management's estimate of the reserves for losses and loss adjustment expenses represent (a) individual case estimates for reported losses, (b) estimates for unreported losses based on past experience modified for current trends, and (c) estimates of expenses for investigating and settling claims. The reserves are based on the estimated ultimate cost of settling the claims, including the effects of inflation and other societal and economic factors. These estimates are limited to the appropriate per occurrence retention for the coverage and policy year.
- Management's estimate of the net realizable value of the Provider Relief Funds, in Bartlett Regional Hospital enterprise fund, is based on the guidance made available by the Department of Health and Human Services, at the time the financial statements were issued. The guidance outlining requirements on how to recognize these funds may change subsequent to the date of audit issuance, which may impact the ability of the Hospital to retain some or all of the distributions received.

### *Financial Statement Disclosures*

The financial statement disclosures are neutral, consistent and clear.

### **Significant Difficulties Encountered during the Audit**

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

## Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate, and communicate to the appropriate level of management:

- All known and likely misstatements identified during the audit, other than those that we believe are trivial.
- All material, corrected misstatements that were brought to the attention of management as a result of our audit procedures.
- The effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole.

The following material adjustments, identified as a result of our review of the draft financial statements, were brought to the attention of, and corrected by, management in the issued financial statements:

- Pension related liabilities and expenses were misstated in the government-wide statements and enterprise funds. A \$24 million decrease to governmental activities and a \$5.2 million increase to business-type activities (proprietary funds) was necessary to correct the net pension liability (NPL) balance and expenses. The correction was necessary due to an error in the calculation of the year-end change in the NPL balance from the prior year NPL balance.
- \$10.5 million change in presentation of fund balance from committed to unassigned in the Sales Tax special revenue fund to conform with GASB No. 54 reporting requirements.
- \$2.9 million change in presentation of fund balance from restricted to unassigned in the General Debt Service fund to conform with GASB No. 54 reporting requirements.
- Failure to include disclosure of General Debt Service fund deficit balance in footnotes to the financial statements.
- \$3.9 million reduction of accounts receivable and revenue in the Pandemic Response special revenue fund as criteria for revenue recognition was not met as of year-end.
- \$2.4 million reclassification of Equity in Central Treasury account to Due from Component Unit account and in disclosures to accurately present Juneau School District's negative equity in central treasury balance as of year-end.
- Correction for \$3.2 of encumbrances erroneously excluded from financial statements and disclosures for the Dock enterprise fund.
- Corrections to lease related balances and disclosures.
- Corrections to debt related disclosures.

The following summarizes uncorrected financial statement misstatements whose effects in the current and prior periods, as determined by management, are immaterial, both individually and in the aggregate, to the financial statements taken as a whole and each major fund:

- Debt footnote misstatement – one table does not agree to statements or to other debt disclosures.
- Capital assets – supplemental schedules do not agree to the statements or disclosures.
- Lease disclosures – omitted disclosures related to regulatory leases.
- Investment disclosures – omitted aspects of required disclosures related to fair value.

**Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the City and Borough's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

**Representations Requested from Management**

We have requested certain written representations from management related to the financial statements, which are included in the attached letter.

**Management's Consultations with Other Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

**Other Significant Matters, Findings, or Issues**

In the normal course of our professional association with the City and Borough, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, significant events or transactions that occurred during the year, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the City and Borough's auditors.

**Other Information in Documents Containing Audited Financial Statements**

Pursuant to professional standards, our responsibility as auditors for other information, whether financial or nonfinancial, included in the City and Borough's audited financial statements does not extend beyond the financial information identified in the audit report, and we are not required to perform any procedures to corroborate such other information. However, in accordance with such standards, we have made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Our responsibility also includes communicating to you any information which we believe is a material misstatement of fact. Nothing came to our attention that caused us to believe that such information, or its manner of presentation, is materially inconsistent with the information, or manner of its presentation, appearing in the financial statements.

## Internal Control and Other Matters

### Material Weakness and Significant Deficiencies in Internal Control Over Financial Reporting

#### *Material Weakness and Significant Deficiencies in Internal Controls over Financial Reporting Noted during Current Year Audit*

As described in our *Independent Auditor's 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*, we identified deficiencies in internal control over financial reporting that we consider to be a material weakness and significant deficiencies, as listed below:

#### 2022-001: Material Weakness in Internal Controls over Financial Reporting – ACFR Preparation

Internal controls over financial reporting were not sufficiently implemented to accurately close the accounting records and prepare the ACFR for the City and Borough as of year-end. Significant adjustments to net position/fund balance, cash, pension liabilities, deferred inflow/outflows, revenues, and expenses were identified as a result of audit procedures and review of the draft ACFR. In addition to balances requiring adjustment, disclosures were missing, and disclosures and supplemental information was not in agreement with draft financial statements included in the draft ACFR. The records in place to support account balances did not agree to some balances and internal reviews were not sufficient to detect or identify the errors. Account balances and disclosures were corrected by management as a result of the audit process.

#### 2022-002: Significant Deficiency in Internal Controls over Financial Reporting – Lease Standard Implementation

Internal controls over financial reporting were not sufficiently designed and implemented to ensure lease populations were complete, lease discount rates were supported and reasonable, and lease balances and disclosures were accurate. Internal policies and procedures were not documented for the new lease accounting standard during fiscal year 2022. Significant adjustments to balances and disclosures for leases were identified as a result of audit procedures.

#### 2022-003: Significant Deficiency in Internal Controls over Financial Reporting – Purchasing Processes, Bartlett Regional Hospital Enterprise Fund

Internal controls over purchasing for part of the year were not sufficiently designed and implemented to ensure that physical assets purchased with credit cards, including furnishings, equipment, and IT assets were tracked and safeguarded. Tested credit card, employee reimbursement, and travel purchases were not adequately supported, nor was the business purpose of transactions sufficiently documented in some cases.

#### *Significant Deficiency in Internal Controls over Financial Reporting Noted During the Prior Year Audit and Current Status*

As described in our prior year *Independent Auditor's 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*, we identified a deficiency in internal control over financial reporting that we considered to be a significant deficiency, as described below:

2021-001: Significant Deficiency in Internal Controls over Financial Reporting – Purchasing Processes, Bartlett Regional Hospital Enterprise Fund

Internal controls over purchasing were not sufficiently designed and implemented to ensure that physical assets purchased with credit cards, including artwork, furnishings, IT equipment, and gift cards, were tracked and safeguarded. Tested credit card, employee reimbursement, and travel purchases were not adequately supported, nor was the business purpose of transactions sufficiently documented in some cases.

*Status:* The issues were not fully addressed during fiscal year 2022 due to the timing of the issuance of our prior year report and time available prior to the fiscal year 2022 year-end. See current year significant deficiency 2022-003 above.

*Significant Deficiency in Internal Controls over Compliance and Compliance Finding Noted During the Prior Year Audit and Current Status*

As described in our prior year *Independent Auditor's Report on Compliance for each Major Federal Program and Report on Internal Control over Compliance in Accordance with the Uniform Guidance*, we identified major program noncompliance and a deficiency in internal control over compliance that we considered to be a significant deficiency, as described below:

2021-002: Major Program Noncompliance and Significant Deficiency in Internal Controls over Compliance – Allowable Costs/Cost Principles – Transaction Support, Bartlett Regional Hospital Enterprise Fund

Internal controls over purchasing were not sufficiently designed and implemented to ensure costs charged to the award were adequately documented and/or supported for costs incurred and recorded in the Bartlett Regional Hospital enterprise fund. Credit card, employee reimbursements, and travel purchases charged to award number 602-239-21004, COVID-19 – Substance Use Disorder Services Expansion – Youth Psychiatric Stabilization CARES award, part of the U.S. Department of the Treasury, Coronavirus Relief Fund program (ALN#21.019), were not adequately supported to confirm that costs charged to the award were allowable.

*Status:* Grant issues were resolved in fiscal year 2022. Issue is considered resolved.

***Other Internal Control Matters Noted During Current Audit***

During our audit we noted an other internal control matter that is an opportunity for strengthening internal controls and operating efficiency that we discussed with management. This item did not affect our reports on the financial statements of the City and Borough.

Finance and Accounting Policies and Procedures:

The Finance Department, per the City and Borough Charter section 03.10.020, is responsible for providing accounting and finance services to all other departments and programs within the City and Borough. Ensuring the documented policies and procedures address internal control risks and reporting requirements, as well as providing guidance to departments on accounting and reporting matters, is a key



responsibility of the Finance Department. As with many organizations, reviews and updates of existing policies and procedures have not been a high priority during the last two years due to the pandemic but are an important part of any internal control environment and should be done on a consistent and regular basis.

We recommend a city-wide assessment of finance and accounting related policies and development of a schedule for periodic reviews and updates be implemented. In addition, as new internal control risks, or accounting and reporting needs are identified, either from a change in current practices or a new accounting standard, the Finance department should ensure changes are documented, implemented, and training is provided in a timely manner.

