



**REPORTS ON SINGLE AUDIT REQUIREMENTS
FOR FISCAL YEAR ENDED
JUNE 30, 2009**



Fairbanks North Star Borough



Reports On Single Audit Requirements

For the Year Ended June 30, 2009

December 16, 2009

FAIRBANKS NORTH STAR BOROUGH
REPORTS ON SINGLE AUDIT REQUIREMENTS
For The Year Ended June 30, 2009

TABLE OF CONTENTS

Federal Single Audit

I.	Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on An Audit of Financial Statements Performed In Accordance With <i>Government Auditing Standards</i>	1
II.	Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133	3
III.	Schedule of Expenditures of Federal Awards	5
IV.	Schedule of Findings and Questioned Costs	11

State Single Audit

I.	Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on An Audit of Financial Statements Performed In Accordance With <i>Government Auditing Standards</i>	13
II.	Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With the <i>State of Alaska Audit Guide and Compliance Supplement for State Single Audits</i>	15
III.	Schedule of State Financial Assistance	17
IV.	Schedule of Findings and Questioned Costs	21

**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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, 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, 2009, 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 fiduciary funds presented in the combining and individual fund financial statements and schedules as of and for the year ended June 30, 2009 and have issued our report thereon dated December 16, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Borough's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Borough's internal control over financial reporting.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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

Page 2

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Borough's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Mayor, members of the Borough Assembly and the Assembly Audit Committee and management of the Fairbanks North Star Borough, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Cook + Haugeberg LLC

December 16, 2009

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

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133

Compliance

We have audited the compliance of the Fairbanks North Star Borough (Borough) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. 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. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Borough's management. Our responsibility is to express an opinion on the Borough's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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. Our audit does not provide a legal determination of the Borough's compliance with those requirements.

In our opinion, the Fairbanks North Star Borough complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control over Compliance

The management of the Fairbanks North Star Borough is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Borough's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Fairbanks North Star Borough's internal control over compliance.

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

Page 2

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Fairbanks North Star Borough, as of and for the year ended June 30, 2009, 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 fiduciary funds presented in the combining and individual fund financial statements and schedules as of and for the year ended June 30, 2009 and have issued our report thereon dated December 16, 2009. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the Fairbanks North Star Borough's basic financial statements and combining and individual fund financial statements and schedules. 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 has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Mayor, members of the Borough Assembly and the Assembly Audit Committee and management of the Fairbanks North Star Borough, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Cook → Haugeberg LLC

December 16, 2009

FAIRBANKS NORTH STAR BOROUGH
Schedule of Expenditures of Federal Awards ¹
For the Year Ended June 30, 2009

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
---	---------------------------	--	-------------------------

U.S. DEPARTMENT OF AGRICULTURE

Direct Programs

State and Community Fire Assistance FFY05	10.664		\$ 143,550
State and Community Fire Assistance FFY06	10.664		82,372
Cooperative Forestry Assistance FFY09	10.664	08DG1110 0100217	760
Total U.S. Department of Agriculture			\$ 226,682

U.S. DEPARTMENT OF THE INTERIOR

Direct Programs

Federal Payments in Lieu of Taxes FY09 *	15.226		\$ 579,574
--	--------	--	------------

National Park Service

Passed through State of Alaska

Department of Fish and Game

Tanana Lakes Preliminary Design	15.605	ADF&G COOP 07-53	16,989
---------------------------------	--------	------------------	--------

Passed through State of Alaska

Department of Natural Resources

Historic Signage Plan	15.904	#07481	13,633
Historic Preservation Travel FY08	15.904	#07496	2,556
Tanana Lakes Recreation Area Development	15.916	02-00392	58,045

Total U.S. Department of the Interior

\$ 670,797

U.S. DEPARTMENT OF TRANSPORTATION

Federal Highway Administration

Passed through Federal Transit Administration:

Coordinated Transportation Program	20.205	AK-90-X029-01	\$ 46,225
06 CMAQ Ops Demo-New Buses New Routes	20.205	AK-90-X044-00	489,690

