



**REPORTS ON SINGLE AUDIT REQUIREMENTS  
FOR FISCAL YEAR ENDED  
JUNE 30, 2011**



# Fairbanks North Star Borough



## Reports On Single Audit Requirements

For the Year Ended June 30, 2011

December 16, 2011

FAIRBANKS NORTH STAR BOROUGH  
REPORTS ON SINGLE AUDIT REQUIREMENTS  
For The Year Ended June 30, 2011

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 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 .....	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> .....	12
II.	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 <i>State of Alaska Audit Guide and Compliance Supplement for State Single Audits</i> .....	14
III.	Schedule of State Financial Assistance .....	16
IV.	Schedule of Findings and Questioned Costs .....	20

**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, 2011, 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, 2011 and have issued our report thereon dated December 16, 2011. 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

Management of the Borough is responsible for establishing and maintaining effective 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

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 + Haugelsberg LLC

December 16, 2011

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

Independent Auditor's Report

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, 2011. 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 State, 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 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, 2011.

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 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 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, 2011, 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, 2011 and have issued our report thereon dated December 16, 2011. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the 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 + Haugberg LLC

December 16, 2011

**FAIRBANKS NORTH STAR BOROUGH**  
**Schedule of Expenditures of Federal Awards <sup>1</sup>**  
**For the Year Ended June 30, 2011**

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 Program**

Cooperative Forestry Assistance FFY09 <sup>2</sup>	10.664	08DG11100100217	\$ <u>88,206</u>
<b>Total U.S. Department of Agriculture</b>			<b>\$ <u><u>88,206</u></u></b>

**U.S. DEPARTMENT OF COMMERCE**

**Direct Programs**

2010 Comprehensive Economic Development Strategy	11.302	07-87-06464	\$ 25,365
2011 Economic Development Assistance Cluster	11.302	07-87-06611	<u>21,146</u>
<b>Total U.S. Department of Commerce</b>			<b>\$ <u><u>46,511</u></u></b>

**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	\$ <u>68,034</u>
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<b>Total Fish and Wildlife Cluster</b>			<b>\$ <u><u>68,034</u></u></b>
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**Direct Programs**

Federal Payments in Lieu of Taxes FY11	15.226		412,257
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**Fish and Wildlife Service**

Tanana Lakes Wetlands Restoration	15.608	FWS #7018 1AJ048	14,017
Moose Mountain Road Fish Crossing Culvert	15.608	FWS #7018 19J051	100,000

**National Park Service**

**Pass-through Programs from:**

**Alaska Department of Natural Resources**

Historic Preservation Project - Phase 1	15.904	#09515	6,387
Tanana Lakes Recreation Area Development	15.916	02-00392	<u>39,615</u>

<b>Total U.S. Department of the Interior</b>			<b>\$ <u><u>640,310</u></u></b>
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**FAIRBANKS NORTH STAR BOROUGH**  
**Schedule of Expenditures of Federal Awards <sup>1</sup>**  
**For the Year Ended June 30, 2011**  
**(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 TRANSPORTATION**

***Highway Planning and Construction Cluster***

**Federal Transit Administration (FTA)**

**Direct Programs**

Transit Bus and Equipment Replacement	20.205	AK-15-X001-00	\$ 11,413
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**Federal Highway Administration (FHWA)**

**Pass-through Programs from:**

**Federal Transit Administration (FTA):**

Coordinated Transportation Program	20.205	AK-90-X029-01	25,542
05 CMAQ-Bus Shelter and Bus Stop Facilities	20.205	AK-90-X034-00	42,777

**Alaska Department of Transportation:**

FHWA-PL Highway Planning & Research FFY10-11	20.205	ACPL1260-(4) 80198	5,081
FHWA-PL Highway Planning & Research FFY11-12	20.205	ACPL1260-(5) 80674	92,497
PM 2.5 Reduction & Air Quality Studies - Phase I	20.205	60226	(2,483)
PM 2.5 Reduction & Air Quality Studies - Phase II	20.205	60990	102,477
PM 2.5 Measurement and Analysis	20.205	63302	542,838
Fairbanks Fine Particulate Matter Planning & Control	20.205	63720	401,809