***Other Internal Control Matters Noted During the Prior Audit and Their Current Status***

During our prior audits we noted other internal control matters that were opportunities for strengthening internal controls and operating efficiency. Following are the recommendations we made in the prior years that were reported as unresolved as of June 30, 2021, and the current status of those recommendations:

Further Develop and Document Accounting Procedures:

In prior years, we recommended management document the tasks associated with the annual close of the City and Borough's accounting records, and the production of its financial reports used in the annual comprehensive financial report (ACFR).

*Status:* See Material Weakness 2022-001 above.

Aggregate, Record and Disclose the City and Borough Leases Receivable:

In prior year, we recommended the City and Borough aggregate its leases and evaluate how leases are recorded and disclosed.

*Status* In our fiscal year 2021 letter to the assembly we reported this other matter as resolved as management had purchased lease software and anticipated the software would produce all necessary journal entries for the City and Borough to be in compliance with GASB No. 87 in fiscal year 2022. The implementation of the new accounting standard was not designed or implemented to ensure documentation and information was captured for financial reporting purposes accurately or in a timely manner. See Significant Deficiency 2022-002 for current year status.

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This information is intended solely for the use of the Assembly, federal and state granting authorities and management of the City and Borough and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

*Elgee Rehfeld*



Address: 155 Municipal Way, Juneau, AK 99801  
Phone: 907-586-5278, Fax: 907-586-4552

March 31, 2023

Elgee Rehfeld, LLC  
9309 Glacier Highway, Suite B-200  
Juneau, Alaska 99801

City and Borough of Juneau Assembly Members,

This representation letter is provided in connection with your audit of the financial statements of the City and Borough of Juneau, Alaska (City and Borough) as of June 30, 2022 and for the year then ended, and the related notes to the financial statements, for the purpose of expressing opinions on whether the basic financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows, where applicable, of the various opinion units of the City and Borough in accordance with accounting principles generally accepted for governments in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information such that, in the light of surrounding circumstances, there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

We confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves as of March 31, 2023:

## Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement dated April 28, 2022, for the preparation and fair presentation of the financial statements of the various opinion units referred to above in accordance with U.S. GAAP.
2. We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
4. We acknowledge our responsibility for compliance with the laws, regulations, and provisions of contracts and grant agreements.
5. We acknowledge our responsibility for compliance with the laws, regulations, and provisions of contracts and grant agreements.
6. We have reviewed, approved, and taken responsibility for the financial statements and related notes.
7. We have a process to track the status of audit findings and recommendations.
8. We have identified and communicated to you all previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
9. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
10. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
11. All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
12. The effects of uncorrected misstatements summarized in Letter to the Assembly and aggregated by you during the current engagement are immaterial, both individually and in the aggregate, to the applicable opinion units and to the financial statements as a whole.
13. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
14. The component unit is included and properly disclosed.
15. All funds and activities are properly classified.

16. All funds that meet the quantitative criteria in GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, GASB Statement No. 37, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments: Omnibus* as amended, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, for presentation as major are identified and presented as such and all other funds that are presented as major are considered important to financial statement users.
17. All components of net position, nonspendable fund balance, and restricted, committed, assigned, and unassigned fund balance are properly classified and, if applicable, approved.
18. Our policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position/fund balance are available is appropriately disclosed and net position/fund balance is properly recognized under the policy.
19. All revenues within the statement of activities have been properly classified as program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
20. All expenses have been properly classified in or allocated to functions and programs in the statement of activities, and allocations, if any, have been made on a reasonable basis.
21. All interfund and intra-entity transactions and balances have been properly classified and reported.
22. Special items and extraordinary items have been properly classified and reported.
23. Deposit and investment risks have been properly and fully disclosed.
24. Capital assets, including infrastructure assets, are properly capitalized, reported, and if applicable, depreciated.
25. All required supplementary information is measured and presented within the prescribed guidelines.
26. With regard to investments and other instruments reported at fair value:
  - a. The underlying assumptions are reasonable and they appropriately reflect management's intent and ability to carry out its stated courses of action.
  - b. The measurement methods and related assumptions used in determining fair value are appropriate in the circumstances and have been consistently applied.
  - c. The disclosures related to fair values are complete, adequate, and in accordance with U.S. GAAP.

- d. There are no subsequent events that require adjustments to the fair value measurements and disclosures included in the financial statements.

## Information Provided

- 27. We have provided you with:
  - a. Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statements of the various opinion units referred to above, such as records, documentation, meeting minutes, and other matters;
  - b. Additional information that you have requested from us for the purpose of the audit; and
  - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
- 28. All transactions have been recorded in the accounting records and are reflected in the financial statements.
- 29. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- 30. We have provided to you our analysis of the entity's ability to continue as a going concern, including significant conditions and events present, and if necessary, our analysis of management's plans, and our ability to achieve those plans.
- 31. We have disclosed to you all information that we are aware of in relation to fraud or suspected fraud that affects the entity and involves:
  - a. Management;
  - b. Employees who have significant roles in internal control; or
  - c. Others where the fraud could have a material effect on the financial statements.
- 32. We have no knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, vendors, regulators, or others.
- 33. We are not aware of any pending or threatened litigation and claims whose effects should be considered when preparing the financial statements.
- 34. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.
- 35. There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in accounting, internal control, or financial reporting practices.

36. The City and Borough has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
37. We have disclosed to you all guarantees, whether written or oral, under which the City and Borough is contingently liable.
38. We have disclosed to you all nonexchange financial guarantees, under which we are obligated and have declared liabilities and disclosed properly in accordance with GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, for those guarantees where it is more likely than not that the entity will make a payment on any guarantee.
39. For nonexchange financial guarantees where we have declared liabilities, the amount of the liability recognized is the discounted present value of the best estimate of the future outflows expected to be incurred as a result of the guarantee. Where there was no best estimate but a range of estimated future outflows has been established, we have recognized the minimum amount within the range.
40. We have disclosed to you all significant estimates and material concentrations known to management that are required to be disclosed in accordance with GASB Statement No. 62 (GASB-62), *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. Significant estimates are estimates at the balance sheet date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets or geographic areas for which events could occur that would significantly disrupt normal finances within the next year.
41. We have identified and disclosed to you the laws, regulations, and provisions of contracts and grant agreements that could have a direct and material effect on financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds.
42. There are no:
- a. Violations or possible violations of laws or regulations, or provisions of contracts or grant agreements whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency, including applicable budget laws and regulations.
  - b. Unasserted claims or assessments that our lawyer has advised are probable of assertion and must be disclosed in accordance with GASB-62.

- c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by GASB-62.
  - d. Continuing disclosure consent decree agreements or filings with the Securities and Exchange Commission and we have filed updates on a timely basis in accordance with the agreements (Rule 240, 15c2-12).
43. The City and Borough has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset or future revenue been pledged as collateral, except as disclosed to you.
44. We have complied with all aspects of grant agreements and other contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
45. We are responsible for and will accurately prepare a corrective action plan for deficiencies reported to us by you.

### Required Supplementary Information

With respect to the required supplementary information accompanying the financial statements:

- 46. We acknowledge our responsibility for the presentation of the required supplementary information in accordance with accounting principles generally accepted in the United States of America.
- 47. We believe the required supplementary information, including its form and content, is measured and fairly presented in accordance with accounting principles generally accepted in the United States of America.
- 48. The methods of measurement or presentation have not changed from those used in the prior period.
- 49. We believe the significant assumptions or interpretations underlying the measurement or presentation of the required supplementary information, and the basis for our assumptions and interpretations, are reasonable and appropriate in the circumstances.

### Use of Specialist

- 50. We agree with the findings of specialists performing actuarial services and have adequately considered the qualifications of the specialist in determining the amounts and disclosures

used in the financial statements and underlying accounting records. We did not give or cause any instructions to be given to specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on the independence or objectivity of the specialists.

## The Uniform Guidance and State of Alaska Awards

With respect to federal and state awards, we represent the following to you:

51. We are responsible for understanding and complying with and have complied with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), as applicable, the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*, and the *Passenger Facility Charge Guide*.
52. We are responsible for the preparation and presentation of the schedule of expenditures of federal awards (SEFA) in accordance with the Uniform Guidance, the schedule of state financial assistance (SSFA) in accordance with the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*, and the Schedule of Passenger Facility Charges (PFC) in accordance with the *Passenger Facility Charge Guide*.
53. The methods of measurement or presentation have not changed from those used in the prior period.
54. We believe the significant assumptions or interpretations underlying the measurement or presentation of the SEFA, SSFA, and PFC, and the basis for our assumptions and interpretations, are reasonable and appropriate in the circumstances.
55. We have identified and disclosed all of our government programs and related activities subject to the Uniform Guidance, the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*, and the *Passenger Facility Charge Guide* compliance audits.
56. We have notified you of federal awards and funding increments that were received before December 26, 2014, and differentiated those awards from awards and funding increments received on or after December 26, 2014, and subject to the audit requirements of the Uniform Guidance.
57. As the SEFA, SSFA and PFC are not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the SEFA,



SSFA and PFC no later than the date of issuance by the entity of the SEFA, SSFA, PFC and the auditor's report thereon.