Passed through State of Alaska

Department of Transportation and Public Facilities:

FHWA-PL Highway Planning & Research FFY08 *	20.205	ACPL-1260(3) 76557	30,855
FHWA-PL Highway Planning & Research FFY09 *	20.205	ACPL-1260(4) 80198	106,239
PM 2.5 Reduction and Air Quality Studies - Phase I *	20.205	60226	277,316
PM 2.5 Reduction and Air Quality Studies - Phase II *	20.205	60990	170,044
Oxygen Sensor Replacement Program *	20.205	62624	38,156

Passed through State of Alaska

Department of Natural Resources:

Tanana Lakes Trailhead Parking and Nature Trail *	20.219	10795745	36,131
Recreation Trails Easements *	20.219	10795846	2,286

*Federal Major Program

FAIRBANKS NORTH STAR BOROUGH
Schedule of Expenditures of Federal Awards ¹
For the Year Ended June 30, 2009
(continued)

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Federal Transit Administration			
Section 5307 Operating Assistance - FFY08	20.507	AK-90-X041-01	\$ 49,126
Section 5307 Operating Assistance - FFY09	20.507	AK-90-X051-00	746,449
Passed through State of Alaska			
Department of Public Facilities:			
FTA 5303 Highway Planning and Research FFY07	20.514	TORA AK-80-X016	26,443
FTA 5303 Highway Planning and Research FFY08	20.514	TORA AK-80-X017	31,684
Total U.S. Department of Transportation			\$ 2,050,644
INSTITUTE OF MUSEUM AND LIBRARY SERVICES			
Passed through Alaska State Library:			
Regional Library Services FY09	45.310	RS-09-733-101	\$ 100,000
Books by Mail Services FY09	45.310	ILC-09-733-115	16,470
Library Continuing Education Grant FY09 - #1	45.310	CED-09-733-159	1,000
Library Continuing Education Grant FY09 - #2	45.310	CED-09-733-190	1,000
Library Continuing Education Grant FY09 - #3	45.310	CED-09-733-189	1,000
Guys Read Program FY09	45.310	ILC-09-733-116	7,613
Total Institute of Museum and Library Services			\$ 127,083
U.S. ENVIRONMENTAL PROTECTION AGENCY			
Direct Programs			
Clean-Up Universal Recycling Property	66.818	BF-96045301-2	\$ 25,572
Clean-Up Old City Landfill Property	66.818	BF-96045201-1	2,796
Universal Recycling Environmental Site Assessment	66.818	BF-97092201-5	64,233
Reduce Carbon Monoxide in Non-Attainment Area	66.606	X-97071501-4	62,015
Passed through State of Alaska			
Department of Environmental Conservation:			
Air Quality Program FY 2008-09	66.001		72,500
Total U.S. Environmental Protection Agency			\$ 227,116
U.S. DEPARTMENT OF EDUCATION			
Passed through Fairbanks North Star Borough			
School District:			
School District Kitchen Replacement *	84.041	SD #S04 1E 040002	\$ 3,835,923
Total U.S. Department of Education			\$ 3,835,923

FAIRBANKS NORTH STAR BOROUGH
Schedule of Expenditures of Federal Awards ¹
For the Year Ended June 30, 2009
(continued)

