



**REPORTS ON SINGLE AUDIT REQUIREMENTS  
FOR FISCAL YEAR ENDED  
JUNE 30, 2015**



# Fairbanks North Star Borough



## Reports On Single Audit Requirements

For the Year Ended June 30, 2015

January 29, 2016

FAIRBANKS NORTH STAR BOROUGH  
REPORTS ON SINGLE AUDIT REQUIREMENTS  
For The Year Ended June 30, 2015

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State Single Audit

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**FEDERAL  
SINGLE AUDIT**

Honorable Mayor and  
Members of the Borough Assembly  
Fairbanks North Star Borough

**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**

Independent Auditor's Report

We have audited, in accordance with the 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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Fairbanks North Star Borough (Borough), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements. We also have audited the financial statements of each of the Borough's nonmajor governmental, internal service, and agency funds presented as supplementary information, as defined by the Governmental Auditing Standards Board, as of and for the year ended June 30, 2015, as displayed in the Borough's basic financial statements, and have issued our report thereon dated January 29, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Borough's internal control over financial reporting (internal control) to determine the 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 Borough's internal control. Accordingly, we do not express an opinion on the effectiveness of the Borough's internal control.

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 Borough's financial statements will not be prevented, or detected and corrected on a timely basis. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Honorable Mayor and  
Members of the Borough Assembly  
Fairbanks North Star Borough

**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 Borough'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 Borough's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Cook + Haugeberg LLC

Fairbanks, Alaska  
January 29, 2016

Honorable Mayor and  
Members of the Borough Assembly  
Fairbanks North Star Borough

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON  
INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133**

Independent Auditor's Report

**Report on Compliance for Each Major Federal Program**

We have audited Fairbanks North Star Borough's (Borough) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Borough's major federal programs for the year ended June 30, 2015. The Borough's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Borough's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the Borough's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Borough's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Borough's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the Borough complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

**Report on Internal Control Over Compliance**

Management of the Borough is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Borough's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Borough's internal control over compliance.

Honorable Mayor and  
Members of the Borough Assembly  
Fairbanks North Star Borough

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

#### **Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Fairbanks North Star Borough, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements. We also have audited the financial statements of each of the Borough's nonmajor governmental, internal service, and agency funds presented as supplementary information, as defined by the Government Accounting Standards Board, in the combining and individual fund financial statements and schedules as of and for the year ended June 30, 2015 and have issued our report thereon dated January 29, 2016, 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 federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 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 federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Cook → Haugelsberg LLC

Fairbanks, Alaska  
January 29, 2016

**FAIRBANKS NORTH STAR BOROUGH**  
**Schedule of Expenditures of Federal Awards <sup>1</sup>**  
**For the Year Ended June 30, 2015**

| Federal Grantor /<br>Pass-Through Grantor /<br>Program or Cluster Title | Federal<br>CFDA<br>Number | Pass-Through<br>Entity Identifying<br>Number | Federal<br>Expenditures |
|---|---------------------------|--|-------------------------|
|---|---------------------------|--|-------------------------|

**U.S. DEPARTMENT OF COMMERCE**

|  |        |             |                        |
|--|--------|-------------|------------------------|
| <b>Direct Program</b>                    |        |             |                        |
| 2014 CEDS Strategy 5-Year Update         | 11.302 | 07-87-07169 | \$ <u>5,448</u>        |
| <b>Total U.S. Department of Commerce</b> |        |             | <b>\$ <u>5,448</u></b> |

**U.S. DEPARTMENT OF DEFENSE**

|  |        |               |                        |
|--|--------|---------------|------------------------|
| <b>Direct Program</b>                            |        |               |                        |
| Joint Land Use Study Fort Wainwright/Eielson AFB | 12.610 | HQ00051210056 | \$ <u>6,172</u>        |
| <b>Total U.S. Department of Defense</b>          |        |               | <b>\$ <u>6,172</u></b> |

**U.S. DEPARTMENT OF THE INTERIOR**

|  |        |                  |                          |
|--|--------|------------------|--------------------------|
| <b>Direct Programs</b>                           |        |                  |                          |
| Federal Payments in Lieu of Taxes FY15 - IHRA    | 15.226 |                  | \$ 399,674               |
| Federal Payments in Lieu of Taxes FY13 - FWS     | 15.226 |                  | 159                      |
| <b><i>Fish and Wildlife Cluster (15.605)</i></b> |        |                  |                          |
| <b>National Park Service</b>                     |        |                  |                          |
| <b>Pass-Through Program from:</b>                |        |                  |                          |
| <b>Alaska Department of Fish and Game</b>        |        |                  |                          |
| Tanana Lakes Boat Launch & Recreation Facility   | 15.605 | ADF&G COOP12-068 | <u>121,899</u>           |
| <b>Total Fish and Wildlife Cluster</b>           |        |                  | <b>\$ <u>121,899</u></b> |
| <b>National Park Service</b>                     |        |                  |                          |
| <b>Pass-Through Program from:</b>                |        |                  |                          |
| <b>Alaska Department of Natural Resources</b>    |        |                  |                          |
| Historic Preservation Signage - Phase 3          | 15.904 | #13594           | <u>5,889</u>             |
| <b>Total U.S. Department of Interior</b>         |        |                  | <b>\$ <u>527,621</u></b> |

**FAIRBANKS NORTH STAR BOROUGH**  
**Schedule of Expenditures of Federal Awards <sup>1</sup>**  
**For the Year Ended June 30, 2015**  
**(continued)**

| Federal Grantor /<br>Pass-Through Grantor /<br>Program or Cluster Title | Federal<br>CFDA<br>Number | Pass-Through<br>Entity Identifying<br>Number | Federal<br>Expenditures |
|---|---------------------------|--|-------------------------|
|---|---------------------------|--|-------------------------|