58. We have provided to you our interpretations of any compliance requirements that have varying interpretations.
59. We have made available to you all federal and state awards (including amendments, if any) and any other correspondence relevant to federal or state programs and related activities that have taken place with federal or state agencies or pass-through entities.
60. We have received no requests from a federal or state agency to audit one or more specific programs as a major program.
61. We have identified and disclosed to you all amounts questioned and any known noncompliance with the requirements of federal and state awards, including the results of other audits or program reviews, or stated that there was no such noncompliance. We also know of no instances of noncompliance with direct and material compliance requirements occurring subsequent to period covered by the auditor's report.
62. We have disclosed to you any communications from federal awarding agencies and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including communications received to the date of the auditor's report.
63. We have made available to you all documentation related to compliance with the direct and material compliance requirements, including information related to federal and state program financial reports and claims for advances and reimbursements.
64. Federal and state program financial reports and claims for advances and reimbursements are supported by the books and records from which the basic financial statements have been prepared (and are prepared on a basis consistent with the SEFA, SSFA, and PFC).
65. The copies of federal and state program financial reports provided to you are true copies of the reports submitted, or electronically transmitted, to the respective federal or state agency or pass-through entity, as applicable.
66. We have considered the results of audits and have made any necessary adjustments to our own books and records.
67. We have properly classified amounts claimed or used for matching in accordance with related guidelines in the Uniform Guidance, the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*, and the *Passenger Facility Charge Guide*, as applicable.

- 68. We have charged costs to federal and state awards in accordance with applicable cost principles.
- 69. We are responsible for and will accurately prepare the summary schedule of prior audit findings to include all findings required to be included, and we have provided you with all information on the status of the follow-up on prior audit findings by federal and state awarding agencies and pass-through entities, including all management decisions.
- 70. We have disclosed to you the findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditor's report.
- 71. We have disclosed all contracts or other agreements with service organizations and disclosed to you all communications from these service organizations relating to noncompliance at the organizations.
- 72. We have disclosed to you the nature of any subsequent events that provide additional evidence with respect to conditions that existed at the end of the reporting period that affect noncompliance during the reporting period.

In addition:

- 73. We are responsible for understanding and complying with the requirements of federal and state statutes, regulations, and the terms and conditions of federal and state awards related to each of our federal and state programs.
- 74. We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance for federal and state programs that provide reasonable assurance that we are managing our federal and state awards in compliance with federal and state statutes, regulations, and the terms and conditions of the federal and state award that could have a material effect on our federal and state programs. Also, no changes have been made in the internal control over compliance or other factors that might significantly affect internal control, including any corrective action taken by management with regard to significant deficiencies and material weaknesses in internal control over compliance, have occurred subsequent to the period covered by the auditor's report.

A handwritten signature in black ink, appearing to read "Rorie Watt", positioned above a horizontal line.

Rorie Watt, City Manager

A handwritten signature in black ink, appearing to read "Jeff Rogers", positioned above a horizontal line.

Jeff Rogers, Finance Director

A handwritten signature in black ink, appearing to read "Sarita Knull", positioned above a horizontal line.

Sarita Knull, Controller

A handwritten signature in blue ink, appearing to read "Angie Flick", positioned above a horizontal line.

Angie Flick, Treasurer

CITY AND BOROUGH OF JUNEAU, ALASKA  
SCHEDULE OF STATE FINANCIAL ASSISTANCE  
AND SINGLE AUDIT REPORTS  
Year Ended June 30, 2022

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# Elgee Rehfeld Alaska's CPA Firm

Founders: George Elgee, CPA & Robert Rehfeld, CPA

Pa  
Janelle Anderson  
Ryan Beason, CPA  
Sarah Griffith, CPA  
Mark Mesdag, CPA  
Adam Sycks, CPA  
Karen Tarver, CPA

Section D, Item 4.

## INDEPENDENT AUDITOR'S 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, 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, 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 City and Borough of Juneau, Alaska (City and Borough) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise City and Borough's basic financial statements, and have issued our report thereon dated March 31, 2023.

### ***Report on Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered City and Borough's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City and Borough's internal control. Accordingly, we do not express an opinion on the effectiveness of City and Borough's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be a material weakness and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as items 2022-001 to be a material weakness.

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. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2022-002 and 2022-003 to be significant deficiencies.

### ***Report on Compliance and Other Matters***

As part of obtaining reasonable assurance about whether City and Borough's financial statements are free from 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 financial statements. 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*.

### **City and Borough's Response to Findings**

City and Borough's response to the findings identified in our audit is described in the accompanying corrective action plan. City and Borough's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Elgee Rehfeld*

March 31, 2023



# Elgee Rehfeld Alaska's CPA Firm

Founders: George Elgee, CPA & Robert Rehfeld, CPA

Pa  
Janelle Anderson  
Ryan Beason, CPA  
Sarah Griffith, CPA  
Mark Mesdag, CPA  
Adam Sycks, CPA  
Karen Tarver, CPA

Section D, Item 4.

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE AND REPORT ON THE SCHEDULE OF STATE FINANCIAL ASSISTANCE REQUIRED BY THE *STATE OF ALASKA AUDIT GUIDE AND COMPLIANCE SUPPLEMENT FOR STATE SINGLE AUDITS*

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

### Report on Compliance for the Major State Program

#### *Opinion on the Major State Program*

We have audited the City and Borough of Juneau, Alaska's (City and Borough) compliance with the types of compliance requirements described in the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits* that could have a direct and material effect on City and Borough's major state program for the year ended June 30, 2022. City and Borough's major state program is identified in the accompanying schedule of state financial assistance.

The City and Borough's basic financial statements include the operations of its component unit, the Juneau School District (the School District) which expended \$43,868,465 of state awards which is not included in the Schedule of State Financial Assistance for the year ended June 30, 2022. Our compliance audit, described in the Opinion on the Major State Program, did not include the operations of the School District because it was subjected to a separate audit in accordance with the State of Alaska Audit Guide and Compliance Supplement for State Single Audits for the year ended June 30, 2022.

In our opinion, City and Borough complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the major state program for the year ended June 30, 2022.

#### *Basis for Opinion on the Major State Program*

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (Government Auditing Standards); and the audit requirements in the State of Alaska Audit Guide. Our responsibilities under those standards and the State of Alaska Audit Guide are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of City and Borough and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major state program. Our audit does not provide a legal determination of City and Borough's compliance with the compliance requirements referred to above.



### ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to City and Borough's state program.

### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on City and Borough's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, Government Auditing Standards, and State of Alaska Audit Guide requirements will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about City and Borough's compliance with the requirements of the major state program as a whole.

In performing an audit in accordance with GAAS, Government Auditing Standards, and the State of Alaska Audit Guide, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding school district's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of City and Borough's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the State of Alaska requirements, but not for the purpose of expressing an opinion on the effectiveness of City and Borough's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on Internal Control over Compliance**

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. A *material weakness* in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. 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 state 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 State of Alaska. Accordingly, this report is not suitable for any other purpose.

**Report on Schedule of State Financial Assistance and Schedules of Expenditures - Budget and Actual Required by the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits* and the State of Alaska Department of Health and Social Services, Respectively**

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 City and Borough as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise City and Borough's basic financial statements, and have issued our report thereon dated March 31, 2023, 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 state financial assistance and schedules of expenditures - budget and actual are presented for purposes of additional analysis as required by the State of Alaska Audit Guide and Compliance Supplement for State Single Audits and the State of Alaska Department of Health and Social Services, respectively, and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 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 state financial assistance and schedules of expenditures - budget and actual are fairly stated in all material respects in relation to the basic financial statements as a whole.