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through State of Alaska			
Department of Education and Early Development			
Child Care Assistance -- FY2007-08 ³	93.575	604-08-903	\$ 735
Child Care Assistance -- FY2008-09 ²	93.575	604-09-903	442,225
Child Care Information Resource and Referral FY09	93.575	09MOA PLAYNLRN	132,550
Total U.S. Department of Health and Human Services			\$ 575,510
U.S. DEPARTMENT OF HOMELAND SECURITY			
Federal Emergency Management Agency (FEMA)			
Passed through State of Alaska			
Department of Military and Veterans Affairs:			
2008 Flood - Debris Removal *	97.036	DR-1796-FNSB-A1	\$ 1,194
2008 Flood - Emergency Protective Measures *	97.036	DR-1796-FNSB-B1	100,482
2008 Flood - Becker Ridge Road Service Area *	97.036	DR-1796 FNSB-C1	41,297
2008 Flood - Eielson Farm Road *	97.036	DR-1796 FNSB-C2	125,410
2008 Flood - Chena Marina Road Service Area *	97.036	DR-1796 FNSB-C3	3,406
2008 Flood - Loftus Road, 0.45 Mile S. of Geist Rd. *	97.036	DR-1796 FNSB-C4	34,393
Emergency Management Performance Grant FFY08	83.534		110,315
Emergency Management Performance Grant FFY09	83.534		55,950
Sewell Drive Flood Plain Acquisition - DSR #1440	97.039	1440.0008b	32,856
Sewell Drive Flood Plain Acquisition - DSR #1571	97.039	1571.0008	22,750
State Homeland Security Program FFY06	97.073	2006-GE-T6-0015	163,896
State Homeland Security Program FFY07	97.073	2007-GE-T7-0003	127,103
State Homeland Security Program FFY08	97.067	2008-GE-T8-0005	5,502
Passed through State of Alaska Department of Commerce, Community and Economic Development			
Flood Plain Planning, Development and Training	97.023	ENC NO. 890522	\$ 1,053
Total U.S. Department of Homeland Security			\$ 825,607
Grand Total - Federal Financial Assistance			\$ 8,539,362

*Federal Major Program

FAIRBANKS NORTH STAR BOROUGH
Schedule of Expenditures of Federal Awards ¹
For the Year Ended June 30, 2009
(continued)

¹ Basis of Presentation

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

² Budget to Actual Comparison

Child Care Assistance Grant – FY 2008-09
U.S. Department of Health and Human Services

A schedule of budgeted and actual revenues and expenditures for the Child Care Assistance - FY2008-09 grant from the U.S. Department of Health and Human Services, passed through the State of Alaska Department of Health and Social Services (DHSS) follows:

	Final Budget	Actual Expenditures	Variance with Final Budget
Revenues from State of Alaska	\$ 443,000	\$ 443,000	\$ -
Expenditures			
Personal services	438,350	438,889	(539)
Travel			-
Facility expense			-
Supplies	2,150	2,124	26
Equipment			-
Other direct expense	2,500	1,212	1,288
Total direct expense	<u>443,000</u>	<u>442,225</u>	<u>775</u>
Indirect costs	-	-	-
Total expenditures	<u>443,000</u>	<u>442,225</u>	<u>775</u>
Excess of revenue over expenditures	<u>\$ -</u>	<u>\$ 775</u>	<u>\$ (775)</u>

The \$775 excess of revenue over expenditures is in Other direct expense and represents an encumbrance for a required program audit, to be completed and invoiced after June 30, 2009 in conjunction with the Fairbanks North Star Borough's annual audit. Per DHSS instructions, the Borough is to bill for all amounts expended and encumbered at June 30, 2009, show all encumbered amounts as expended on the final Cumulative Fiscal Report, and footnote any outstanding encumbrances.

FAIRBANKS NORTH STAR BOROUGH
Schedule of Expenditures of Federal Awards ¹
For the Year Ended June 30, 2009
(continued)

³ **Budget to Actual Comparison**

Child Care Assistance Grant – FY 2007-08
U.S. Department of Health and Human Services

A schedule of budgeted and actual revenues and expenditures for the Child Care Assistance - FY 2007-08 grant from the U.S. Department of Health and Human Services, passed through the State of Alaska Department of Health and Social Services (DHSS) follows:

	Final Budget	Actual Expenditures	Variance with Final Budget
Revenues from State of Alaska	\$ 443,000	\$ 443,000	\$ -
Expenditures			
Personal services	423,030	423,431	(401)
Travel			-
Facility expense	13,200	13,208	(8)
Supplies	4,000	4,455	(455)
Equipment	270	764	(494)
Other direct expense	2,500	1,142	1,358
Total direct expense	443,000	443,000	-
Indirect costs	-	-	-
Total expenditures	443,000	443,000	-
Excess of revenue over expenditures	\$ -	\$ -	\$ -

The amount in the "Actual Expenditures" column for "Other direct expense" is \$735 greater than as footnoted in the Schedule of Expenditures of Federal Awards as of June 30, 2008; \$735 was the amount expended during the current fiscal year for a required program audit, which was completed and invoiced after June 30, 2008 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, 2008.