**U.S. DEPARTMENT OF TRANSPORTATION**

**Highway Planning and Construction Cluster (20.205, 20.219)**

**Federal Highway Administration (FHWA)**

**Pass-through Programs from:**

**Alaska Department of Transportation and Public Facilities**

|  |        |                     |           |
|--|--------|---------------------|-----------|
| FHWA-PL Highway Planning & Research FFY14            | 20.205 | MAP21-PL-1260(6)    | \$ 17,155 |
| FHWA-PL Highway Planning & Research FFY15            | 20.205 | PL-1260(7)IGOA 2003 | 84,116    |
| Air Quality Education Outreach                       | 20.205 | 60900               | 244,697   |
| Air Quality Education Outreach                       | 20.205 | 60709               | 181       |
| Fairbanks Fine Particulate Matter Planning & Control | 20.205 | 63720               | 178,466   |
| West Valley HS / North Pole HS Plug-In Operations    | 20.205 | AKSAS #61041        | 16,170    |
| PM 2.5 Measurement and Analysis                      | 20.205 | 63302               | 30,389    |
| Air Quality State Implementation Plan (SIP)          | 20.205 | AKSAS #60891        | 17,231    |
| Woodriver Elementary Sidewalk Construction           | 20.205 | LU20-14-0005        | 1,233     |
| Districtwide School Bicycle Racks                    | 20.205 | LU20-14-0003        | 1,013     |

**Non-Cash Assistance <sup>3</sup>**

|  |        |              |        |
|--|--------|--------------|--------|
| 2014 FMATS Preventative Maintenance Projects | 20.205 | AKSAS #63372 | 33,471 |
| 2015 FMATS Improvement Surface Upgrades      | 20.205 | AKSAS #64103 | 1,580  |

**Alaska Department of Natural Resources**

|  |        |          |        |
|--|--------|----------|--------|
| Tanana Lakes Non-Motorized Trail - Phase 3 | 20.219 | 10794211 | 9,500  |
| Isberg Recreation Trailhead                | 20.219 | 10793310 | 45,335 |

**Total Highway Planning and Construction Cluster** **\$ 680,537**

**Federal Transit Cluster (20.500, 20.507)**

**Federal Transit Administration (FTA)**

**Direct Programs**

|   |        |            |            |
|---|--------|------------|------------|
| Transit Equipment Acquisitions              | 20.500 | AK-04-0008 | \$ 202,826 |
| 10 CMAQ-Bus Shelter and Bus Stop Facilities | 20.507 | AK-95-X006 | 238,118    |
| 09 CMAQ-Bus Stop Facilities                 | 20.507 | AK-95-X005 | 28,198     |
| 12 CMAQ Fort Wainwright Transit Route/MACS  | 20.507 | AK-95-X011 | 619,475    |
| Section 5307 Operating Assistance - FFY15   | 20.507 | AK-90-X074 | 751,937    |
| Van Pool/Ride Share Options Coordinator     | 20.507 | AK-95-X012 | 81,555     |
| Transit Route Salcha-North Pole-Fairbanks   | 20.507 | AK-95-X010 | 260,144    |
| Transit Route Van Horn Road                 | 20.507 | AK-95-X009 | 253,140    |
| ARRA Transit Vans, Services and Equipment   | 20.507 | AK-96-X002 | 106,481    |

**Total Federal Transit Cluster** **\$ 2,541,874**

**FAIRBANKS NORTH STAR BOROUGH**  
**Schedule of Expenditures of Federal Awards <sup>1</sup>**  
**For the Year Ended June 30, 2015**  
**(continued)**

| Federal Grantor /<br>Pass-Through Grantor /<br>Program or Cluster Title | Federal<br>CFDA<br>Number | Pass-Through<br>Entity Identifying<br>Number | Federal<br>Expenditures |
|---|---------------------------|--|-------------------------|
|---|---------------------------|--|-------------------------|

**Federal Transit Administration (FTA)**

**Pass-through Program from:**

**Alaska Department of Transportation and Public Facilities**

|  |        |                |    |        |
|--|--------|----------------|----|--------|
| FTA 5303 Highway Planning & Research FFY12         | 20.514 | 5303-PL-13-251 | \$ | 45,982 |
| FTA 5303 Highway Planning & Research FFY13 & FFY14 | 20.514 | 2514-14-0200   |    | 3,676  |

**Total U.S. Department of Transportation** **\$ 3,272,069**

**INSTITUTE OF MUSEUM AND LIBRARY SERVICES**

**Pass-Through Programs from:**

**Alaska State Library**

|  |        |                |    |       |
|--|--------|----------------|----|-------|
| Regional Library Services FY15               | 45.310 | ILC-15-733-121 | \$ | 6,302 |
| Library Continuing Education Grant FY15 - #4 | 45.310 | CED-15-733-01  |    | 1,500 |
| Library Continuing Education Grant FY15 - #5 | 45.310 | CED-15-733-03  |    | 1,500 |
| Library Continuing Education Grant FY15 - #6 | 45.310 | CED-15-733-02  |    | 1,500 |

**Total Institute of Museum and Library Services** **\$ 10,802**

**U.S. ENVIRONMENTAL PROTECTION AGENCY**

**Pass-through Programs from:**

**Alaska Department of Environmental Conservation**

|   |        |                   |    |           |
|---|--------|-------------------|----|-----------|
| Landfill Expansion - Cell 3 & 4 - Loan <sup>2</sup> | 66.458 | AWCF LOAN #339081 | \$ | 4,294,291 |
| Partial Landfill Closure - Loan                     | 66.458 | AWCF LOAN #339072 |    | 384,121   |
| Air Quality Program FY 2014-15                      | 66.605 | MOU 2010AMEND #8  |    | 43,733    |
| Air Quality Program FY 2014-15                      | 66.034 | MOU 2010AMEND #8  |    | 36,846    |