**Alaska Department of Natural Resources:**

100-Mile Loop Isberg Recreation Area	20.219	10795858	3,481
Recreational Trails Easements	20.219	10795846	1,973

<b><i>Total Highway Planning and Construction Cluster</i></b>			<b>\$ 1,227,405</b>
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***Federal Transit Cluster***

**Federal Transit Administration (FTA)**

**Direct Programs**

Transit Equipment Acquisitions	20.500	AK-04-0008	117,045
06 CMAQ Ops Demo-New Buses New Routes	20.507	AK-90-X044-00	422,860
Paratransit Van Fleet Replacement	20.507	AK-95-X002-00	327,200
Section 5307 Operating Assistance - FFY11	20.507	AK-90-X060	538,833
ARRA Transit Vans, Services and Equipment	20.507	AK-96-X002-00	202,748

<b><i>Total Federal Transit Cluster</i></b>			<b>\$ 1,608,686</b>
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***Transit Services Programs Cluster***

**Federal Transit Administration (FTA)**

**Pass-through Program from:**

**Alaska Department of Transportation:**

Transit Mobility Management	20.516	AK-37-X012	42,173
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<b><i>Total Transit Services Programs Cluster</i></b>			<b>\$ 42,173</b>
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**FAIRBANKS NORTH STAR BOROUGH**  
**Schedule of Expenditures of Federal Awards <sup>1</sup>**  
**For the Year Ended June 30, 2011**  
**(continued)**

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>Pass-through Programs from:</b>			
<b>Alaska Department of Transportation:</b>			
FTA 5303 Highway Planning and Research FFY08	20.514	TORA AK-80-X017	\$ 3,857
FTA 5303 Highway Planning and Research FFY09	20.514	TORA AK-80-X018	<u>14,796</u>
<b>Total U.S. Department of Transportation</b>			<b>\$ <u>2,896,917</u></b>

**INSTITUTE OF MUSEUM AND LIBRARY SERVICES**

<b>Pass-Through Programs from:</b>			
<b>Alaska State Library:</b>			
Regional Library Services FY11	45.310	RS-11-733-101B	\$ 127,930
Library Continuing Education Grant FY11 - #1	45.310	CED-11-733-133	1,000
Library Continuing Education Grant FY11 - #2	45.310	CED-11-733-142	1,000
Library Continuing Education Grant FY11 - #3	45.310	CED-11-733-157	<u>1,000</u>
<b>Total Institute of Museum and Library Services</b>			<b>\$ <u>130,930</u></b>

**U.S. ENVIRONMENTAL PROTECTION AGENCY**

<b>Direct Programs</b>			
Clean-Up Old City Landfill Property	66.818	BF-960452-01-0	\$ 4,734
<b>Pass-through Programs from:</b>			
<b>Alaska Department of Environmental Conservation:</b>			
ARRA Subsidy - Partial Landfill Closure <sup>3</sup>	66.458	#339071	340,000
Air Quality Program FY 2009-11	66.001	2011 MOA DEC	<u>72,500</u>
<b>Total U.S. Environmental Protection Agency</b>			<b>\$ <u>417,234</u></b>

**U.S. DEPARTMENT OF ENERGY**

<b>Direct Program</b>			
ARRA Energy Efficiency Education Program	81.128	ARRA DE-SC000-1498	\$ <u>126,139</u>
<b>Total U.S. Department of Energy</b>			<b>\$ <u>126,139</u></b>

**U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES**

**CCDF Cluster**

<b>Pass-through Programs from:</b>			
<b>Alaska Department of Health and Social Services:</b>			
Child Care Assistance - FY2009-10 <sup>4</sup>	93.575	604-10-903	\$ 775
Child Care Assistance - FY2010-11 <sup>5</sup>	93.575	604-11-903	462,563
Child Care Information Resource and Referral FY11	93.575	2011 MOA PLAYNLRN	<u>131,942</u>
<b>Total CCDF Cluster</b>			<b>\$ <u>595,280</u></b>
<b>Total U.S. Department of Health and Human Services</b>			<b>\$ <u>595,280</u></b>