Loan Outstanding

The Fairbanks North Star Borough has the following loan balance outstanding at June 30, 2009. The balance outstanding includes federal expenditures incurred in prior fiscal years. No federal expenditures were incurred in FY 2008-09. One loan agreement governs amounts borrowed to pay for the construction of two landfill cells. Repayment terms are distinct for each cell. At June 30, 2009, there is no amount outstanding for the first cell. During FY 2005-06, the loan terms for the second cell were renegotiated to roll the remaining balance of accrued interest in to the amount of principal outstanding, then to amortize the combined balance over five years at a reduced interest rate. The renegotiated terms took effect in FY 2006-07, and the first repayment was made on September 30, 2007, one year following substantial completion of the second cell. At June 30, 2009, the principal amount outstanding includes only the remaining unpaid loan funds that were drawn down in prior fiscal years to pay for project expenditures and does not include the accrued interest.

Program Title	CFDA Number	Amount Available	Amount Outstanding
Solid Waste Landfill Cell Expansion Loan	66.458	\$ 12,500,000	\$ 3,758,471

THIS PAGE INTENTIONALLY LEFT BLANK

**FAIRBANKS NORTH STAR BOROUGH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2009**

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: unqualified

Internal control over financial reporting:

Material weakness(es) identified? Yes No

Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes None reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? Yes No

Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes None reported

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

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

Identification of major programs:

<u>CFDA No.</u>	<u>Name of Federal Program or Cluster</u>
15.226	Federal Payments in Lieu of Taxes FY09
20.205	Highway Planning and Construction
20.219	Recreational Trails Program
84.041	Impact Aid
97.036	Disaster Grants - Public Assistance

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

Auditee qualified as low-risk auditee? Yes No

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reportable.

SECTION III - FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

No matters were reportable.

THIS PAGE INTENTIONALLY LEFT BLANK

**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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, 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, 2009, 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 fiduciary funds presented in the combining and individual fund financial statements and schedules as of and for the year ended June 30, 2009 and have issued our report thereon dated December 16, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Fairbanks North Star Borough's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Borough's internal control over financial reporting.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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

Page 2

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Borough's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Mayor, members of the Borough Assembly and the Assembly Audit Committee and management of the Fairbanks North Star Borough, and the State of Alaska and is not intended to be and should not be used by anyone other than these specified parties.

Cook & Haugeberg LLC

December 16, 2009

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

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

Compliance

We have audited the compliance of the Fairbanks North Star Borough (Borough) with the types of compliance requirements described in the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits* that are applicable to each of its major state programs for the year ended June 30, 2009. The Borough's major state programs are identified in the accompanying Schedule of State Financial Assistance. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major state programs is the responsibility of the Borough's management. Our responsibility is to express an opinion on the Borough's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*. Those standards and the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Borough's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Borough's compliance with those requirements.

In our opinion, the Fairbanks North Star Borough complied, in all material respects, with the requirements referred to above that are applicable to each of its major state programs for the year ended June 30, 2009.

Internal Control Over Compliance

The management of the Fairbanks North Star Borough is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to state programs. In planning and performing our audit, we considered the Borough's internal control over compliance with the requirements that could have a direct and material effect on a major state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Fairbanks North Star Borough's internal control over compliance.