**Total U.S. Environmental Protection Agency** **\$ 4,758,991**

**U.S. DEPARTMENT OF HOMELAND SECURITY**

**Direct Program**

|  |        |                   |    |       |
|--|--------|-------------------|----|-------|
| Chena Slough Hydrologic and Hydraulic Data Development | 97.045 | EMW-2014-CA-00275 | \$ | 5,381 |
|--|--------|-------------------|----|-------|

**Homeland Security Cluster (97.067)**

**Pass-through Program from:**

**Alaska Department of Military and Veterans Affairs**

|                                      |        |                   |  |        |
|--------------------------------------|--------|-------------------|--|--------|
| 2013 Homeland Security Grant Program | 97.067 | EMW-2013-SS-00098 |  | 80,516 |
|--------------------------------------|--------|-------------------|--|--------|

**Total Homeland Security Cluster** **\$ 80,516**

**FAIRBANKS NORTH STAR BOROUGH**  
**Schedule of Expenditures of Federal Awards <sup>1</sup>**  
**For the Year Ended June 30, 2015**  
**(continued)**

| Federal Grantor /<br>Pass-Through Grantor /<br>Program or Cluster Title | Federal<br>CFDA<br>Number | Pass-Through<br>Entity Identifying<br>Number | Federal<br>Expenditures    |
|---|---------------------------|--|----------------------------|
| <b>Federal Emergency Management Agency (FEMA)</b>                       |                           |  |                            |
| <b>Pass-through Program from:</b>                                       |                           |  |                            |
| <b>Alaska Department of Military and Veterans Affairs</b>               |                           |  |                            |
| Emergency Management Performance Grant FFY15                            | 97.042                    | EMW-2013-EP-00048                            | \$ 142,000                 |
| <b>Pass-through Program from:</b>                                       |                           |  |                            |
| <b>Alaska Department of Commerce,</b>                                   |                           |  |                            |
| <b>Community &amp; Economic Development:</b>                            |                           |  |                            |
| Floodplain Conference Travel Grant - FY15                               | 97.023                    | 29826  | <u>4,023</u>               |
| <b>Total U.S. Department of Homeland Security</b>                       |                           |  | <b>\$ <u>231,920</u></b>   |
| <br>  |                           |  |                            |
| <b>Grand Total - Federal Financial Assistance</b>                       |                           |  | <b>\$ <u>8,813,023</u></b> |

**FAIRBANKS NORTH STAR BOROUGH**  
**Schedule of Expenditures of Federal Awards <sup>1</sup>**  
**For the Year Ended June 30, 2015**  
**(continued)**

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**<sup>1</sup> Basis of Presentation and Summary of Significant Accounting Policies**

This Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of the Fairbanks North Star Borough under programs of the federal government for the year ended June 30, 2015 and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in the SEFA may differ from amounts presented in, or used in preparation of, the basic financial statements.

Expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying are presented where available.

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**<sup>2</sup> Alaska Clean Water Fund (ACWF) Loan Programs**

The Fairbanks North Star Borough has two loans available as of June 30, 2015. The first loan agreement governs amounts borrowed to pay for Solid Waste Partial Closure - Cell 1. As of June 30, 2015, the entire \$2,840,000 in ARRA debt forgiveness subsidy has been recovered and \$1,738,955 has been borrowed against the remaining \$3,500,000. The second loan agreement governs amounts borrowed to pay for Solid Waste Expansion - Cells 3 and 4 and includes debt forgiveness subsidy in the amount of \$503,552, which was fully recovered in FY 2013-14. Federal expenditures against this loan in FY 2014-15 are presented in this schedule.

| Program Title                                 | CFDA<br>Number | Total<br>Loan Amount<br>Available | Debt<br>Forgiveness<br>Subsidy | Unsubsidized<br>Loan Amount<br>Outstanding |
|---|----------------|-----------------------------------|--------------------------------|--|
| Partial Landfill Closure                      | ARRA 66.458    | \$ 6,340,000                      | \$ 2,840,000                   | \$ 1,738,955                               |
| Landfill Expansion - Cells 3 & 4 <sup>^</sup> | 66.458         | 10,496,448                        | 503,552                        | 9,429,507                                  |

<sup>^</sup>The terms of the loan for the Solid Waste Expansion - Cells 3 & 4 loan are that after the debt forgiveness subsidy was fully recovered in FY 2013-14, the remaining expenditures are considered 100% loan principal; the loan principal portion consists of commingled federal and state matching funds. Therefore, the total amount is included in the schedule of expenditures of federal awards.

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**<sup>3</sup> Non-Cash Assistance**

In FY 2014-15, entities other than the Fairbanks North Star Borough received federal grants that were expended by those entities to enhance Borough-owned assets. The value of this non-cash assistance was determined in accordance with the provisions of 2 CFR §200, Subpart F, Audit Requirements, Section 502 (g). The Alaska Department of Transportation and Public Facilities was the recipient of U.S. Department of Transportation federal-aid highway funds and expended those funds to resurface a bicycle path and roadways in Borough road service areas (RSAs).