*Elgee Rehfeld*

March 31, 2023

CITY AND BOROUGH OF JUNEAU, ALASKA  
SCHEDULE OF STATE FINANCIAL ASSISTANCE  
Year Ended June 30, 2022

*Section D, Item 4.*

State of Alaska Agency/Program Title	Grant Number	Award Amount	Receivable (Deferral) at July 1, 2021	Amount Received	Passed through to Subrecipients	Expenditures	Receivable (Deferral) at June 30, 2022
<b>Alaska Mental Health Trust Authority:</b>							
ZGYC-Spruce Root House	AMHTA 12708	\$ 75,000	\$ -	\$ 75,000	\$ -	\$ 45,622	\$ (29,378)
Street Outreach	AMHTA Gift ID 13151	33,800	-	-	-	33,800	33,800
AMHTA Mini Grant	-	4,350	(1,850)	100	-	-	(1,950)
<b>Total Alaska Mental Health Trust Authority</b>		<b>113,150</b>	<b>(1,850)</b>	<b>75,100</b>	<b>-</b>	<b>79,422</b>	<b>2,472</b>
<b>Alaska State Housing Authority:</b>							
ASHA 'in-lieu' tax	-	78,136	-	78,136	-	78,136	-
<b>Total Alaska State Housing Authority</b>		<b>78,136</b>	<b>-</b>	<b>78,136</b>	<b>-</b>	<b>78,136</b>	<b>-</b>
<b>Alaska Energy Authority</b>							
JNU Electric Public Transit Bus (VW)	7910062-AEA	99,433	99,335	99,335	-	-	-
JNU Electric Public Transit Bus (VW)	7910062-AEA	134,527	65,205	80,243	-	15,038	-
<b>Total Alaska Energy Authority</b>		<b>233,960</b>	<b>164,540</b>	<b>179,578</b>	<b>-</b>	<b>15,038</b>	<b>-</b>
<b>Department of Commerce, Community, and Economic Development:</b>							
Direct Programs:							
Fisheries Business Tax (ARPA)	-	2,322	-	2,322	-	2,322	-
Community Assistance Program	-	511,676	-	511,676	-	511,676	-
Designated Legislative Grant Programs:							
International Airport Approach Lighting	15-DC-070	93,750	218	1,250	-	1,737	705
<b>Total Department of Commerce, Community, and Economic Development</b>		<b>607,748</b>	<b>218</b>	<b>515,248</b>	<b>-</b>	<b>515,735</b>	<b>705</b>
<b>Department of Education and Early Development:</b>							
Public Library Assistance	PLA-22-JUNEA	21,000	-	21,000	-	21,000	-
Museum Grant in Aid FY22	FY2022 GRANT-IN-AID	7,500	-	7,500	-	7,500	-
JPL NEA Big Read	ILC22-030	2,500	-	2,500	-	2,500	-
State Shared Revenue:							
School Debt Retirement FY22	* -	2,350,500	-	1,878,595	-	2,350,500	471,905
<b>Total Department of Education and Early Development</b>		<b>2,381,500</b>	<b>-</b>	<b>1,909,595</b>	<b>-</b>	<b>2,381,500</b>	<b>471,905</b>
<b>Department of Labor and Workforce Development</b>							
Runaway and Homeless Youth Shelter and Rapid Rehousing (FY21)	-	75,000	2,496	21,195	-	72,504	53,805
<b>Total Department of Labor and Workforce Development</b>		<b>75,000</b>	<b>2,496</b>	<b>21,195</b>	<b>-</b>	<b>72,504</b>	<b>53,805</b>

(continued)

See notes to schedule of state financial assistance.

CITY AND BOROUGH OF JUNEAU, ALASKA  
SCHEDULE OF STATE FINANCIAL ASSISTANCE  
Year Ended June 30, 2022

Section D, Item 4.

State of Alaska Agency/Program Title	Grant Number	Award Amount	Receivable (Deferral) at July 1, 2021	Amount Received	Passed through to Subrecipients	Expenditures	Receivable (Deferral) at June 30, 2022
<b>Department of Health and Social Services:</b>							
Sobering Center, Withdrawal Management & Residential SUD Treatment Svcs	602-239-19008	500,000	20,932	320,932	-	300,000	-
RRC 3.5 CBHTR	602-208-22015	404,267	-	384,054	-	371,879	(12,176)
RRC 3.5 CBHTR-Residential SUD Svcs	602-208-21015	404,267	20,213	20,213	-	-	-
Sobering Center, Withdrawal Mgmt & Residential SUD (Ambulatory)	602-239-20010	175,000	-	-	-	-	-
Substance Use Disorder Services Expansion	602-239-21004 Original	1,160,753	301,952	301,952	-	-	-
Ambulatory Withdrawal Management	602-239-21010	387,104	178,283	178,283	-	-	-
<b>Total Department of Health and Social Services</b>		<u>3,031,391</u>	<u>521,380</u>	<u>1,205,434</u>	<u>-</u>	<u>671,879</u>	<u>(12,176)</u>
<b>Department of Revenue:</b>							
State Shared Revenue FY22:							
Commercial Passenger Vessel Excise Taxes (CPV-SMPF)	-	572,385	-	572,385	-	-	(572,385)
State Shared Revenue FY21:							
Commercial Passenger Vessel Excise Taxes (CPV-SMPF)	-	2,444,564	2,444,564	2,444,564	-	-	-
State Shared Revenue FY20:							
Commercial Passenger Vessel Excise Taxes (CPV-SMPF)	-	5,970,995	(2,035,225)	-	-	-	(2,035,225)
State Shared Revenue FY19:							
Commercial Passenger Vessel Excise Taxes (CPV-SMPF)	-	5,271,135	(1,057,632)	-	-	324,961	(732,671)
<b>Total Department of Revenue</b>		<u>14,259,079</u>	<u>(648,293)</u>	<u>3,016,949</u>	<u>-</u>	<u>324,961</u>	<u>(3,340,281)</u>
<b>Department of Transportation and Public Facilities:</b>							
	SSAPT00096 AIP 3-02-						
CBJ A/P Expand SRE Building Match 67	0133-067-2016	556,467	3,391	3,391	-	-	-
Douglas Harbor Anode Installation	19-HG-003	83,392	83,210	83,210	-	-	-
Douglas Harbor Anode Installation	20-HG-004	125,000	-	93,901	-	93,901	-
<b>Total Department of Transportation and Public Facilities</b>		<u>764,859</u>	<u>86,601</u>	<u>180,502</u>	<u>-</u>	<u>93,901</u>	<u>-</u>
<b>Total State Financial Assistance</b>		<u>\$ 21,544,823</u>	<u>\$ 125,092</u>	<u>\$ 7,181,737</u>	<u>\$ -</u>	<u>\$ 4,233,076</u>	<u>\$ (2,823,570)</u>

\*Major Program

See notes to schedule of state financial assistance.

## NOTES TO SCHEDULE OF STATE FINANCIAL ASSISTANCE

Year Ended June 30, 2022

General

The accompanying schedule of state financial assistance (schedule) presents the activity of all state financial assistance programs of City and Borough of Juneau, Alaska (City and Borough). City and Borough's reporting entity is defined in Note 1 to 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 and accrual basis of accounting, which is described in Note 1 to City and Borough's basic financial statements.

Relationship to Basic Financial Statements

The following is a reconciliation of state revenues reported in City and Borough's basic financial statements to state expenditures reported in the schedule of state financial assistance:

State revenues as reported in the basic financial statements:

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	\$ 10,783,215
--	---------------

Combining Statement of Revenues, Expenses, and Changes in Net Position:	
---	--

Proprietary Funds	4,638,327
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Internal Service Funds	262,197
------------------------	---------

Plus:

Amounts reported as state expenditures in the schedule of state financial assistance, but not reported as state revenues in the basic financial statements:

State grant revenue sources reported as capital contributions in Juneau International Airport, Boat Harbors, Dock, Areawide Water Utility and Areawide Wastewater Utility enterprise funds	3,393,923
--	-----------

State grant revenue sources reported in Bartlett Regional Hospital enterprise fund as charges for services revenue	342,708
--	---------

Less:

Amounts reported as state revenue in the basic financial statements but not included in the schedule of state financial assistance:

Federal grants passed through the State of Alaska or reported as state sources in the capital projects and operations	(7,669,348)
---	-------------

Amounts reported as state revenue in the basic financial statements but do not meet the definition of state financial assistance for fiscal year 2022	<u>(7,517,946)</u>
---	--------------------

Total state expenditures as reported in the schedule of state financial assistance	<u>\$ 4,233,076</u>
--	---------------------

CITY AND BOROUGH OF JUNEAU, ALASKA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2022

Section D, Item 4.

**SECTION I – SUMMARY OF AUDITOR'S RESULTS**

***Financial Statements***

Type of auditor's report issued on whether the financial Statements were prepared in accordance with GAAP:

Government Activities	Unmodified
Business Type Activities	Unmodified
General Fund	Unmodified
Sales Tax Special Revenue Fund	Unmodified
Pandemic Response Special Revenue Fund	Unmodified
General Debt Service Fund	Unmodified
Other Governmental funds	Unmodified
Proprietary Funds:	
Juneau International Airport	Unmodified
Bartlett Regional Hospital	Unmodified
Areawide Water Utility	Unmodified
Areawide Wastewater Utility	Unmodified
Boat Harbors	Unmodified
Dock	Unmodified
Internal Service Funds	Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted?       Yes   x   No

***State Financial Assistance***

Type of auditor's report issued on compliance for major programs:

  Unmodified  

Internal control over major programs:

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

Dollar threshold used to distinguish between type A and type B programs:

  \$ 750,000  

Auditee qualified as a low-risk auditee?

No

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2022

## SECTION II – FINANCIAL STATEMENT FINDINGS

**2022-001                      Material Weakness in Internal Controls over Financial Reporting – Timely Reconciliation of Significant Accounts and Preparation of the Annual Comprehensive Financial Report (ACFR)**

New or Repeat:              New

Criteria:                      Generally accepted accounting principles require that entities maintain a system of internal controls to provide reasonable assurance regarding the achievement of the following objectives:

- Reliability of financial reporting.
- Compliance with applicable laws and regulations.