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

Page 2

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a state program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a state program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a state program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that material noncompliance with a type of compliance requirement of a state program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of State Financial Assistance

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Fairbanks North Star Borough, as of and for the year ended June 30, 2009, 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 fiduciary funds presented in the combining and individual fund financial statements and schedules as of and for the year ended June 30, 2009 and have issued our report thereon dated December 16, 2009. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Fairbanks North Star Borough's basic financial statements and combining and individual fund financial statements and 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Mayor, members of the Borough Assembly and the Assembly Audit Committee and management of the Fairbanks North Star Borough, and the State of Alaska and is not intended to be and should not be used by anyone other than these specified parties.

Cook + Haugberg LLC

December 16, 2009

FAIRBANKS NORTH STAR BOROUGH
Schedule of State Financial Assistance
For the Year Ended June 30, 2009

Name of Award	Grantor's Number	State Expenditures
ALASKA DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT		
Alaska Regional Development ARDOR – FY 2008-09	DCCED ENC#881543	\$ 51,666
Bandwidth Upgrade at North Pole Schools *	08-DC-265	1,654
Becker Ridge Service Area Rosie Creek Trail *	08-DC-266	239,789
Borough-Wide Road Improvements and Upgrades *	07-DC-508	637,030
Capital Projects	05-MGR-004	43,688
Capital Projects on the School District Small Grants List *	06-DC-349	91,825
Carlson Center Sound System Upgrade *	07-DC-287	7,961
Central Kitchen Phase II *	08-DC-403	2,430,387
Chena Hot Springs Road Public Safety Radio Upgrades	06-MGR-001	1,780
Chena Lakes Outdoor Showers *	07-DC-288	1,586
Chena Lakes Recreation Area Restroom Accessibility	07-MGR-004	114
Chena Lakes Recreation Area/Restroom Access Improvements *	06-DC-180	379
Community Revenue Sharing – FY 2008-09 *		3,646,324
District 11 Road Service Area Improvements *	07-DC-289	762
District 12 Road Service Area Improvements *	07-DC-290	90
District 12 Road Service Area Improvements *	06-RR-024	320
Districts 3, 4, and 5 Existing Road Maintenance *	07-DC-286	74,165
Ester Volunteer Fire Department *	06-DC-357	125,000
Ester Volunteer Fire Department Fire Station Addition *	09-DC-458	264,724
Fire Station Addition (Ester Volunteer Fire Department) *	08-DC-157	1,197,056
FNSB School District Central Kitchen Replacement *	07-DC-291	6,010,426
Golden Heart Park Project, Repair and Improve Downtown Park *	07-DC-293	23,041
Haystack Drive Ice Overflow Repair and Prevention *	05-DC-045	1,802
Haystack Road Service Area - Haystack, Leuthold, Duffy, Middle Fork Repair and/or Restore Drainage *	08-DC-264	38
House District 11 Road Service Area Improvements *	06-RR-023	951
House District 12 Road Service Area Improvements *	06-DC-183	31,309
Hutchison High School Security Upgrades *	09-DC-459	24,464
Joy Elementary School Mobile Learning Lab *	09-DC-460	55,000
Lathrop High School Athletic, Fitness & Wellness Equipment *	09-DC-205	8,021
Lathrop High School Library Book Security System *	09-DC-206	11,633
North Pole Middle School Mobile Learning Labs *	08-DC-271	19,014
North Pole Middle School Security System *	07-DC-299	6,406
North Pole Elementary School Wireless Access Project *	09-DC-463	19,539
North Pole High School Vocational Education Equipment *	06-RR-025	7,621
North Pole Middle School Replacement of Chalk Boards *	09-DC-465	20,902
North Star VFD Facility Exhaust and Ventilation Improvements *	06-DC-184	135,723
Parks Highway Fire Station Addition (Ester VFD) *	07-DC-527	200,000
Pearl Creek Elementary School Replace Office Intercom Panel *	09-DC-466	19,339
Road Service Area Maintenance & Improvements - District 11 *	08-DC-272	71,827

*State Major Program

FAIRBANKS NORTH STAR BOROUGH
Schedule of State Financial Assistance
For the Year Ended June 30, 2009
(continued)