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**FAIRBANKS NORTH STAR BOROUGH  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2015**

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

Financial Statements

Type of auditor's report issued: unmodified

Internal control over financial reporting:

    Material weakness(es) identified? Yes \_\_\_ X No

    Significant deficiency(ies) identified? Yes \_\_\_ X None reported

Noncompliance material to financial statements noted? Yes \_\_\_ X No

Federal Awards

Internal control over major programs:

    Material weakness(es) identified? Yes \_\_\_ X No

    Significant deficiency(ies) identified? Yes \_\_\_ X None reported

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

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? Yes \_\_\_ X No

Indication of major federal programs:

| <u>CFDA Number(s):</u> | <u>Name of Federal Program of Cluster</u> |
|------------------------|---|
| 15.226                 | Federal Payments in Lieu of Taxes         |
| 20.205, 20.219         | Highway Planning and Construction Cluster |
| 66.458                 | Landfill Expansion                        |

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

Auditee qualified as low-risk auditee? Yes \_\_\_ X No

**SECTION II - FINANCIAL STATEMENT FINDINGS**

No matters were reported.

**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

No matters were reported.

**FAIRBANKS NORTH STAR BOROUGH**  
**Summary Schedule of Prior Audit Findings - Federal**  
**For the Year Ended June 30, 2015**

**FINDING:**

2014-001: Improper Payroll Cost Allocation; Commingled Direct and Indirect Payroll Charged as Direct

In accordance with U.S. OMB Circular A-87, costs charged to grants must conform to the terms and conditions of the federal award. Attachment B to the Circular further states when employees work on multiple activities, distribution of their salaries will be supported by personnel activity reports or equivalent documentation that reflects after-the-fact distribution of actual activity of the employee, and accounts for the total activity for which the employee is compensated. Such documentation must be prepared at least monthly and must coincide with one or more pay periods, and the reports must be signed by the employee. Substitute systems for allocating salaries to Federal awards may be used in place of activity reports. However, such systems are subject to approval if required by the cognizant agency. Indirect costs are defined as those incurred for a common or joint purpose benefiting more than one cost objective. Requirements for development of a cost allocation plan for the distribution of indirect cost pools are contained in Attachments C and E. A cost may not be allocated to a Federal award as an indirect cost if any other cost incurred for the same purpose has been assigned to a Federal award as a direct cost.

The Borough Computer Services department ratably allocated personnel salaries for specific tasks performed on affected grants, instead of charging actual hours directly to the respective grants based on actual documented personnel timesheets or similar reports. This substitute methodology for allocating personnel salaries did not receive prior pre-approval as required under OMB Circular A-87. In addition, the department commingled both direct and indirect personnel salaries in a pool which was then allocated as direct charges to the grant using the unapproved substitute methodology during the year ended June 30, 2014, resulting in disallowed costs of \$19,617.

**CORRECTIVE ACTION TAKEN AND COMPLETED:**

The Geographic Information System (GIS) division of the Borough Computer Services department reported inappropriate payroll hours to the Borough Payroll section for FHWA Grant No. MAP21-PL-1260(6) (FFYs13/14 FMATS Grant). The auditors discovered the inappropriate payroll charges during fieldwork in November 2014, five months after the fiscal year-end of June 30, 2014. The Borough Accounting division adjusted the fiscal year 2013-14 single audit schedule of expenditures of federal awards to reduce expenditures reported by \$19,617, the amount of the disallowed cost. The Borough's general ledger was adjusted in fiscal year 2014-15 to remove the inappropriate payroll charges to the grant. The FFYs13/14 FMATS grant report to the Alaska Department of Transportation and Public Facilities (DOT&PF) for the quarter ended June 30, 2014 was amended to reflect reductions in grant expenditures of \$4,490 (FFY13 FMATS) and \$15,127 (FFY14 FMATS). The total reduction on the amended June 30, 2014 FFYs13/14 FMATS grant report was \$19,617. Furthermore, the FFYs13/14 FMATS grant report for the quarter ended September 30, 2014 (final report) was amended to reflect the removal of additional disallowed costs partially offset by other allowable costs. The amended June 30, 2014 grant report and the amended September 30, 2014 grant report were submitted to DOT&PF along with the report for the quarter ended December 31, 2014.

To prevent and detect such errors in the future, the Borough took the following four actions:

- 1) The Borough Grants Accountant notified DOT&PF in December 2014 that some employee hours for GIS-related tasks were allocated and not direct-charged to the FFYs13/14 FMATS grant and that a substitute system for allocating salaries and wages was used. DOT&PF concurred that the substitute allocation methodologies were appropriate.
- 2) The Borough Controller had discussions with the Computer Services department and explained why the payroll cost allocation to the grant was inappropriate and what constitutes appropriate payroll expenditures for grants. There were also discussions with the auditors, the Borough Administration, and both the Human Resources and Computer Services departments about the finding.
- 3) The Borough Accounting division has reviewed all GIS payroll charges in fiscal years 2013-14 and 2014-15 to the FFYs13/14 FMATS grant for allowability.
- 4) The Borough administration provided training in time and effort documentation requirements and in appropriate supervisory and management oversight to all Borough employees who charge time to federal grants, to their supervisors and managers, and to the employees in the Borough's Payroll and Personnel division in accordance with the newly effective U.S. OMB "Uniform Guidance."

**STATE  
SINGLE AUDIT**

Honorable Mayor and  
Members of the Borough Assembly  
Fairbanks North Star Borough

**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**

Independent Auditor's Report

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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Fairbanks North Star Borough (Borough), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements. We also have audited the financial statements of each of the Borough's nonmajor governmental, internal service, and agency funds presented as supplementary information, as defined by the Governmental Accounting Standards Board, as of and for the year ended June 30, 2015 and have issued our report thereon dated January 29, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Borough's internal control over financial reporting (internal control) to determine the 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 Borough's internal control. Accordingly, we do not express an opinion on the effectiveness of the Borough's internal control.