**FAIRBANKS NORTH STAR BOROUGH**  
**Schedule of Expenditures of Federal Awards <sup>1</sup>**  
**For the Year Ended June 30, 2011**  
**(continued)**

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
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**CORPORATION FOR NATIONAL AND COMMUNITY SERVICE**

**Direct Program**

AmeriCorps*VISTA Umbrella Leader Travel	94.013	07VSPA K005	\$ <u>656</u>
<b>Total Corporation for National and Community Service</b>			<b>\$ <u>656</u></b>

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

**Homeland Security Cluster**

**Pass-through Programs from:**

**Alaska Department of Military and Veterans Affairs:**

2009 Homeland Security Grant Program	97.067	2009-SS-T9-007	\$ 343,133
2010 Homeland Security Grant Program	97.067	2010-SS-T0-0023	<u>48</u>

<b>Total Homeland Security Cluster</b>			<b>\$ <u>343,181</u></b>
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**Pass-through Program from:**

**Alaska Department of Military and Veterans Affairs:**

Emergency Operations Center Construction	97.052	10EOC-GR35929	4,192
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**Federal Emergency Management Agency (FEMA)**

**Pass-through Programs from:**

**Alaska Department of Military and Veterans Affairs:**

Emergency Management Performance Grant FFY10	97.042	2010-EP-EO-0026	116,571
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**Alaska Department of Commerce, Community & Economic Development:**

Benerth Repetitive Flood claim	97.092	EMS-2010-RC-0001	<u>59,898</u>
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<b>Total U.S. Department of Homeland Security</b>			<b>\$ <u>523,842</u></b>
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<b>Grand Total - Federal Financial Assistance</b>			<b>\$ <u>5,466,025</u></b>
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**FAIRBANKS NORTH STAR BOROUGH**  
**Schedule of Expenditures of Federal Awards <sup>1</sup>**  
**For the Year Ended June 30, 2011**  
**(continued)**

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

This Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of the Fairbanks North Star Borough under programs of the federal government for the year ended June 30, 2011 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**

The Fairbanks North Star Borough provided federal awards to subrecipients in the following amounts:

Subrecipient, Purpose, Program Title <sup>2</sup>	Federal CFDA Number	Awarded to Subrecipients
Alaska Department of Natural Resources, Division of Forestry: Hazardous Fuels Reduction Chatanika Valley, Evacuation Planning		\$ 200,000
<sup>2</sup> Cooperative Forestry Assistance FFY09	10.664	\$ 200,000

**Loans Outstanding**

The Fairbanks North Star Borough has the following loan balance outstanding at June 30, 2011. The balance outstanding includes federal expenditures incurred in prior fiscal years. No federal expenditures were incurred in FY 2010-11. One loan agreement governs amounts borrowed to pay for the construction of Solid Waste Cells 1 & 2. Repayment terms are distinct for each cell. At June 30, 2011, 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, 2011, 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	Loan Amount Available	Loan Amount Outstanding
Solid Waste Expansion - Cells 1 & 2	66.458	\$ 12,500,000	\$ 1,271,522

The Fairbanks North Star Borough has the following loan balances available to be borrowed at June 30, 2011. There are no amounts outstanding against either loan, since no loan funds have been drawn down and no federal expenditures were incurred in FY 2010-11. The first loan agreement governs amounts borrowed to pay for Solid Waste Partial Closure - Cell 1. As of June 30, 2011, \$2,840,000 in ARRA debt forgiveness subsidy has been recovered; \$2,500,000 in FY 2009-10 and \$340,000 in FY 2010-11. The second loan agreement governs amounts borrowed to pay for Solid Waste Expansion - Cells 3 and 4. Debt forgiveness subsidy in the amount of \$365,255 is available for recovery against this loan. No federal expenditures were incurred in FY 2010-11 and no subsidy has been recovered. Repayment terms are distinct for each loan.