Condition:                      Internal controls over financial reporting were not sufficiently designed or implemented to accurately close the accounting records and prepare the ACFR for CBJ as of fiscal year-end. Significant adjustments to net position/fund balance, cash, pension liabilities, deferred inflow/outflows, revenues, and expenses were identified as a result of audit procedures and review of the draft ACFR. In addition to balances requiring adjustment, disclosures were missing, and disclosures and supplemental information was not in agreement with draft financial statements included in the draft ACFR. The records in place to support account balances did not agree to some balances and internal reviews were not sufficient to detect or identify the errors. Account balances and disclosures were corrected by management as a result of the audit process.

Cause:                              Turnover in key financial positions, lack of documented procedures, and outdated report preparation resources and technology, inadequate review by the Controller's department lead to inadequate monitoring of account balances and disclosures included in the draft ACFR.

Context:                              Financial statements and support were not complete or accurate at the time of the audit. Multiple versions of the ACFR were necessary due to changes identified during the audit, some of which were immaterial, but are needed for the financial statements, schedules and footnotes to be in agreement. Not all differences between the statements, schedules or footnotes, identified by our audit, were corrected by management, as they evaluated and decided not to correct some of the footnotes or supplementary information. The significant issues identified and corrected included the following:

- The governmental activities net pension liability balance and related expenses were overstated by approximately \$24 million and the business-type activities (and proprietary funds) were understated by approximately \$5 million. The misstatements were not detected due to a lack of adequate review to ensure adjustments amounts were correctly calculated and ending balances agreed to the State of Alaska reports, which are the basis for the journal entry. A reconciliation of the pension footnote and

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2022

the financial statement balances was not completed in a timely manner.

- Fund balances were not classified in the appropriate categories in the draft financial statements and adjustments to restate some prior period balances were not disclosed. Revisions to properly report fund balance were not internally detected or corrected during the preparation for our audit.
- Capital improvement projects were not reconciled at the beginning of audit and were not captured accurately in the early ACFR drafts. As a result of our audit, adjustments were proposed to accurately present the closed and current capital improvement projects and related encumbrance balances. Current project totals were not adjusted for all funds in the current project listing by management. The amounts not adjusted are not material but the supplemental information schedules should be in agreement to the financial statements.
- Modifications were necessary to the ACFR and accounting records to reduce grant revenue and related receivable balance by \$3.9 million, and to reconcile with the federal assistance schedule.
- Lease amounts and disclosures were not accurately reported in the initial ACFR drafts. Certain disclosures related to regulatory leases are still not included, and while immaterial, are an important part of the required lease disclosures.

Effect or Potential  
Effect:

Due to the significance of the errors in the preparation of the ACFR, there was a significant delay in completing an ACFR draft without material misstatements. The lack of an accurate ACFR resulted in significant delays in the audit and failure to meet audit completion due date requirements.

Recommendation:

We recommend that CBJ evaluate its monthly, quarterly and year-end processes related to the ACFR preparation. All accounts should be reconciled, and report preparation should be completed timely and accurately. The ACFR draft internal review should be at a sufficient level, so that statements, schedules and footnote differences are detected and corrected in a timely manner. We also recommend annual training on Governmental Accounting Standards Board (GASB) reporting requirements for those involved in the ACFR preparation process. Further we recommend an analysis of the resources, used to prepare the ACFR, by the Controller and Treasury departments, be undertaken to identify modifications necessary to current resources or implementation of new resources necessary to ensure timely and accurate preparation of future ACFRs.

View of responsible  
officials:

Management concurs with this finding, see corrective action plan.

2022-002

**Significant Deficiency in Internal Controls over Financial Reporting – Implementation of Lease Standard**

New or Repeat:

New



## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2022

Criteria:	<p>Generally accepted accounting principles require that entities maintain a system of internal controls to provide reasonable assurance regarding the achievement of the following objectives:</p> <ul style="list-style-type: none"> <li>• Reliability of financial reporting.</li> <li>• Compliance with applicable laws and regulations.</li> </ul> <p>The implementation of GASB Statement No. 87 <i>Leases</i>, effective in fiscal year 2022, required updates to the internal control system in order to comply with new accounting and reporting requirements.</p>
Condition:	Internal controls were not sufficiently designed and implemented to ensure lease populations were complete, lease discount rates were supported and reasonable, and lease balances and disclosures were accurate. Internal policies and procedures were not documented for the new lease accounting standard during fiscal year 2022. Significant adjustments to balances and disclosures for leases were identified as a result of audit procedures.
Cause:	Turnover in key financial positions and lack adequate resources in the Controller's department lead to inadequate documentation of key decisions made in the implementation of the new lease standard, lack of documented policies or procedures for departmental use related to the implementation and accounting for leases under the new standard and for preparation of the ACFR.
Context and effect:	Lease account balances and disclosures required adjustment based on the new lease standard. Financial records, including policies and procedures for accounting and reporting of leases, were not complete at the time of the audit. Decisions made during the implementation of the standard and processes used to implement the standard were not documented. As a result the infrastructure needed, by finance and departments, to ensure lease data is being captured on a timely basis for accounting and reporting purposes is not present.
Recommendation:	We recommend the Controller's department complete additional training on the new lease standard reporting requirements and document necessary lease related policies and procedures for departments, as well as for ACFR preparation, to ensure accurate accounting and reporting.
View of responsible officials:	Management concurs with this finding, see corrective action plan.
<b>2022-003</b>	<b>Significant Deficiency in Internal Controls over Financial Reporting – Purchasing Processes (Bartlett Regional Hospital)</b>
New or Repeat:	Repeat (2021-001)
Criteria:	Internal controls should be properly designed and implemented to efficiently conduct business, safeguard assets, prevent or detect

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2022

misstatement, errors, or fraud, ensure completeness and accuracy of financial records, and timely preparation of the financial statements.

**Condition:** For a portion of the fiscal year, internal controls over purchasing were not sufficiently designed and implemented to ensure credit card purchases were adequately supported, including documentation of the business purpose of transactions.

The current written policies and procedures do not sufficiently respond to the risks to the organization, nor are they representative of current practices for credit card purchases.

**Context:** Finding 2021-001, as reported in the fiscal year 2021 audit, reported a significant deficiency in internal controls over financial reporting – purchasing process. Finding 2021-001 was issued in the middle of fiscal year 2022, and due to the time necessary to implement corrective action, the conditions continued to be present in a portion of fiscal 2022. During the first three quarters of fiscal 2022, in many instances, credit card purchases, or employee reimbursement, including reimbursement for travel, did not provide sufficient audit evidence to conclude on the appropriateness of costs. Certain asset purchases did not provide enough evidence to conclude that the assets were purchased for a valid business purpose. However, significant improvements were noted in items tested, from the fourth quarter of 2022, as corrective actions were implemented by the start of the quarter.

Many finance policies and procedures are still outdated and do not represent actual current practices. The existing policies or current practices do not adequately address the risks to the organization.

**Effect (or potential):** Without sufficient internal controls over purchasing processes, risk significantly increases that errors and fraud, related to purchases and expenditures, including misappropriation of assets, could occur and not be detected or corrected within a timely basis.

**Cause:** Turnover in key finance department positions has resulted in deferring the update of finance related policies and procedures. The lack of updated and thorough financial policies and procedures has resulted in weaknesses in the organization's internal controls, opportunities for employees to take advantage of the weaknesses in the system, and a lack of sufficient documentation to support the business purpose consistently in financial transactions. The corrective actions designed by management in response to the fiscal 2021 audit finding, were either not complete until late in fiscal 2022, or are still in the process of being implemented as of June 30, 2022, due to the time necessary to design and implement controls.

**Recommendation:** We recommend that management continue to implement their planned corrective actions, if not already in place. We understand significant modifications were already made to purchasing processes after the third quarter of fiscal 2022. We further recommend that financial policies and procedures be reviewed and updated periodically and as necessary.

CITY AND BOROUGH OF JUNEAU, ALASKA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2022

View of responsible  
officials:

Management concurs with this finding, see corrective action plan.

**SECTION III – STATE AWARD FINDINGS AND QUESTIONED COSTS**

None to report for fiscal year 2022.



Address: 155 Municipal Way, Juneau, AK 99801  
Phone: 907-586-5278, Fax: 907-586-4552

City & Borough of Juneau  
Summary of Prior Year Findings  
Year Ended June 30, 2022

**FINANCIAL STATEMENT FINDINGS**

**2021-001 Significant Deficiency in Internal Controls over Financial Reporting – Purchasing Processes, Bartlett Regional Hospital Enterprise Fund**

Current Status: Recurring. Management remains committed to resolving this finding and recommendation. It anticipates the issue being fully resolved January 31, 2023

**FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

**2021-002 Major Program Noncompliance and Significant Deficiency in Internal Controls over Compliance – Allowable Costs/Cost Principles – Transaction Support, Bartlett Regional Hospital Enterprise Fund**

Program: U.S. Department of Treasury, Coronavirus Relief Fund  
ALN: 20.019

COVID-19 – Substance Use Disorder Services Expansion – Crisis Stabilization CARES Funding

*Awarded to Bartlett Regional Hospital (an enterprise fund of the City and Borough of Juneau, Alaska) - Passed through the Alaska Department of Health and Social Services*  
Pass through award number 602-239-21004  
FAIN: SLT-0073

COVID-19 – Substance Use Disorder Services Expansion – Youth Psychiatric Stabilization CARES

*Awarded to Bartlett Regional Hospital (an enterprise fund of the City and Borough of Juneau, Alaska) - Passed through the Alaska Department of Health and Social Services*  
Pass through award number: 602-239-21004  
FAIN: SLT-0073

COVID-19 – Ambulatory Withdrawal Management

*Awarded to Bartlett Regional Hospital (an enterprise fund of the City and Borough of Juneau, Alaska) - Passed through the Alaska Department of Health and Social Services*  
Pass through award number: 602-239-21010  
FAIN: SLT-0073

Current Status: Resolved.