*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 Borough's financial statements will not be prevented, or detected and corrected on a timely basis. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurances about whether the 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Honorable Mayor and  
Members of the Borough Assembly  
Fairbanks North Star Borough

**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 Borough'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 Borough's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Cook + Haugeberg LLC

Fairbanks, Alaska  
January 29, 2016

Honorable Mayor and  
Members of the Borough Assembly  
Fairbanks North Star Borough

**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**

Independent Auditor's Report

**Report on Compliance for Each Major State Program**

We have audited Fairbanks North Star Borough's (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 each of the Borough's major state programs for the year ended June 30, 2015. The Borough's major state programs are identified in the accompanying schedule of state financial assistance.

**Borough's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the Borough's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*. Those standards and the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Borough's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However our audit does not provide a legal determination of the Borough's compliance.

**Opinion on Each Major State Program**

In our opinion, the Borough complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2015.

**Report on Internal Control over Compliance**

Management of the Borough is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Borough's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the *State of Alaska Guide and Compliance Supplement for State Single Audits*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly we do not express an opinion on the effectiveness of the Borough's internal control over compliance.

Honorable Mayor and  
Members of the Borough Assembly  
Fairbanks North Star Borough

*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 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*. Accordingly, this report is not suitable for any other purpose.

**Report on Schedule of State Financial Assistance required by the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits***

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Fairbanks North Star Borough as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements. We also have audited the financial statements of each of the Borough's nonmajor governmental, internal service, and agency funds presented as supplementary information, as defined by the Government Accounting Standards Board, as of and for the year ended June 30, 2015 and have issued our report thereon dated January 29, 2016, 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 financial statements and combining and individual fund financial statements and additional information schedules. The accompanying schedule of state financial assistance is presented for purposes of additional analysis as required by the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits* and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of state financial assistance is fairly stated in all material respects in relation to the financial statements as a whole.

Cook + Haugberg LLC

Fairbanks, Alaska  
January 29, 2016

**FAIRBANKS NORTH STAR BOROUGH**  
**Schedule of State Financial Assistance <sup>1</sup>**  
**For the Year Ended June 30, 2015**

| Name of Award  | Grantor's<br>Number | State<br>Expenditures |
|--|---------------------|-----------------------|
| <b>STATE OF ALASKA DEPARTMENT OF COMMERCE,<br/>COMMUNITY AND ECONOMIC DEVELOPMENT</b>                |                     |                       |
| <b><i>Grants to Municipalities</i></b>   |                     |                       |
| School District Area-wide Fuel Oil Tank Replacement  | 09-DC-207           | \$ 31,049             |
| Moose Meadows Service Area Road  | 09-DC-462           | 5,225                 |
| Road Service Area Projects *   | 09-DC-467           | 1,065,599             |
| Badger Road Elementary School Classroom Chalk Board Replacement                                      | 11-DC-214           | 10,695                |
| Carlson Activity Center (CAC) Phase 2 Improvements   | 11-DC-215           | 15,772                |
| Hutchison High School Distance Learning System   | 11-DC-217           | 5,268                 |
| North Pole Library Equipment Upgrades  | 11-DC-220           | 9,947                 |
| Road Service Area Improvements *   | 11-DC-223           | 978,547               |
| Weller Elementary School Classroom Improvements  | 11-DC-228           | 878                   |
| Steese Fire Service Area Station #2 Repair and Upgrade   | 11-DC-593           | 21,070                |
| Carlson Activity Center Improvements Phase 2   | 12-DC-346           | 82,940                |
| Parks and Recreation Facility Improvements   | 12-DC-349           | 556                   |
| Road Service Area Funding *  | 12-DC-351           | 909,795               |
| Wood Stove Conversion Program  | 12-DC-353           | 26,113                |
| Barnette Magnet School Renovation and Reconstruction   | 12-DC-623           | 2,128                 |
| Chena-Goldstream Fire & Rescue   | 13-DC-150           | 11,102                |
| Senate District D Schools Classroom Technology Upgrade   | 13-DC-279           | 19,760                |
| Classroom Digital Technology Upgrade   | 13-DC-339           | 40,116                |
| Borough Emergency Operations Center Funding  | 13-DC-352           | 124,422               |
| Growden Park/Gold Panner Restrooms   | 13-DC-365           | 40,875                |
| Parks and Recreation Facility Improvements -- Birch Hill   | 13-DC-472           | 3,114                 |
| Air Quality Mitigation *   | 13-DC-526           | 613,514               |
| Natural Gas Distribution System Development  | 13-DC-544           | 71,281                |
| Noel Wien Library Maintenance *  | 13-DC-545           | 1,753,968             |
| Kiwanis Field & Fairbanks Youth Soccer Association Artificial Turf Fields *                          | 13-DC-558           | 2,370,917             |
| Senate District D Road Service Area Funding *  | 13-DC-585           | 2,577,781             |
| Weller Elementary School for Planning Access Improvements,<br>Safety Upgrades & Demolishing Ice Rink | 13-RR-007           | 78                    |
| Lathrop High School Classroom Technology & Physical Education Equipment                              | 14-DC-052           | 13,376                |
| North Star Volunteer Fire Department Fire Engine Replacement Project *                               | 14-DC-053           | 300,000               |
| Weller Elementary School Parking Lot Safety Upgrade *  | 14-DC-054           | 457,919               |
| Arctic Light Elementary School Security Systems  | 14-DM-008           | 8,480                 |