Program Title	CFDA Number	Total Loan Amount Available	Debt Forgiveness Subsidy	Unsubsidized Loan Amount Outstanding
<sup>3</sup> Solid Waste Partial Closure - Cell 1	ARRA 66.458	\$ 6,340,000	\$ 2,840,000	\$ -
Solid Waste Expansion - Cells 3 & 4	66.458	\$ 8,000,000	\$ 365,255	\$ -

**FAIRBANKS NORTH STAR BOROUGH**  
**Schedule of Expenditures of Federal Awards <sup>1</sup>**  
**For the Year Ended June 30, 2011**  
**(continued)**

**<sup>4</sup> 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	1,210	-
Total direct expense	463,378	463,378	-
Indirect costs	-	-	-
Total expenditures	463,378	463,378	-
Excess of revenue over expenditures	\$ -	\$ -	\$ -

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, 2010; \$775 was the amount expended during the current fiscal year for a required program audit, which was completed and invoiced after June 30, 2010 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, 2010.

**<sup>5</sup> Budget to Actual Comparison**

Child Care Assistance Grant -- FY 2010-11  
U.S. Department of Health and Human Services

A schedule of budgeted and actual revenues and expenditures for the Child Care Assistance - FY 2010-11 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	462,355	462,355	-
Supplies	208	208	-
Other direct expense	815	-	815
Total direct expense	463,378	462,563	815
Indirect costs	-	-	-
Total expenditures	463,378	462,563	815
Excess of revenue over expenditures	\$ -	\$ 815	\$ (815)

The \$815 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, 2011 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, 2011, 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, 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 \_\_\_ X No

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

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

Federal Awards

Internal control over major programs:

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

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

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

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

Identification of major programs:

<u>CFDA No.</u>	<u>Name of Federal Program or Cluster</u>
66.458	Environmental Protection Agency - Partial Landfill Closure
93.575	Health and Human Services - CCDF Cluster
97.042	Homeland Security - Emergency Management Performance
97.067	Homeland Security - Homeland Security Cluster

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

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

**SECTION II - FINANCIAL STATEMENT FINDINGS**

No matters were reported.

**SECTION III - FEDERAL 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, 2011, 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, 2011 and have issued our report thereon dated December 16, 2011. 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

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.

Code + Haugeberg LLC

December 16, 2011

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 STATE OF ALASKA AUDIT GUIDE AND  
COMPLIANCE SUPPLEMENT FOR STATE SINGLE AUDITS

Independent Auditor's Report

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 could have a direct and material effect on each of the Borough's major state programs for the year ended June 30, 2011. 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 compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2011.

Internal Control Over Compliance

Management of the 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 to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal controls over compliance in accordance with the *State of Alaska Guide and Compliance Supplement for State Single Audits*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Borough's internal control over compliance.

*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, 2011, 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, 2011 and have issued our report thereon dated December 16, 2011. 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 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 16, 2011