CITY AND BOROUGH OF JUNEAU, ALASKA  
 SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL  
 Comprehensive Behavioral Health Treatment  
 and Recovery (602-208-22015)  
 Year Ended June 30, 2022

	Budget	Actual	Variance
Personnel services	<u>\$ 404,267</u>	<u>\$ 371,879</u>	<u>\$ 32,388</u>

See independent auditor's report.

CITY AND BOROUGH OF JUNEAU, ALASKA  
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL  
Comprehensive Behavioral Health Treatment  
and Recovery (602-208-22016)  
Year Ended June 30, 2022

	Budget	Actual	Variance
Personnel services	<u>\$ 101,067</u>	<u>\$ 101,067</u>	<u>\$ -</u>

\* Grant includes Federal funds passed through the State of Alaska

See independent auditor's report.

CITY AND BOROUGH OF JUNEAU, ALASKA

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL

Sobering Center, Withdrawal Management and Residential SUD Treatment Srvs -  
Capital (602-239-19008)

Year Ended June 30, 2022

		Actual			Total	Variance
	Budget	FY20 (Year ended June 30, 2020)	FY21 (Year ended June 30, 2021)	FY22 (Year ended June 30, 2022)		
Other	<u>\$ 500,000</u>	<u>\$ 111,889</u>	<u>\$ 88,111</u>	<u>\$ 300,000</u>	<u>\$ 500,000</u>	<u>\$ -</u>

See independent auditor's report.

CITY AND BOROUGH OF JUNEAU, ALASKA

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL

COVID-19 - Emergency Grant to Address Mental Health and Substance Abuse Disorders During COVID-19 (602-255-22010)\*

Year Ended June 30, 2022

	Budget	Actual	Variance
Personnel services	\$ 222,023	\$ 222,023	\$ -

\* Grant includes Federal funds passed through the State of Alaska

See independent auditor's report.





Address: 155 Municipal Way, Juneau, AK 99801  
Phone: 907-586-5278, Fax: 907-586-4552

City & Borough of Juneau  
Corrective Action Plan  
Year Ended June 30, 2022

# **FINANCIAL STATEMENT FINDINGS**

Finding: 2022-001 Material Weakness in Internal Controls over Financial Reporting – Timely Reconciliation of Significant Accounts and Preparation of the Annual Comprehensive Financial Report (ACFR)

Name of Contact Person: Sarita Knull, Controller

Corrective Action: The Controller is strengthening review procedures through the mechanical automation of internal checks, checks lists and staff training.

The template for the mechanical automation containing internal checks of the FY23 ACFR will be completed by July 1, 2023. It includes rebuilding and tying out the 2022 ACFR so that the notes and financial state statements meet all requirements. Additionally, cross review of work is being built into team processes so that the team reviews and cross checks each other's work prior to management review.

The Controller recognizes the financial report preparation training needs of the ACFR team and has already implemented a training plan for the on the team. Training includes implementation of GASB pronouncements and inclusion of pronouncements into statements and notes. Training for the FY23 ACFR is to be completed by August 1<sup>st</sup>.

The Controller Division has also begun documenting processes and procedures in order to create consistency and accountability in accounting practices rather than relying on hearsay and historical memory.

The Controllers Division has moved to reconciling and closing its books on a quarterly cycle with the goal of being able to shift a monthly a soft close of the City

and Borough of Juneau's books. The monthly soft close process will be fully implemented by January 1, 2024.

Proposed Completion Date: December 31, 2023

Finding: 2022-002 Significant Deficiency in Internal Controls over Financial Reporting – Implementation of Lease Standard

Name of Contact Person: Sarita Knull, Controller

Corrective Action: The Controller's Division is in the process of drafting policies and procedures for maintaining compliance with GASB 87 throughout the fiscal year. The policies and procedures will enable the financial reporting to be in compliance with GASB 87 as well.

Additionally, the Controller Division's training needs regarding GASB 87 are being addressed. See the response to Finding 2022-001

Proposed Completion Date: July 31, 2023

Finding: 2022-003 Significant Deficiency in Internal Controls over Financial Reporting – Purchasing Processes

Name of Contact Person: Samuel Muse, Bartlett CFO

Corrective Action: Bartlett Finance implemented M-files software which digitizes invoices and automates the approval process for payments and ultimate storage. This went live on July 1st 2021. With invoices tracked and approved virtually, documentation and approval of invoices always occurs prior to payment. This change also allowed us to eliminate manual routing of invoice by folder or email, resulting in more timely payments and ensure proper approvals from the correct individuals.

Additionally, starting the month of March 2022, review of credit card receipts was transitioned to the executive assistant for CFO & CFO. This transition allowed Finance to follow up and ensure that every credit card purchases included receipt and the cardholder was making only valid purchases. To ensure separation of duties, accounts payable staff review CFO and CFO's assistant card receipts. Bartlett took further action to cancel some of the credit cards and to transition those purchases to normal purchase order or check requests. There are now only 7 active cards outstanding, less than half of what there was previously.

As of October 2021, Gift cards are no longer allowed to be purchased except for rare exceptions with approval of Senior Leadership. In these situations, cash or cash equivalent gifts will be processed through payroll, to tax employees appropriately per IRS regulation. Annual holiday gift card from Bartlett will be processed as a bonus starting current year to tax employees appropriately per IRS regulation.

Bartlett Hospital hired a Supply Chain consultant to perform an outside review of the Materials Management/Purchasing Department; this consultant helped develop new processes and policies for the entire Bartlett Regional Hospital (BRH) organization.

Management has also taken this opportunity to also implement a culture shift toward accountability. Staff are encouraged to ask questions, follow up with things that aren't well documented or understood. Management is focusing on being receptive to ideas, critiques, and providing a safe whistleblower environment where individuals can come forward with concerns.

Lastly, Bartlett has reduced the amount of travel in the interim while strengthening our controls over approval and documentation that travel has occurred.

In addition to these changes, Bartlett is also currently developing more internal control measures, including revising the spending authority to include new departments and managers and align it better with industry practices; using PolicyTech software to provide organizational feedback on our procurement policy, personal reimbursement policies and credit card policy. Bartlett is developing procedures to streamline the submission of credit card reconciliations and travel reimbursements utilizing software for automated notifications for approvals and adding additional checks and balances.

Proposed Completion Date: 1/31/2023

CITY AND BOROUGH OF JUNEAU, ALASKA  
SCHEDULE OF PASSENGER FACILITY CHARGES (PFC)  
AND INDEPENDENT AUDITOR'S REPORT

Year Ended June 30, 2022

March 31, 2023



# Elgee Rehfeld Alaska's CPA Firm

Founders: George Elgee, CPA & Robert Rehfeld, CPA

Pa  
Janelle Anderson  
Ryan Beason, CPA  
Sarah Griffith, CPA  
Mark Mesdag, CPA  
Adam Sycks, CPA  
Karen Tarver, CPA

Section D, Item 4.

## INDEPENDENT AUDITOR'S 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, 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, 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, 2022, and the related notes to the financial statements, which collectively comprise the City and Borough's basic financial statements, and have issued our report thereon dated March 31, 2023.

### ***Report on Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the City and Borough's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the City and Borough's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be a material weakness and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as items 2022-001 to be a material weaknesses.

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. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2022-002 and 2022-003 to be significant deficiencies.

### ***Report on Compliance and Other Matters***

As part of obtaining reasonable assurance about whether City and Borough's financial statements are free from 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 financial statements. 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*.

### **City and Borough's Response to Findings**

The City and Borough's response to the findings identified in our audit is described in the accompanying corrective action plan. The City and Borough's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Elgee Rehfeld*

March 31, 2023



# Elgee Rehfeld Alaska's CPA Firm

Founders: George Elgee, CPA & Robert Rehfeld, CPA

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Section D, Item 4.

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE PASSENGER FACILITY CHARGE PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE *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 Charge Program

#### *Opinion on the Passenger Facility Charge Program*

We have audited the City and Borough of Juneau, Alaska's (City and Borough) 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 charge program for the year ended June 30, 2022.

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 the passenger facility charge program for the year ended June 30, 2022.

#### *Basis for Opinion on the Passenger Facility Charge Program*

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and Borough and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the passenger facility charge program. Our audit does not provide a legal determination of the City and Borough's compliance with the compliance requirements referred to above.