\* State Major Program

**FAIRBANKS NORTH STAR BOROUGH**  
**Schedule of State Financial Assistance <sup>1</sup>**  
**For the Year Ended June 30, 2015**  
**(continued)**

| Name of Award   | Grantor's<br>Number | State<br>Expenditures       |
|---|---------------------|-----------------------------|
| B.E.S.T. Correspondence School Classroom Digital Technology                                 | 14-DM-009           | \$ 17,000                   |
| Chinook Charter School Classroom Digital Technology   | 14-DM-012           | 16,768                      |
| Ladd Elementary School Security Systems   | 14-DM-014           | 3,480                       |
| North Star Volunteer Fire Department Station 4 Driveway Repair Project                      | 14-DM-015           | 923                         |
| Ryan Middle School Classroom Digital Technology   | 14-DM-016           | 23,440                      |
| School District - We the People Competition   | 14-DM-017           | 79                          |
| Ticasuk Brown Elementary School Security Systems  | 14-DM-018           | 5,755                       |
| Road Maintenance in Road Service Areas  | 14-RR-003           | 36,592                      |
| Road Maintenance in the Borda Road Service Area   | 14-RR-004           | 1,123                       |
| Conversion of the School Heating System to a Natural Gas Heating System                     | 14-RR-005           | 182,856                     |
| Two Rivers Elementary School Classroom Upgrades   | 14-RR-008           | 9,238                       |
| Upgrades to the Fire Alarm System in the Pioneer Park Building                              | 14-RR-010           | 5,315                       |
| Weller Elementary School Parking Lot Safety Upgrades *                                      | 14-RR-011           | 540,516                     |
| Replacement of Ryan Middle School *   | 14-RR-013           | 464,174                     |
| Ambulance Equipment Replacement   | 15-DC-051           | 100,000                     |
| Enhanced Home Heating Appliance Exchange Program *  | 15-DC-052           | 965,925                     |
| Domestic Water Well Installation Project  | 15-DC-471           | 1,209                       |
| Oil/Water Separator Install and Contaminated Soil Removal at Steese VFD Station 62          | 15-DC-472           | 7,246                       |
| Fire Station 62 Kitchen Remodel   | 15-DC-473           | 2,350                       |
| School District We the People Competition   | 15-DM-053           | 25,750                      |
| Enhanced Home Heating Appliance Exchange Program *  | 15-RR-012           | 874,332                     |
| <b><i>Alaska Regional Development Organization Grant</i></b>                                |                     |                             |
| Alaska Regional Development ARDOR -- FY 2013-14   | FY14 0841133        | 12,902                      |
| Alaska Regional Development ARDOR -- FY 2014-15   | FY15 0841133        | 66,781                      |
| <b><i>Community Revenue Sharing Direct Payment</i></b>                                      |                     |                             |
| Community Revenue Sharing Program -- FY 2014-15 *   |                     | <u>3,710,625</u>            |
| <b>Total State of Alaska Department of Commerce,<br/>Community and Economic Development</b> |                     | <b>\$ <u>18,646,664</u></b> |
| <b>ALASKA HOUSING FINANCE CORPORATION</b>   |                     |                             |
| State Payments in Lieu of Taxes - FY2014-15   |                     | \$ <u>7,125</u>             |
| <b>Total Alaska Housing Finance Corporation</b>   |                     | <b>\$ <u>7,125</u></b>      |

**FAIRBANKS NORTH STAR BOROUGH**  
**Schedule of State Financial Assistance <sup>1</sup>**  
**For the Year Ended June 30, 2015**  
**(continued)**

| Name of Award   | Grantor's<br>Number | State<br>Expenditures |
|---|---------------------|-----------------------|
| <b>ALASKA DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT</b>         |                     |                       |
| FY 2015 State Aid for School Construction *                         |                     | \$ 9,966,894          |
| <b>Division of State Libraries, Archives &amp; Museums</b>          |                     |                       |
| <b>Library Services Grants</b>                                      |                     |                       |
| Public Library Assistance - FY2014-15                               | PLA-15-733-23       | 19,851                |
| <b>Division of Teaching and Learning Support</b>                    |                     |                       |
| <b>Passed-through Best Beginnings</b>                               |                     |                       |
| Early Learning - FNSB Best Beginnings Partnership FY15              | FY15 MOU            | 52,500                |
| <b>Division of School Finance</b>                                   |                     |                       |
| <b>Facilities Construction Grant</b>                                |                     |                       |
| Fairbanks District-Wide Fuel Oil Tank Replacement                   | GR-09-006           | 69,118                |
| <b>Total Alaska Department of Education and Early Development</b>   |                     | <b>\$ 10,108,363</b>  |
| <b>ALASKA DEPARTMENT OF ENVIRONMENTAL CONSERVATION</b>              |                     |                       |
| Pioneer Park Water and Sewer Enhancement                            | 33768               | \$ 60,471             |
| Solid Waste Landfill Leachate Recirculation Project *               | MMG# 33769          | 575,191               |
| Oil Spill Response Capabilities - Equipment and Training FY15       | CC18559082 7/14     | 10,000                |
| <b>State Matches to Federal Grants</b>                              |                     |                       |
| <b>U.S. Environmental Protection Agency</b>                         |                     |                       |
| <b>Pass-Through Program</b>   |                     |                       |
| Air Quality Program FY 2014-15                                      |                     | 44,421                |
| <b>Total Alaska Department of Environmental Conservation</b>        |                     | <b>\$ 690,083</b>     |
| <b>ALASKA DEPARTMENT OF FISH AND GAME</b>                           |                     |                       |
| <b>State Matches to Federal Grants</b>                              |                     |                       |
| <b>U.S. Department of the Interior, National Park Service</b>       |                     |                       |
| <b>Pass-Through Program from Alaska Department of Fish and Game</b> |                     |                       |
| Tanana Lakes Boat Launch & Recreation Facility                      | ADF&G COOP12-068    | \$ 40,633             |
| <b>Total Alaska Department of Fish and Game</b>                     |                     | <b>\$ 40,633</b>      |

