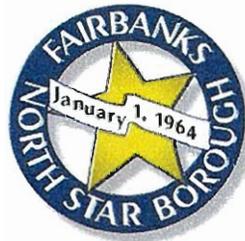




**REPORTS ON SINGLE AUDIT REQUIREMENTS
FOR FISCAL YEAR ENDED
JUNE 30, 2010**



Fairbanks North Star Borough



Reports On Single Audit Requirements

For the Year Ended June 30, 2010

December 13, 2010

FAIRBANKS NORTH STAR BOROUGH
REPORTS ON SINGLE AUDIT REQUIREMENTS
For The Year Ended June 30, 2010

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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

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, 2010, 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, 2010 and have issued our report thereon dated December 13, 2010. 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 *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 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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, 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

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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*.

We noted other matters that we reported to the management of the Borough in a separate letter dated December 13, 2010.

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 13, 2010

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

REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT
ON 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 could have a direct and material effect on each of the Borough's major federal programs for the year ended June 30, 2010. 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. 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 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, 2010.

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 to determine the auditing procedures for the purpose of expressing our opinion on compliance 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 Fairbanks North Star Borough's internal control over compliance.

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

Page 2

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.

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 deficiencies, 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, 2010, 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, 2010 and have issued our report thereon dated December 13, 2010. 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 13, 2010

FAIRBANKS NORTH STAR BOROUGH
Schedule of Expenditures of Federal Awards ¹
For the Year Ended June 30, 2010

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
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U.S. DEPARTMENT OF AGRICULTURE

Direct Programs

State and Community Fire Assistance FFY05 ²	10.664		\$ 114,609
State and Community Fire Assistance FFY06 ³	10.664		172,747
Cooperative Forestry Assistance FFY09 ⁴	10.664	08DG11100100217	48,169
Total U.S. Department of Agriculture			\$ <u>335,525</u>

U.S. DEPARTMENT OF COMMERCE

Direct Program

2010 Comprehensive Economic Development Strategy	11.302	07-87-06464	\$ 17,970
Total U.S. Department of Commerce			\$ <u>17,970</u>

U.S. DEPARTMENT OF THE INTERIOR

Fish and Wildlife Cluster

National Park Service

Pass-Through Program from:

Alaska Department of Fish and Game

Tanana Lakes Preliminary Design	15.605	ADF&G COOP 07-53	\$ 32,868
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Total Fish and Wildlife Cluster			\$ <u>32,868</u>
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Direct Program

Federal Payments in Lieu of Taxes FY10	15.226		409,406
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National Park Service

Pass-Through Programs from:

Alaska Department of Natural Resources

Historic Preservation Project - Phase 1	15.904	#09515	2,109
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Tanana Lakes Recreation Area Development	15.916	02-00392	317,182
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Total U.S. Department of the Interior			\$ <u>761,565</u>
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FAIRBANKS NORTH STAR BOROUGH
Schedule of Expenditures of Federal Awards ¹
For the Year Ended June 30, 2010
(continued)

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF TRANSPORTATION			
<i>Highway Planning and Construction Cluster</i>			
Federal Transportation Administration (FTA)			
Direct Program			
Transit Bus and Equipment Replacement	20.205	AK-15-X001-00	\$ 17,565
Federal Highway Administration (FHWA)			
Pass-Through Programs from:			
Federal Transit Administration (FTA)			
Coordinated Transportation Program	20.205	AK-90-X029-01	61,980
06 CMAQ Ops Demo-New Buses New Routes	20.205	AK-90-X044-00	327,521
Alaska Department of Transportation			
FHWA-PL Highway Planning & Research FFY09-10	20.205	ACPL1260-(4) 80198	141,042
PM 2.5 Reduction and Air Quality Studies - Phase I	20.205	60226	17,538
PM 2.5 Reduction and Air Quality Studies - Phase II	20.205	60990	428,771
Alaska Department of Natural Resources			
100-Mile Loop Isberg Recreation Area	20.219	10795858	46,519
Trail Etiquette Signage Grant	20.219	10795761/672	14,789
Recreation Trails Easements	20.219	10795846	5,864
Tanana Lakes Trailhead Parking and Nature Trail	20.219	10795745	13,869
Total Highway Planning and Construction Cluster			\$ 1,075,458
Federal Transit Cluster			
Federal Transportation Administration (FTA)			
Direct Programs			
Transit Equipment Acquisitions	20.500	AK-04-0008-00	71,669
Section 5307 Operating Assistance - FFY08	20.507	AK-90-X041-01	2,441
Section 5307 Operating Assistance - FFY09	20.507	AK-90-X051-00	45,024
Section 5307 Operating Assistance - FFY10	20.507	AK-90-X055-00	574,718
ARRA Transit Vans, Services and Equipment	20.507	ARRA AK-96-X002-00	102,937
Total Federal Transit Cluster			\$ 796,789
Pass-Through Program from:			
Alaska Department of Transportation			
FTA 5303 Highway Planning and Research FFY08	20.514	TORA AK-80-X017	23,768
Total U.S. Department of Transportation			\$ 1,896,015