Name of Award	Grantor's Number	State Expenditures
Road Service Area Projects *	09-DC-467	\$ 4,436
Road Service Areas - District 12 *	08-DC-273	15,163
School District Area-Wide Fuel Oil Tank Replacement *	09-DC-207	248,319
Steese Fire Service Area Commission/Replacement of Pumper/Engine E-61 *	08-DC-141	349,948
Volunteer Fire Department Station #3 Exhaust & Ventilation *	08-DC-277	25,040
Volunteer Fire Department Station #4 Exhaust & Ventilation *	08-DC-278	19,003
Weller Elementary School Mobile Learning Lab *	09-DC-469	52,710
Woodriver Elementary School Mobile Computer Learning Lab *	08-DC-276	8,315
Total State of Alaska Department of Commerce, Community and Economic Development		\$ <u>16,206,290</u>
ALASKA HOUSING FINANCE CORPORATION		
State Payments in Lieu of Taxes – FY 2008-09		\$ 20,292
Residential Energy Conservation Outreach & Public Relations	No. FSB-08-FSB-1	253,318
Total Alaska Housing Finance Corporation		\$ <u>273,610</u>
ALASKA DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT		
Net Lender Reimbursement Program - FY 2007-08	ILC-08-733-106	\$ 4,506
Net Lender Reimbursement Program - FY 2008-09	ILC-09-733-151	429
Public Library Assistance - FY2007-08	PLA-08-733-21	6,668
Public Library Assistance - FY2007-08	PLA-09-733-22	19,050
Audio-Visual Equipment to Preserve Native Oral Histories	AID-FY08	1
Fairbanks District-Wide Fuel Oil Tank Replacement *	Project # GR-09-006	553,547
State Aid for Debt Service - FY 2008-09 *		9,440,605
Total Alaska Department of Education and Early Development		\$ <u>10,024,806</u>
ALASKA DEPARTMENT OF ENVIRONMENTAL CONSERVATION		
Oil Spill Response Capabilities - Equipment and Training	cc18558002 2/08	\$ 44,397
Total Alaska Department of Environmental Conservation		\$ <u>44,397</u>
ALASKA DEPARTMENT OF HEALTH AND SOCIAL SERVICES		
Human Services Community Matching Grant - FY 2007-08 ³ *	605-08-011	\$ 735
Human Services Community Matching Grant - FY 2008-09 ² *	605-09-011	311,432
Total Alaska Department of Health and Social Services		\$ <u>312,167</u>

FAIRBANKS NORTH STAR BOROUGH
Schedule of State Financial Assistance
For the Year Ended June 30, 2009
(continued)

Name of Award	Grantor's Number	State Expenditures
INTERIOR REGIONAL HOUSING AUTHORITY		
Interior Regional Housing Authority - FY 2008-09		\$ 29,382
Total Interior Regional Housing Authority		\$ 29,382
ALASKA DEPARTMENT OF REVENUE		
State Telephone and Electric Co-op - FY 2008-09 *		\$ 418,665
State Fish Tax - FY 2008-09		266
FNSB Senior Quality of Life Assessment	GIFTS ID: 1510	16,914
Total Alaska Department of Revenue		\$ 435,845
ALASKA DEPARTMENT OF TRANSPORTATION		
FNSB Coordinated Transit Program	MOA# 61283	\$ 4,588
North Pole 8th Avenue Bike Path	025-81018 #77250	51,062
Total Alaska Department of Transportation		\$ 55,650
Grand Total - State Financial Assistance		\$ 27,382,147
Unsubstantiated by the Fairbanks North Star Borough:		
ALASKA DEPARTMENT OF ADMINISTRATION		
PERS Defined Benefit Plan Employer Relief Funding according to letter dated August 25, 2009 ¹ *	PERS ER 116	\$ 2,740,614
Total State of Alaska Department of Administration		\$ 2,740,614
Grand Total - Adjusted for Inclusion of PERS Relief Allocation		\$ 30,122,761

¹ 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 2009, the Alaska Legislature appropriated \$241,600,000 for the State's statutorily-required direct contribution. As explained in the Notes to the Financial Statements, although the Fairbanks North Star Borough (Borough) acknowledges the State's direct contribution, no portion of it is recorded in the Borough's financial statements. The \$2,740,614 reflects the amount allocated to the Borough by the State for fiscal year 2009.