\* State Major Program

**FAIRBANKS NORTH STAR BOROUGH**  
**Schedule of State Financial Assistance <sup>1</sup>**  
**For the Year Ended June 30, 2015**  
**(continued)**

| Name of Award  | Grantor's<br>Number | State<br>Expenditures       |
|--|---------------------|-----------------------------|
| <b>ALASKA DEPARTMENT OF HEALTH AND SOCIAL SERVICES</b>                 |                     |                             |
| Human Services Community Matching Grant - FY 2013-14 <sup>3</sup>      | 605-14-011          | \$ 854                      |
| Human Services Community Matching Grant - FY 2014-15 <sup>4*</sup>     | 605-231-1501        | <u>354,388</u>              |
| <b>Total Alaska Department of Health and Social Services</b>           |                     | <b>\$ <u>355,242</u></b>    |
| <b>INTERIOR REGIONAL HOUSING AUTHORITY</b>                             |                     |                             |
| State Payments in Lieu of Taxes - FY 2014-15                           |                     | \$ <u>35,151</u>            |
| <b>Total Interior Regional Housing Authority</b>                       |                     | <b>\$ <u>35,151</u></b>     |
| <b>ALASKA DEPARTMENT OF REVENUE</b>                                    |                     |                             |
| State Telephone and Electric Co-op - FY 2014-15 *                      |                     | \$ 420,825                  |
| State Fish Tax - FY 2014-15  |                     | <u>195</u>                  |
| <b>Total Alaska Department of Revenue</b>                              |                     | <b>\$ <u>421,020</u></b>    |
| <b>ALASKA DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES</b>       |                     |                             |
| Pioneer Park Parking Lot Alterations and Improvements                  | 62054               | \$ 92,788                   |
| Pioneer Park Access Safety Improvements                                | 62058               | 70,598                      |
| FY 2015 Debt Reimbursement for Municipal Capital Projects *            |                     | 334,624                     |
| <b>State Matches to Federal Grants</b>                                 |                     |                             |
| <b><i>Federal Transit Administration (FTA)</i></b>                     |                     |                             |
| <b><i>Direct Programs</i></b>  |                     |                             |
| 09 CMAQ-Bus Stop Facilities  | AK-95-X005          | 2,799                       |
| 12 CMAQ Fort Wainwright Transit Route/MACS                             | AK-95-X011          | 61,492                      |
| Section 5307 Operating Assistance - FFY15                              | AK-90-X074          | 113,443                     |
| Van Pool/Ride Share Options Coordinator                                | AK-95-X012          | <u>8,095</u>                |
| <b>Total Alaska Department of Transportation and Public Facilities</b> |                     | <b>\$ <u>683,839</u></b>    |
| <b>Grand Total - State Financial Assistance</b>                        |                     | <b>\$ <u>30,988,120</u></b> |

**FAIRBANKS NORTH STAR BOROUGH**  
**Schedule of State Financial Assistance <sup>1</sup>**  
**For the Year Ended June 30, 2015**  
**(continued)**

| Name of Award  | Grantor's<br>Number | State<br>Expenditures       |
|--|---------------------|-----------------------------|
| <b>ALASKA DEPARTMENT OF ADMINISTRATION</b>   |                     |                             |
| PERS Defined Benefit Plan Employer Relief Funding<br>according to letter dated August 5, 2015 <sup>2 *</sup> | PERS ER 116         | \$ <u>11,600,383</u>        |
| <b>Total Alaska Department of Administration</b>   |                     | <b>\$ <u>11,600,383</u></b> |

\* State Major Program

**FAIRBANKS NORTH STAR BOROUGH**  
**Schedule of State Financial Assistance <sup>1</sup>**  
**For the Year Ended June 30, 2015**  
**(continued)**

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**Alaska Clean Water Fund (ACWF) Loan Programs**

The Fairbanks North Star Borough has two loans available as of June 30, 2015. The first loan agreement governs amounts borrowed to pay for Solid Waste Partial Closure - Cell 1. As of June 30, 2015, the entire \$2,840,000 in ARRA debt forgiveness subsidy has been recovered and \$1,738,955 has been borrowed against the remaining \$3,500,000. The second loan agreement governs amounts borrowed to pay for Solid Waste Expansion - Cells 3 and 4 and includes debt forgiveness subsidy in the amount of \$503,552, which was fully recovered in FY 2013-14. Federal expenditures against this loan in FY 2014-15 are presented in this schedule.

| Program Title                                 | CFDA<br>Number | Total<br>Loan Amount<br>Available | Debt<br>Forgiveness<br>Subsidy | Unsubsidized<br>Loan Amount<br>Outstanding |
|---|----------------|-----------------------------------|--------------------------------|--|
| Partial Landfill Closure                      | ARRA 66.458    | \$ 6,340,000                      | \$ 2,840,000                   | \$ 1,738,955                               |
| Landfill Expansion - Cells 3 & 4 <sup>^</sup> | 66.458         | 10,496,448                        | 503,552                        | 9,429,507                                  |

<sup>^</sup>The terms of the loan for the Solid Waste Expansion - Cells 3 & 4 loan are that after the debt forgiveness subsidy was fully recovered in FY 2013-14, the remaining expenditures are considered 100% loan principal; the loan principal portion consists of commingled federal and state matching funds. Therefore, the total amount is included in the schedule of expenditures of federal awards.