FAIRBANKS NORTH STAR BOROUGH
Schedule of Expenditures of Federal Awards ¹
For the Year Ended June 30, 2010
(continued)

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
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INSTITUTE OF MUSEUM AND LIBRARY SERVICES

Pass-Through Programs from:

Alaska State Library

Regional Library Services FY10	45.310	RS-10-733-101	\$ 110,208
Library Continuing Education Grant FY10 - #1	45.310	CED-10-733-158	1,000
Library Continuing Education Grant FY10 - #2	45.310	CED-10-733-157	1,500
Library Continuing Education Grant FY10 - #3	45.310	CED-10-733-191	1,500
Guys Read Program FY09	45.310	ILC-09-733-116	2,387
Guys Read Program FY10	45.310	ILC-10-733-140	2,500
Girls Read Pilot Program FY10	45.310	ILC-10-733-119	6,500
Guys Read Efficacy Project FY10	45.310	ILC-10-733-139	2,320

Total Institute of Museum and Library Services **\$ 127,915**

U.S. ENVIRONMENTAL PROTECTION AGENCY

Direct Programs

Clean-Up Universal Recycling Property	66.818	BF-960453-01-2	\$ 21,447
Clean-Up Old City Landfill Property	66.818	BF-960452-01-1	15,255

Pass-Through Programs from:

Alaska Department of Environmental Conservation

Air Quality Program FY 2009-10	66.001	2010 MOA DEC	72,500
ARRA Subsidy - Solid Waste Landfill Partial Closure	66.458	ARRA #339071	2,500,000
Energy Efficiency Education Program	66.605	AQ 10-2-49782	67,000

Total U.S. Environmental Protection Agency **\$ 2,676,202**

U.S. DEPARTMENT OF ENERGY

Direct Program

ARRA Energy Efficiency Education Program	81.128	ARRA DE-SC000-1498	\$ 15,096
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Total U.S. Department of Energy **\$ 15,096**

FAIRBANKS NORTH STAR BOROUGH
Schedule of Expenditures of Federal Awards¹
For the Year Ended June 30, 2010
(continued)

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
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U.S. DEPARTMENT OF EDUCATION

State Fiscal Stabilization Cluster

Pass-Through Program from:

Alaska Department of Commerce, Community and
Economic Development

ARRA Community Economic Stabilization Program	84.397	ARRA-FFY09-800159	\$ <u>1,968,520</u>
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Total State Fiscal Stabilization Fund Cluster			\$ <u><u>1,968,520</u></u>
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DENALI COMMISSION

Pass-Through Program from:

University of Alaska Fairbanks

Alaska Sourcelink Web Portal	90.100	UAF G-5372	\$ <u>5,933</u>
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Total Denali Commission			\$ <u><u>5,933</u></u>
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U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

CCDF Cluster

Pass-Through Program from:

Alaska Department of Health and Social Services

Child Care Assistance -- FY2008-09 ⁵	93.575	604-09-903	\$ 775
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Child Care Assistance -- FY2009-10 ⁶	93.575	604-10-903	463,378
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Child Care Information Resource and Referral FY10	93.575	10MOA PLAYNLRN	<u>137,190</u>
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Total CCDF Cluster			\$ <u><u>601,343</u></u>
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CORPORATION FOR NATIONAL AND COMMUNITY SERVICE

Direct Program

AmeriCorps*VISTA Umbrella Leader Travel FY10	94.013	07VSPAK005	\$ <u>386</u>
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Total Corporation for National and Community Service			\$ <u><u>386</u></u>
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FAIRBANKS NORTH STAR BOROUGH
Schedule of Expenditures of Federal Awards ¹
For the Year Ended June 30, 2010
(continued)

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
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U.S. DEPARTMENT OF HOMELAND SECURITY

Homeland Security Cluster

Pass-Through Program from:

Alaska Department of Military and Veterans Affairs

2008 State Homeland Security Program	97.067	2008-GE-T8-0005	\$ <u>111,266</u>
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Total Homeland Security Cluster			\$ <u>111,266</u>
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Federal Emergency Management Agency (FEMA)