#### *Responsibilities of Management for Compliance*

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the passenger facility charge program.

### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City and Borough's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City and Borough's compliance with the requirements of the passenger facility charge program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City and Borough's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City and Borough's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City and Borough's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on 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 the passenger facility charge program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material



weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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, 2022, 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 March 31, 2023 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.

*Elgee Rehfeld*

March 31, 2023

CITY AND BOROUGH OF JUNEAU  
Schedule of Passenger Facility Charges (PFC)  
Year ended June 30, 2022

				Quarter Ended					
Revenues	Date Approved	Amount Approved	Cumulative End FY21	Sept '21	Dec '21	Mar '22	Jun '22	Total FY22	Cumulative End FY22
Application: 17-09-C-00-JNU (PFC 9)									
PFC revenues received from carriers		\$ 10,264,134	\$ 2,619,830	\$ 320,666	\$ 189,447	\$ 188,881	\$ 403,419	\$ 1,102,413	\$ 3,722,243
Interest received			91,247	-	-	-	-	-	91,247
Adjustments			1,321,567	-	-	-	-	-	1,321,567
Total PFC Receipts/Interest/Adjustments:			4,032,644	320,666	189,447	188,881	403,419	1,102,413	5,135,057
Disbursements									
Application: 17-09-C-00-JNU (PFC 9)	01/01/18	9,153,351							
Amendment# 1:	08/31/18	809,273							
Amendment# 2:	04/10/19	-							
Amendment# 3:	12/14/18	301,510							
			4,336,231	20,332	410,729	272,130	573,948	1,277,139	5,613,370
	Total by PFC:	10,264,134	4,336,231	20,332	410,729	272,130	573,948	1,277,139	5,613,370
Total PFC Disbursements:			4,336,231	20,332	410,729	272,130	573,948	1,277,139	5,613,370
Net Increase (Decrease) in Cash			(303,587)	300,334	(221,282)	(83,249)	(170,529)	(174,726)	(478,313)
Cash balance, beginning			-	(303,587)	(3,253)	(224,535)	(307,784)	(303,587)	-
Cash balance, ending			\$ (303,587)	\$ (3,253)	\$ (224,535)	\$ (307,784)	\$ (478,313)	\$ (478,313)	\$ (478,313)

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS – PFC PROGRAM

Year Ended June 30, 2022

## SECTION I – SUMMARY OF AUDITOR'S RESULTS

*Financial Statements*

Type of auditor's report issued on whether the financial  
Statements were prepared in accordance with GAAP:

Government Activities	Unmodified
Business Type Activities	Unmodified
General Fund	Unmodified
Sales Tax Special Revenue Fund	Unmodified
Pandemic Response Special Revenue Fund	Unmodified
General Debt Service Fund	Unmodified
Other Governmental funds	Unmodified
Proprietary Funds:	
Juneau International Airport	Unmodified
Bartlett Regional Hospital	Unmodified
Areawide Water Utility	Unmodified
Areawide Wastewater Utility	Unmodified
Boat Harbors	Unmodified
Dock	Unmodified
Internal Service Funds	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

## SECTION II – FINANCIAL STATEMENT FINDINGS

**2022-001**                      **Material Weakness in Internal Controls over Financial Reporting – Timely  
Reconciliation of Significant Accounts and Preparation of the Annual  
Comprehensive Financial Report (ACFR)**

New or Repeat:              New

Criteria:                      Generally accepted accounting principles require that entities maintain a  
system of internal controls to provide reasonable assurance regarding the  
achievement of the following objectives:

- Reliability of financial reporting.

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS – PFC PROGRAM

Year Ended June 30, 2022

- Compliance with applicable laws and regulations.

**Condition:** Internal controls over financial reporting were not sufficiently designed or implemented to accurately close the accounting records and prepare the ACFR for the City as of fiscal year-end. Significant adjustments to net position/fund balance, cash, pension liabilities, deferred inflow/outflows, revenues, and expenses were identified as a result of audit procedures and review of the draft ACFR. In addition to balances requiring adjustment, disclosures were missing, and disclosures and supplemental information was not in agreement with draft financial statements included in the draft ACFR. The records in place to support account balances did not agree to some balances and internal reviews were not sufficient to detect or identify the errors. Account balances and disclosures were corrected by management as a result of the audit process.

**Cause:** Turnover in key financial positions, lack of documented procedures, and outdated report preparation resources and technology, inadequate review by the Controller's department lead to inadequate monitoring of account balances and disclosures included in the draft ACFR.

**Context:** Financial statements and support were not complete or accurate at the time of the audit. Multiple versions of the ACFR were necessary due to changes identified during the audit, some of which were immaterial, but are needed for the financial statements, schedules and footnotes to be in agreement. Not all differences between the statements, schedules or footnotes, identified by our audit, were corrected by management, as they evaluated and decided not to correct some of the footnotes or supplementary information. The significant issues identified and corrected included the following:

- The governmental activities net pension liability balance and related expenses were overstated by approximately \$24 million and the business-type activities (and proprietary funds) were understated by approximately \$5 million. The misstatements were not detected due to a lack of adequate review to ensure adjustments amounts were correctly calculated and ending balances agreed to the State of Alaska reports, which are the basis for the journal entry. A reconciliation of the pension footnote and the financial statement balances was not completed in a timely manner.
- Fund balances were not classified in the appropriate categories in the draft financial statements and adjustments to restate some prior period balances were not disclosed. Revisions to properly report fund balance were not internally detected or corrected during the preparation for our audit.
- Capital improvement projects were not reconciled at the beginning of audit and were not captured accurately in the early ACFR drafts. As a result of our audit, adjustments were proposed to accurately present the closed and current capital improvement projects and related encumbrance balances. Current project totals were not adjusted for all funds in the current project listing by

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS – PFC PROGRAM

Year Ended June 30, 2022

management. The amounts not adjusted are not material but the supplemental information schedules should be in agreement to the financial statements.

- Modifications were necessary to the ACFR and accounting records to reduce grant revenue and related receivable balance by \$3.9 million, and to reconcile with the federal assistance schedule.
- Lease amounts and disclosures were not accurately reported in the initial ACFR drafts. Certain disclosures related to regulatory leases are still not included, and while immaterial, are an important part of the required lease disclosures.

Effect or Potential  
Effect:

Due to the significance of the errors in the preparation of the ACFR, there was a significant delay in completing an ACFR draft without material misstatements. The lack of an accurate ACFR resulted in significant delays in the audit and failure to meet audit completion due date requirements.

Recommendation:

We recommend that CBJ evaluate its monthly, quarterly and year-end processes related to the ACFR preparation. All accounts should be reconciled, and report preparation should be completed timely and accurately. The ACFR draft internal review should be at a sufficient level, so that statements, schedules and footnote differences are detected and corrected in a timely manner. We also recommend annual training on Governmental Accounting Standards Board (GASB) reporting requirements for those involved in the ACFR preparation process. Further we recommend an analysis of the resources, used to prepare the ACFR, by the Controller and Treasury departments, be undertaken to identify modifications necessary to current resources or implementation of new resources necessary to ensure timely and accurate preparation of future ACFRs.

View of responsible  
officials:

Management concurs with this finding, see corrective action plan.

2022-002

**Significant Deficiency in Internal Controls over Financial Reporting – Implementation of Lease Standard**

New or Repeat:

New

Criteria:

Generally accepted accounting principles require that entities maintain a system of internal controls to provide reasonable assurance regarding the achievement of the following objectives:

- Reliability of financial reporting.
- Compliance with applicable laws and regulations.

The implementation of GASB Statement No. 87 *Leases*, effective in fiscal year 2022, required updates to the internal control system in order to comply with new accounting and reporting requirements.