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**<sup>1</sup> Basis of Presentation and Summary of Significant Accounting Policies**

This Schedule of State Financial Assistance (SSFA) includes the state grant activity of the Fairbanks North Star Borough under programs of the state government for the year ended June 30, 2015 and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*. Therefore, some amounts presented in the SSFA may differ from amounts presented in, or used in preparation of, the basic financial statements.

Expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, and in accordance with the requirements of the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

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**<sup>2</sup> PERS Defined Benefit Plan (Tiers I, II, and III)**  
**Employer Relief Funding -- PERS ER 116**  
**Alaska Department of Administration**

In accordance with Alaska Statutes, the State is required to make a direct contribution to the PERS Defined Benefit Plan for the amount by which the actuarially-determined contribution rate exceeds the maximum rate required by the Statutes to be contributed by employers. For fiscal year 2015, the Alaska Legislature appropriated \$1,000,000,000 which exceeds the State's statutorily-required direct contribution. The \$11,600,383 reflects the amount allocated to the Borough by the State for fiscal year 2015. As explained in the Notes to the Financial Statements, the Borough recognized revenue of \$1,377,721 equal to the nonemployer portion of total pension expense.

**FAIRBANKS NORTH STAR BOROUGH**  
**Schedule of State Financial Assistance <sup>1</sup>**  
**For the Year Ended June 30, 2015**  
**(continued)**

**<sup>3</sup> Budget to Actual Comparison**

Human Services Community Matching Grant - FY 2013-14  
Alaska Department of Health and Social Services

A schedule of budgeted and actual revenues and expenditures for the FY 2013-14 Human Services Community Matching Grant from the Alaska Department of Health and Social Services (DHSS) follows:

|                                     | Final<br>Budget | Actual<br>Expenditures | Variance with<br>Final Budget |
|-------------------------------------|-----------------|------------------------|-------------------------------|
| Revenues from State of Alaska       | \$ 358,947      | \$ 358,947             | \$ -                          |
| Expenditures                        |                 |                        |                               |
| Other direct expense                | 341,854         | 341,854                | -                             |
| Indirect costs                      | 17,093          | 17,093                 | -                             |
| Total expenditures                  | <u>358,947</u>  | <u>358,947</u>         | <u>-</u>                      |
| Excess of revenue over expenditures | <u>\$ -</u>     | <u>\$ -</u>            | <u>\$ -</u>                   |

The amount in the "Actual Expenditures" column for "Total Expenditures" is \$854 greater than as footnoted in the Schedule of Expenditures of State Awards as of June 30, 2014; \$854 was the amount expended during the current fiscal year for a required program audit, which was completed and invoiced after June 30, 2014 in conjunction with the Fairbanks North Star Borough's annual audit. Per DHSS instructions, the Borough billed for amounts expended and encumbered (for the program audit) at June 30, 2014.

**<sup>4</sup> Budget to Actual Comparison**

Human Services Community Matching Grant - FY 2014-15  
Alaska Department of Health and Social Services

A schedule of budgeted and actual revenues and expenditures for the FY 2014-15 Human Services Community Matching Grant from the Alaska Department of Health and Social Services (DHSS) follows:

|                                     | Final<br>Budget | Actual<br>Expenditures | Variance with<br>Final Budget |
|-------------------------------------|-----------------|------------------------|-------------------------------|
| Revenues from State of Alaska       | \$ 358,009      | \$ 354,388             | \$ 3,621                      |
| Expenditures                        |                 |                        |                               |
| Other direct expense                | 340,961         | 336,660                | 4,301                         |
| Indirect costs                      | 17,048          | 16,876                 | 172                           |
| Total expenditures                  | <u>358,009</u>  | <u>353,536</u>         | <u>4,473</u>                  |
| Excess of revenue over expenditures | <u>\$ -</u>     | <u>\$ 852</u>          | <u>\$ (852)</u>               |

The amount in the "Actual Expenditures" column for "Total Expenditures" is \$852 greater than as footnoted in the Schedule of Expenditures of State Awards as of June 30, 2015; \$852 was the amount expended during the current fiscal year for a required program audit, which was completed and invoiced after June 30, 2015 in conjunction with the Fairbanks North Star Borough's annual audit. Per DHSS instructions, the Borough billed for amounts expended and encumbered (for the program audit) at June 30, 2015. One sub-grantee left \$3,621 in State funds unspent at fiscal year-end, resulting in a variance with final budget.

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**FAIRBANKS NORTH STAR BOROUGH  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2015**

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

Financial Statements

|   |                                |
|---|--------------------------------|
| Type of auditor's report issued:                | unmodified                     |
| Internal control over financial reporting:      |                                |
| Significant deficiency(ies) identified?         | Yes ___ <u>X</u> None reported |
| Material weakness(es) identified?               | Yes ___ <u>X</u> No            |
| Noncompliance material to financial statements? | Yes ___ <u>X</u> No            |

State Financial Assistance

|   |                                |
|---|--------------------------------|
| Type of auditor's report issued on compliance for major programs: | unmodified                     |
| Internal control over major programs:                             |                                |
| Significant deficiency(ies) identified?                           | Yes ___ <u>X</u> None reported |
| Material weakness(es) identified?                                 | Yes ___ <u>X</u> No            |
| Dollar threshold used to distinguish a state major program:       | <u>\$ 300,000</u>              |

**SECTION II - FINANCIAL STATEMENT FINDINGS**

The Fairbanks North Star Borough did not have any findings that relate to the financial statements.

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

The Fairbanks North Star Borough did not have any findings that relate to the Schedule of State Financial Assistance.

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