Pass-Through Programs from:

Alaska Department of Military and Veterans Affairs

2008 Flood - Becker Ridge Road Service Area	97.036	DR-1796 FNSB-C1	1,433
2008 Flood - Eielson Farm Road	97.036	DR-1796 FNSB-C2	18,410
2008 Flood - Chena Marina Road Service Area	97.036	DR-1796 FNSB-C3	2,553
2008 Flood - Loftus Road, 0.45 Mile S. of Geist Rd.	97.036	DR-1796 FNSB-C4	4,915
Emergency Management Performance Grant FFY09	97.042	2009-EP-E9-0036	69,050
Emergency Management Performance Grant FFY10	97.042	2010-EP-E0-0026	33,429

Pass-Through Program from:

Alaska Department of Military and Veterans Affairs

2007 State Homeland Security Program	97.073	2007-GE- T7-0003	<u>177,234</u>
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Total U.S. Department of Homeland Security			\$ <u>418,290</u>
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Grand Total - Federal Financial Assistance			\$ <u>8,824,760</u>
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FAIRBANKS NORTH STAR BOROUGH
Schedule of Expenditures of Federal Awards ¹
For the Year Ended June 30, 2010
(continued)

¹ 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, 2010 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 reported on the SEFA are reported on the accrual basis of accounting. Such 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 numbers are presented where available.

Subrecipients of Federal Awards

Of the federal expenditures presented on the SEFA, the Fairbanks North Star Borough provided federal awards to subrecipients as follows:

Subrecipient, Purpose, Program Title ²⁻⁴	Federal CFDA Number	Amount Provided to Subrecipients
Alaska Department of Natural Resources, Division of Forestry: Community Wildfire Protection Plan, Hazardous Fuels Mapping, Hazardous Fuels Reduction in Old Murphy Dome Road Vicinity, Zones of Concern Identification, FireWise Risk Assessment Display		\$ 297,245
Cold Climate Housing Research Center: Develop and Test Wood-Burning Technologies and Products		\$ 325,000
² State and Community Fire Assistance FFY05	10.664	\$ 622,245
Alaska Department of Natural Resources, Division of Forestry: Hazardous Fuels Reduction Old Murphy Dome Road and Goldstream		\$ 484,750
Cold Climate Housing Research Center: Develop and Test Wood-Burning Technologies and Products		\$ 227,556
³ State and Community Fire Assistance FFY06	10.664	\$ 712,306
Alaska Department of Natural Resources, Division of Forestry: Hazardous Fuels Reduction Chatanika Valley, Evacuation Planning		\$ 200,000
⁴ Cooperative Forestry Assistance FFY09	10.664	\$ 200,000

Loan Outstanding

The Fairbanks North Star Borough has the following loan balance outstanding at June 30, 2010. The balance outstanding includes federal expenditures incurred in prior fiscal years. No federal expenditures were incurred in FY 2009-10. 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, 2010, 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 into 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, 2010, 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	\$ 2,524,253

FAIRBANKS NORTH STAR BOROUGH
Schedule of Expenditures of Federal Awards ¹
For the Year Ended June 30, 2010
(continued)

⁵ 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 - FY 2008-09 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)
Supplies	2,150	2,124	26
Other direct expense	2,500	1,987	513
Total direct expense	<u>443,000</u>	<u>443,000</u>	<u>-</u>
Indirect costs	-	-	-
Total expenditures	<u>443,000</u>	<u>443,000</u>	<u>-</u>
Excess of revenue over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The amount in the "Actual Expenditures" column for "Other direct expense" is \$775 greater than as footnoted in the Schedule of Expenditures of Federal Awards as of June 30, 2009; \$775 was the amount expended during the current fiscal year for a required program audit, which was completed and invoiced after June 30, 2009 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, 2009.

⁶ Budget to Actual Comparison

Child Care Assistance Grant -- FY 2009-10
U.S. Department of Health and Human Services

A schedule of budgeted and actual revenues and expenditures for the Child Care Assistance - FY 2009-10 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	\$ 463,378	\$ 463,378	\$ -
Expenditures			
Personal services	462,168	462,168	-
Supplies	-	-	-
Other direct expense	1,210	435	775
Total direct expense	<u>463,378</u>	<u>462,603</u>	<u>775</u>
Indirect costs	-	-	-
Total expenditures	<u>463,378</u>	<u>462,603</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, 2010 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, 2010, show all encumbered amounts as expended on the final Cumulative Fiscal Report, and footnote any outstanding encumbrances.