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS – PFC PROGRAM

Year Ended June 30, 2022

Condition:	Internal controls were not sufficiently designed and implemented to ensure lease populations were complete, lease discount rates were supported and reasonable, and lease balances and disclosures were accurate. Internal policies and procedures were not documented for the new lease accounting standard during fiscal year 2022. Significant adjustments to balances and disclosures for leases were identified as a result of audit procedures.
Cause:	Turnover in key financial positions and lack adequate resources in the Controller's department lead to inadequate documentation of key decisions made in the implementation of the new lease standard, lack of documented policies or procedures for departmental use related to the implementation and accounting for leases under the new standard and for preparation of the ACFR.
Context and effect:	Lease account balances and disclosures required adjustment based on the new lease standard. Financial records, including policies and procedures for accounting and reporting of leases, were not complete at the time of the audit. Decisions made during the implementation of the standard and processes used to implement the standard were not documented. As a result the infrastructure needed, by finance and departments, to ensure lease data is being captured on a timely basis for accounting and reporting purposes is not present.
Recommendation:	We recommend the Controller's department complete additional training on the new lease standard reporting requirements and document necessary lease related policies and procedures for departments, as well as for ACFR preparation, to ensure accurate accounting and reporting.
View of responsible officials:	Management concurs with this finding, see corrective action plan.
<b>2022-003</b>	<b>Significant Deficiency in Internal Controls over Financial Reporting – Purchasing Processes (Bartlett Regional Hospital)</b>
New or Repeat:	Repeat (2021-001)
Criteria:	Internal controls should be properly designed and implemented to efficiently conduct business, safeguard assets, prevent or detect misstatement, errors, or fraud, ensure completeness and accuracy of financial records, and timely preparation of the financial statements.
Condition:	<p>For a portion of the fiscal year, internal controls over purchasing were not sufficiently designed and implemented to ensure credit card purchases were adequately supported, including documentation of the business purpose of transactions.</p> <p>The current written policies and procedures do not sufficiently respond to the risks to the organization, nor are they representative of current practices for credit card purchases.</p>

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS – PFC PROGRAM

Year Ended June 30, 2022

Context:	<p>Finding 2021-001, as reported in the fiscal year 2021 audit, reported a significant deficiency in internal controls over financial reporting – purchasing process. Finding 2021-001 was issued in the middle of fiscal year 2022, and due to the time necessary to implement corrective action, the conditions continued to be present in a portion of fiscal 2022. During the first three quarters of fiscal 2022, in many instances, credit card purchases, or employee reimbursement, including reimbursement for travel, did not provide sufficient audit evidence to conclude on the appropriateness of costs. Certain asset purchases did not provide enough evidence to conclude that the assets were purchased for a valid business purpose. However, significant improvements were noted in items tested, from the fourth quarter of 2022, as corrective actions were implemented by the start of the quarter.</p> <p>Many finance policies and procedures are still outdated and do not represent actual current practices. The existing policies or current practices do not adequately address the risks to the organization.</p>
Effect (or potential):	Without sufficient internal controls over purchasing processes, risk significantly increases that errors and fraud, related to purchases and expenditures, including misappropriation of assets, could occur and not be detected or corrected within a timely basis.
Cause:	Turnover in key finance department positions has resulted in deferring the update of finance related policies and procedures. The lack of updated and thorough financial policies and procedures has resulted in weaknesses in the organization's internal controls, opportunities for employees to take advantage of the weaknesses in the system, and a lack of sufficient documentation to support the business purpose consistently in financial transactions. The corrective actions designed by management in response to the fiscal 2021 audit finding, were either not complete until late in fiscal 2022, or are still in the process of being implemented as of June 30, 2022, due to the time necessary to design and implement controls.
Recommendation:	We recommend that management continue to implement their planned corrective actions, if not already in place. We understand significant modifications were already made to purchasing processes after the third quarter of fiscal 2022. We further recommend that financial policies and procedures be reviewed and updated periodically and as necessary.
View of responsible officials:	Management concurs with this finding, see corrective action plan.

**SECTION III – PFC PROGRAM FINDINGS AND QUESTIONED COSTS**

None to report for fiscal year 2022.



Address: 155 Municipal Way, Juneau, AK 99801  
Phone: 907-586-5278, Fax: 907-586-4552

City & Borough of Juneau  
Summary of Prior Year Findings  
Year Ended June 30, 2022

**FINANCIAL STATEMENT FINDINGS**

**2021-001 Significant Deficiency in Internal Controls over Financial Reporting – Purchasing Processes, Bartlett Regional Hospital Enterprise Fund**

Current Status: Recurring. Management remains committed to resolving this finding and recommendation. It anticipates the issue being fully resolved January 31, 2023

**FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

**2021-002 Major Program Noncompliance and Significant Deficiency in Internal Controls over Compliance – Allowable Costs/Cost Principles – Transaction Support, Bartlett Regional Hospital Enterprise Fund**

Program: U.S. Department of Treasury, Coronavirus Relief Fund  
ALN: 20.019

COVID-19 – Substance Use Disorder Services Expansion – Crisis Stabilization CARES Funding

*Awarded to Bartlett Regional Hospital (an enterprise fund of the City and Borough of Juneau, Alaska) - Passed through the Alaska Department of Health and Social Services*  
Pass through award number 602-239-21004  
FAIN: SLT-0073

COVID-19 – Substance Use Disorder Services Expansion – Youth Psychiatric Stabilization CARES

*Awarded to Bartlett Regional Hospital (an enterprise fund of the City and Borough of Juneau, Alaska) - Passed through the Alaska Department of Health and Social Services*  
Pass through award number: 602-239-21004  
FAIN: SLT-0073

COVID-19 – Ambulatory Withdrawal Management

*Awarded to Bartlett Regional Hospital (an enterprise fund of the City and Borough of Juneau, Alaska) - Passed through the Alaska Department of Health and Social Services*  
Pass through award number: 602-239-21010  
FAIN: SLT-0073

Current Status: Resolved.





Address: 155 Municipal Way, Juneau, AK 99801  
Phone: 907-586-5278, Fax: 907-586-4552

City & Borough of Juneau  
Corrective Action Plan  
Year Ended June 30, 2022

**FINANCIAL STATEMENT FINDINGS**

Finding: 2022-001 Material Weakness in Internal Controls over Financial Reporting – Timely Reconciliation of Significant Accounts and Preparation of the Annual Comprehensive Financial Report (ACFR)

Name of Contact Person: Sarita Knull, Controller

Corrective Action: The Controller is strengthening review procedures through the mechanical automation of internal checks, checks lists and staff training.

The template for the mechanical automation containing internal checks of the FY23 ACFR will be completed by July 1, 2023. It includes rebuilding and tying out the 2022 ACFR so that the notes and financial state statements meet all requirements. Additionally, cross review of work is being built into team processes so that the team reviews and cross checks each other's work prior to management review.

The Controller recognizes the financial report preparation training needs of the ACFR team and has already implemented a training plan for the on the team. Training includes implementation of GASB pronouncements and inclusion of pronouncements into statements and notes. Training for the FY23 ACFR is to be completed by August 1<sup>st</sup>.

The Controller Division has also begun documenting processes and procedures in order to create consistency and accountability in accounting practices rather than relying on hearsay and historical memory.

The Controllers Division has moved to reconciling and closing its books on a quarterly cycle with the goal of being able to shift a monthly a soft close of the City

and Borough of Juneau's books. The monthly soft close process will be fully implemented by January 1, 2024.

Proposed Completion Date: December 31, 2023

Finding: 2022-002 Significant Deficiency in Internal Controls over Financial Reporting – Implementation of Lease Standard

Name of Contact Person: Sarita Knull, Controller

Corrective Action: The Controller's Division is in the process of drafting policies and procedures for maintaining compliance with GASB 87 throughout the fiscal year. The policies and procedures will enable the financial reporting to be in compliance with GASB 87 as well.

Additionally, the Controller Division's training needs regarding GASB 87 are being addressed. See the response to Finding 2022-001

Proposed Completion Date: July 31, 2023

Finding: 2022-003 Significant Deficiency in Internal Controls over Financial Reporting – Purchasing Processes

Name of Contact Person: Samuel Muse, Bartlett CFO

Corrective Action: Bartlett Finance implemented M-files software which digitizes invoices and automates the approval process for payments and ultimate storage. This went live on July 1st 2021. With invoices tracked and approved virtually, documentation and approval of invoices always occurs prior to payment. This change also allowed us to eliminate manual routing of invoice by folder or email, resulting in more timely payments and ensure proper approvals from the correct individuals.

Additionally, starting the month of March 2022, review of credit card receipts was transitioned to the executive assistant for CFO & CFO. This transition allowed Finance to follow up and ensure that every credit card purchases included receipt and the cardholder was making only valid purchases. To ensure separation of duties, accounts payable staff review CFO and CFO's assistant card receipts. Bartlett took further action to cancel some of the credit cards and to transition those purchases to normal purchase order or check requests. There are now only 7 active cards outstanding, less than half of what there was previously.

As of October 2021, Gift cards are no longer allowed to be purchased except for rare exceptions with approval of Senior Leadership. In these situations, cash or cash equivalent gifts will be processed through payroll, to tax employees appropriately per IRS regulation. Annual holiday gift card from Bartlett will be processed as a bonus starting current year to tax employees appropriately per IRS regulation.

Bartlett Hospital hired a Supply Chain consultant to perform an outside review of the Materials Management/Purchasing Department; this consultant helped develop new processes and policies for the entire Bartlett Regional Hospital (BRH) organization.

Management has also taken this opportunity to also implement a culture shift toward accountability. Staff are encouraged to ask questions, follow up with things that aren't well documented or understood. Management is focusing on being receptive to ideas, critiques, and providing a safe whistleblower environment where individuals can come forward with concerns.

Lastly, Bartlett has reduced the amount of travel in the interim while strengthening our controls over approval and documentation that travel has occurred.

In addition to these changes, Bartlett is also currently developing more internal control measures, including revising the spending authority to include new departments and managers and align it better with industry practices; using PolicyTech software to provide organizational feedback on our procurement policy, personal reimbursement policies and credit card policy. Bartlett is developing procedures to streamline the submission of credit card reconciliations and travel reimbursements utilizing software for automated notifications for approvals and adding additional checks and balances.

Proposed Completion Date: 1/31/2023