**FAIRBANKS NORTH STAR BOROUGH**  
**Schedule of State Financial Assistance**  
**For the Year Ended June 30, 2011**

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

***Grants to Municipalities***

After School Program *	11-DC-213	\$ 14,602
Airway Service Area Road Improvements *	09-DC-455	6,444
Badger Road Elementary School Classroom Chalk Board Replacement *	11-DC-214	13,174
Birch Hill Disaster Communications Project and the Fairbanks North Star Borough Library Fiber Optic Project *	11-RR-014	160
Borda Service Area Road Project *	09-DC-457	109,844
Borough-Wide Road Improvements and Upgrades *	07-DC-508	1,015,035
Carlson Center Improvements *	10-DC-012	672,408
Central Kitchen Phase II *	08-DC-403	1,100
Community Social Service Agency Assistance *	11-DC-216	72,200
EMS Ambulance Replacement *	06-DC-181	91,000
Ester Volunteer Fire Department Fire Station Addition *	09-DC-458	3,254
FNSB School District Central Kitchen Replacement *	07-DC-291	90,386
Hutchison High School Distance Learning System *	11-DC-217	56,261
Hutchison High School Security Upgrades *	09-DC-459	9,480
Mellow Wood Service Area Road Project *	09-DC-461	994
Moose Meadows Service Area Road Project *	09-DC-462	512
North Pole Elementary School Classroom Furniture Replacement *	11-DC-218	388
North Pole High School Physical Education/Athletic Equipment Replacement *	11-DC-219	9,870
North Pole Library Equipment Upgrades *	11-DC-220	3,547
Parks and Recreation Graehl Park Improvements *	07-DC-295	14,192
Pearl Creek Elementary School Classroom Upgrade *	11-DC-222	40,366
Road Service Area Improvements *	11-DC-223	20,240
Road Service Area Projects *	09-DC-467	1,465,592
School District Area-wide Fuel Oil Tank Replacement I *	09-DC-207	153,446
Steese Fire Service Area Station #2 Repair and Upgrade *	11-DC-593	15,571
Ticasuk Brown Elementary School Septic System Replacement *	11-DC-225	90,643
Tourism and Community Development and an Ice Park *	11-RR-015	27,730
University Park Elementary School Mobile Computer Lab *	11-DC-227	44,068
Volunteer Fire Department Station #3 Exhaust & Ventilation *	08-DC-277	3,639
Volunteer Fire Department Station #4 Exhaust & Ventilation *	08-DC-278	4,322
Weller Elementary School Classroom Improvements *	11-DC-228	10,940
West Valley High School Distance Learning System *	11-DC-229	52,928

***Capital Matching Grants***

Capital Projects	05-MGR-004	3,177
EMS - Ambulance Replacement	03-MG-076	2,072
EMS - Ambulance Replacement	02-MG-042	12,310

***Alaska Regional Development Organization Grant***

Alaska Regional Development ARDOR -- FY 2010-11	DCCED FY11 ENC	62,123
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\* State Major Program

**FAIRBANKS NORTH STAR BOROUGH**  
**Schedule of State Financial Assistance**  
**For the Year Ended June 30, 2011**  
**(continued)**

Name of Award	Grantor's Number	State Expenditures
<b><i>Community Revenue Sharing Direct Payment</i></b>		
Community Revenue Sharing Program -- FY 2010-11 *		\$ 3,813,595
<b>Total State of Alaska Department of Commerce, Community and Economic Development</b>		<b>\$ 8,007,613</b>
<b>ALASKA HOUSING FINANCE CORPORATION</b>		
Residential Energy Conservation Outreach & Public Relations	NO. FSB-08 -FSB-1	\$ 29,933
State Payments in Lieu of Taxes - FY2010-11		19,353
<b>Total Alaska Housing Finance Corporation</b>		<b>\$ 49,286</b>
<b>ALASKA DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT</b>		
<b>Division of State Libraries, Archives &amp; Museums</b>		
<b><i>Library Services Grants</i></b>		
Net Lender Reimbursement Program - FY 2009-10	ILC-10-733-148	\$ 3,606
Net Lender Reimbursement Program - FY 2010-11	ILC-11-733-137	2,796
Public Library Assistance - FY2010-11	PLA-11-733-22	18,900
<b>Division of Teaching and Learning Support</b>		
<b>Passed-through Best Beginnings</b>		
Early Learning - FNSB Best Beginnings Partnership	FY11 MOU BEST BEG.	39,970
<b>Division of School Finance</b>		
<b><i>Facilities Construction Grant</i></b>		
Fairbanks District-Wide Fuel Oil Tank Replacement *	EED #GR-09-006	484,052
<b><i>State Aid for Debt Service Direct Payment</i></b>		
State Aid for Debt Service - FY 2010-11 *		8,825,006
<b>Total Alaska Department of Education and Early Development</b>		<b>\$ 9,374,330</b>
<b>ALASKA DEPARTMENT OF ENVIRONMENTAL CONSERVATION</b>		
Oil Spill Response Capabilities - Equipment and Training FY11	CC1855 8605 7/10	\$ 9,000
Pioneer Park Water and Sewer Enhancement	33768	36,785
<b>Total Alaska Department of Environmental Conservation</b>		<b>\$ 45,785</b>
<b>ALASKA DEPARTMENT OF HEALTH AND SOCIAL SERVICES</b>		
Human Services Community Matching Grant - FY 2009-10 <sup>2</sup>	605-10-011	\$ 775
Human Services Community Matching Grant - FY 2010-11 <sup>3*</sup>	605-11-011	350,294
<b>Total Alaska Department of Health and Social Services</b>		<b>\$ 351,069</b>