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**FAIRBANKS NORTH STAR BOROUGH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010**

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? 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? 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>
10.664	Cooperative Forestry Assistance
15.916	Land and Water Conservation Grants
20.500	Federal Transit - Capital Investment Grants
20.507	Federal Transit - Formula Grants
20.507	ARRA Federal Transit - Formula Grants
66.458	ARRA Capitalization Grants for Clean Water State Revolving Funds
84.397	ARRA State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act

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 reported.

SECTION III - FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

No matters were reported.

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**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, 2010, 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, 2010 and have issued our report thereon dated December 13, 2010. 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 *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.

Our consideration of internal control over financial reporting 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 deficiencies, 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 13, 2010

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, 2010. 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, 2010.

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.

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.

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 deficiencies, 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, 2010, 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, 2010 and have issued our report thereon dated December 13, 2010. 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 + Haugeberg LLC

December 13, 2010

FAIRBANKS NORTH STAR BOROUGH
Schedule of State Financial Assistance
For the Year Ended June 30, 2010

REVISED
February 22, 2011

Name of Award	Grantor's Number	State Expenditures
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**ALASKA DEPARTMENT OF COMMERCE,
COMMUNITY AND ECONOMIC DEVELOPMENT**

Grants to Municipalities

Airway Service Area Road Improvements *	09-DC-455	\$	4,811
Badger Road Elementary School Fuel Oil Tank Replacement *	09-DC-456		104,400
Becker Ridge Service Area Rosie Creek Trail *	08-DC-266		8,565
Birch Hill Timing Building and Maintenance *	03-DC-101		31,565
Borda Service Area Road Project *	09-DC-457		13,186
Borough-Wide Road Improvements and Upgrades *	07-DC-508		752,885
Capital Projects on the School District Small Grants List *	06-DC-349		9,831
Carlson Center Improvements *	10-DC-012		79,169
Carlson Center Sound System Upgrade *	07-DC-287		3,189
Central Kitchen Phase II *	08-DC-403		66,313
District 11 Road Service Area Improvements *	07-DC-289		241
Districts 3, 4, and 5 Existing Road Maintenance *	07-DC-286		4,500
Ester Volunteer Fire Department Fire Station Addition *	09-DC-458		29,541
FNSB School District Central Kitchen Replacement *	07-DC-291		150,011
House District 11 Road Service Area Improvements *	06-RR-023		208
Hutchison High School Security Upgrades *	09-DC-459		13,883
Lathrop High School Athletic, Fitness & Wellness Equipment *	09-DC-205		979
Lathrop High School Library Book Security System *	09-DC-206		2,052
Mellow Wood Service Area Road Project *	09-DC-461		754
Moose Meadows Service Area Road *	09-DC-462		2,531
North Star VFD Facility Exhaust and Ventilation Improvements *	06-DC-184		346
North Pole High School Fuel Oil Tank Replacement *	09-DC-464		85,500
North Pole High School Vocational Education Equipment *	06-RR-025		2,379
North Pole Middle School Replacement of Chalk Boards *	09-DC-465		991
North Star Fire Department Station #3 Exhaust System *	08-DC-008		8,362
Parks and Recreation Graehl Park Improvements *	07-DC-295		3,429
Pearl Creek Elementary School Replace Office Intercom Panel *	09-DC-466		4,025
Road Service Area Projects *	09-DC-467		430,009
School District Area-wide Fuel Oil Tank Replacement *	09-DC-207		179,683
Tanana Lakes Recreational Area Construction *	07-DC-298		10,134
Ticasuk Brown Elementary School Fuel Oil Tank Replacement *	09-DC-468		50,400
Volunteer Fire Department Station #3 Exhaust & Ventilation *	08-DC-277		38,667
Volunteer Fire Department Station #4 Exhaust & Ventilation *	08-DC-278		33,002
Weller Elementary School Mobile Learning Lab *	09-DC-469		1,432

Capital Matching Grant

Capital Projects	05-MGR-004	\$	53,089
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* State Major Program

FAIRBANKS NORTH STAR BOROUGH
Schedule of State Financial Assistance
For the Year Ended June 30, 2010
(continued)