FAIRBANKS NORTH STAR BOROUGH
Schedule of State Financial Assistance
For the Year Ended June 30, 2009
(continued)

² **Budget to Actual Comparison**

Human Services Community Matching Grant - FY 2008-09
Alaska Department of Health and Social Services

A schedule of budgeted and actual revenues and expenditures for the FY 2008-09 Human Services Community Matching Grant from the Alaska Department of Health and Social Services (DHSS) follows:

	Final Budget	Actual Expenditures	Variance with Final Budget
Revenues from State of Alaska	\$ 312,225	\$ 312,207	\$ 18
Expenditures			
Other Direct Expense	297,357	296,565	792
Indirect Cost	14,868	14,867	1
Total Expenditures	<u>312,225</u>	<u>311,432</u>	<u>793</u>
Excess of revenue over expenditures	<u>\$ -</u>	<u>\$ 775</u>	<u>\$ (775)</u>

The \$775 excess of revenue over expenditures in Other Direct Expense represents an encumbrance for a required program audit, to be completed and invoiced after June 30, 2009 in conjunction with the Fairbanks North Star Borough's annual audit. Per DHSS instructions, the Borough is to bill for all amounts expended and encumbered at June 30, 2009, show all encumbered amounts as expended on the final Cumulative Fiscal Report, and footnote any outstanding encumbrances.

³ **Budget to Actual Comparison**

Human Services Community Matching Grant - FY2007-08
Alaska Department of Health and Social Services

A schedule of budgeted and actual revenues and expenditures for the FY 2007-08 Human Services Community Matching Grant from the Alaska Department of Health and Social Services (DHSS) follows:

	Final Budget	Actual Expenditures	Variance with Final Budget
Revenues from State of Alaska	\$ 314,983	\$ 314,936	\$ 47
Expenditures			
Other Direct Expense	299,984	299,939	45
Indirect Cost	14,999	14,997	2
Total Expenditures	<u>314,983</u>	<u>314,936</u>	<u>47</u>
Excess of revenue over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The amount in the "Actual Expenditures" column for "Total Expenditures" is \$735 greater than as footnoted in the Schedule of Expenditures of State Awards as of June 30, 2008; \$735 was the amount expended during the current fiscal year for a required program audit, which was completed and invoiced after June 30, 2008 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, 2008.

**FAIRBANKS NORTH STAR BOROUGH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2009**

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	Yes ___ <u>X</u> No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	Yes ___ <u>X</u> None reported
Noncompliance material to financial statements?	Yes ___ <u>X</u> No

State Financial Assistance

Internal control over major programs:	
Material weakness(es) identified?	Yes ___ <u>X</u> No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	Yes ___ <u>X</u> None reported
Type of auditor's report issued on compliance for major programs:	unqualified
Dollar threshold used to distinguish a major program:	<u>\$ 300,000</u>

Identification of major programs:

Department of Commerce, Community and Economic Development
 Program #17 - State Revenue Sharing Program
 Program #23 - Grants to Municipalities

Department of Education and Early Development
 Program #02 - Debt Retirement Program

Department of Education and Early Development
 Program #04 - Capital Improvement Projects for School Districts

Department of Health and Social Services
 Program #25 - Human Services Community Matching Grants

Department of Revenue
 Program #03 - Shared Taxes, Electric and Telephone Cooperatives

Department of Administration
 PERS Defined Benefit Plan Employer Relief Funding

SECTION II - FINANCIAL STATEMENT FINDINGS

The Fairbanks North Star Borough did not have any findings that relate to the financial statements that are required to be reported in accordance with GAGAS.

SECTION III - STATE AWARDS FINDINGS AND QUESTIONED COSTS

No matters were reportable.

THIS PAGE INTENTIONALLY LEFT BLANK