**FAIRBANKS NORTH STAR BOROUGH**  
**Schedule of State Financial Assistance**  
**For the Year Ended June 30, 2011**  
**(continued)**

Name of Award	Grantor's Number	State Expenditures
<b>INTERIOR REGIONAL HOUSING AUTHORITY</b>		
Interior Regional Housing Authority - FY 2010-11		\$ <u>26,952</u>
<b>Total Interior Regional Housing Authority</b>		<b>\$ <u>26,952</u></b>
<b>ALASKA DEPARTMENT OF REVENUE</b>		
State Telephone and Electric Co-op - FY 2010-11 *		\$ 418,986
State Fish Tax - FY 2010-11		<u>100</u>
<b>Total Alaska Department of Revenue</b>		<b>\$ <u>419,086</u></b>
<b>ALASKA DEPARTMENT OF TRANSPORTATION</b>		
FNSB Coordinated Transit Program	#61283	\$ 2,538
Pioneer Park Parking Lot Alterations and Improvements *	#62054	397,636
State Aid for Debt Service - FY 2010-11 *		<u>342,990</u>
<b>Total Alaska Department of Transportation</b>		<b>\$ <u>743,164</u></b>
<b>Grand Total - State Financial Assistance</b>		<b>\$ <u>19,017,285</u></b>
<b>Unsubstantiated by the Fairbanks North Star Borough:</b>		
<b>ALASKA DEPARTMENT OF ADMINISTRATION</b>		
PERS Defined Benefit Plan Employer Relief Funding according to letter dated July 29, 2011 <sup>1</sup> *	PERS ER 116	\$ <u>1,869,288</u>
<b>Total Alaska Department of Administration</b>		<b>\$ <u>1,869,288</u></b>
<b>Grand Total - Adjusted for Inclusion of PERS Relief Allocation</b>		<b>\$ <u>20,886,573</u></b>

<sup>1</sup> **PERS Defined Benefit Plan (Tiers I, II, and III)**  
Employer Relief Funding -- PERS ER 116  
Alaska Department of Administration

In accordance with Alaska Statutes, the State is required to make a direct contribution to the PERS Defined Benefit Plan for the amount by which the actuarially-determined contribution rate exceeds the maximum rate required by the Statutes to be contributed by employers. For fiscal year 2011, the Alaska Legislature appropriated \$165,841,171 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 \$1,869,288 reflects the amount allocated to the Borough by the State for fiscal year 2011.

**FAIRBANKS NORTH STAR BOROUGH**  
**Schedule of State Financial Assistance**  
**For the Year Ended June 30, 2011**  
**(continued)**

**<sup>2</sup> 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	297,043	17
Indirect cost	14,853	14,852	1
Total expenditures	<u>311,913</u>	<u>311,895</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, 2010; \$775 was the amount expended during the current fiscal year for a required program audit, which was completed and invoiced after June 30, 2010 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, 2010.

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

Human Services Community Matching Grant - FY 2010-11  
Alaska Department of Health and Social Services

A schedule of budgeted and actual revenues and expenditures for the FY 2010-11 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	\$ 351,109	\$ 351,109	\$ -
Expenditures			
Other direct expense	334,390	333,575	815
Indirect cost	16,719	16,719	-
Total expenditures	<u>351,109</u>	<u>350,294</u>	<u>815</u>
Excess of revenue over expenditures	<u>\$ -</u>	<u>\$ 815</u>	<u>\$ (815)</u>

The \$815 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, 2011 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, 2011, 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, 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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