REVISED
February 22, 2011

Name of Award	Grantor's Number	State Expenditures
<i>Alaska Regional Development Organization Grant</i>		
Alaska Regional Development ARDOR -- FY 2009-10	DCCED ENC#800008	\$ 56,475
<i>Community Revenue Sharing Direct Payment</i>		
Community Revenue Sharing Program -- FY 2009-10 *		<u>3,846,836</u>
Total State of Alaska Department of Commerce, Community and Economic Development		\$ <u>6,083,373</u>
ALASKA HOUSING FINANCE CORPORATION		
Residential Energy Conservation Outreach & Public Relations	No. FSB-08-FSB-1	\$ <u>98,982</u>
Total Alaska Housing Finance Corporation		\$ <u>98,982</u>
ALASKA DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT		
<i>Library Services Grants</i>		
Net Lender Reimbursement Program - FY 2008-09	ILC-09-733-151	\$ 5,151
Net Lender Reimbursement Program - FY 2009-10	ILC-10-733-148	1,872
Public Library Assistance - FY2009-10	PLA-10-733-22	19,050
<i>Facilities Construction Grant</i>		
Fairbanks District-Wide Fuel Oil Tank Replacement *	DEED #GR-09-006	793,027
<i>State Aid for Debt Service Direct Payment</i>		
State Aid for Debt Service - FY 2009-10 *		<u>8,839,225</u>
Total Alaska Department of Education and Early Development		\$ <u>9,658,325</u>
ALASKA DEPARTMENT OF ENVIRONMENTAL CONSERVATION		
Oil Spill Response Capabilities - Equipment and Training	cc18558002 7/09	\$ <u>8,999</u>
Total Alaska Department of Environmental Conservation		\$ <u>8,999</u>
ALASKA DEPARTMENT OF HEALTH AND SOCIAL SERVICES		
Human Services Community Matching Grant - FY 2008-09 ²	605-09-011	\$ 775
Human Services Community Matching Grant - FY 2009-10 ³ *	605-10-011	<u>311,895</u>
Total Alaska Department of Health and Social Services		\$ <u>312,670</u>

FAIRBANKS NORTH STAR BOROUGH
Schedule of State Financial Assistance
For the Year Ended June 30, 2010
(continued)

REVISED
February 22, 2011

Name of Award	Grantor's Number	State Expenditures
ALASKA DEPARTMENT OF REVENUE		
State Telephone and Electric Co-op - FY 2009-10 *		\$ 418,403
State Fish Tax - FY 2009-10		96
Total Alaska Department of Revenue		\$ 418,499
ALASKA DEPARTMENT OF TRANSPORTATION		
FNSB Coordinated Transit Program	MOA #61283	\$ 6,151
Pioneer Park Parking Lot Alterations and Improvements *	TORA #62054	430,359
Total Alaska Department of Transportation		\$ 436,510
Grand Total - State Financial Assistance		\$ 17,017,358
Unsubstantiated by the Fairbanks North Star Borough:		
ALASKA DEPARTMENT OF ADMINISTRATION		
PERS Defined Benefit Plan Employer Relief Funding according to letter dated August 13, 2010 ¹ *	PERS ER 116	\$ 1,221,151
Total State of Alaska Department of Administration		\$ 1,221,151
Grand Total - Adjusted for Inclusion of PERS Relief Allocation		\$ 18,238,509

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 2010, the Alaska Legislature appropriated \$107,953,000 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 \$1,221,151 reflects the amount allocated to the Borough by the State for fiscal year 2010.

FAIRBANKS NORTH STAR BOROUGH
Schedule of State Financial Assistance
For the Year Ended June 30, 2010
(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	297,340	17
Indirect Cost	14,868	14,867	1
Total Expenditures	<u>312,225</u>	<u>312,207</u>	<u>18</u>
Excess of revenue over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The amount in the "Actual Expenditures" column for "Total Expenditures" is \$775 greater than as footnoted in the Schedule of Expenditures of State Awards as of June 30, 2009; \$775 was the amount expended during the current fiscal year for a required program audit, which was completed and invoiced after June 30, 2009 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, 2009.

³ Budget to Actual Comparison

Human Services Community Matching Grant - FY 2009-10
Alaska Department of Health and Social Services

A schedule of budgeted and actual revenues and expenditures for the FY 2009-10 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	\$ 311,913	\$ 311,895	\$ 18
Expenditures			
Other Direct Expense	297,060	296,268	792
Indirect Cost	14,853	14,852	1
Total Expenditures	<u>311,913</u>	<u>311,120</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, 2010 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, 2010, show all encumbered amounts as expended on the final Cumulative Fiscal Report, and footnote any outstanding encumbrances.

FAIRBANKS NORTH STAR BOROUGH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010

REVISED
February 22, 2011

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? Yes None reported

Noncompliance material to financial statements? Yes No

State Financial Assistance

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

Internal control over major programs:

Material weakness(es) identified? Yes No

Significant deficiency(ies) identified? Yes None reported

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

SECTION II - FINANCIAL STATEMENT FINDINGS

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

SECTION III - STATE AWARDS FINDINGS AND QUESTIONED COSTS

No matters were reported.

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