Photo courtesy of
JR Ancheta
University of Alaska Fairbanks
Fairbanks North Star Borough

Reports On Single Audit Requirements

For the Year Ended June 30, 2018

December 21, 2018
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SINGLE AUDIT
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Honorabile Mayor and
Members of the Borough Assembly
Fairbanks North Star Borough

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Independent Auditor's Report

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the
standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the
United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely
presented component units, each major fund, and the aggregate remaining fund information of the Fairbanks North Star
Borough (Borough), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which
collectively comprise the Borough's basic financial statements. We also have audited the financial statements of each of the
Borough's nonmajor governmental, internal service, and fiduciary funds presented as supplementary information, as defined
by the Governmental Auditing Standards Board, as of and for the year ended June 30, 2018, and have issued our report
thereon dated December 21, 2018.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

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

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON
INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

Independent Auditor’s Report

Report on Compliance for Each Major Federal Program

We have audited Fairbanks North Star Borough’s (Borough) compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of the Borough’s major federal programs for the year ended June 30, 2018. The Borough’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Borough’s Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Borough's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Borough's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Borough complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

Management of the Borough is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Borough’s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance.
Honorable Mayor and
Members of the Borough Assembly
Fairbanks North Star Borough

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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Fairbanks North Star Borough, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements. We also have audited the financial statements of each of the Borough's nonmajor governmental, internal service, and fiduciary funds presented as supplementary information, as defined by the Governmental Accounting Standards Board, in the combining and individual fund financial statements and schedules as of and for the year ended June 30, 2018. We issued our report thereon dated December 21, 2018, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the financial statements and combining and individual fund financial statements and additional information schedules. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Cooke & Haugeberg LLP
Fairbanks, Alaska
December 21, 2018
# Schedule of Expenditures of Federal Awards

## For the Year Ended June 30, 2018

<table>
<thead>
<tr>
<th>Federal Grantor / Program or Cluster Title</th>
<th>Federal CFDA Number</th>
<th>Pass-Through Entity Identifying Number</th>
<th>Passed Subrecipients Through to Federal Expenditures</th>
</tr>
</thead>
</table>

## U.S. DEPARTMENT OF COMMERCE

### Direct Program
Economic Development District 11.302 $ $53,518

### Total U.S. Department of Commerce $ $53,518

## U.S. DEPARTMENT OF DEFENSE

### Direct Programs
- EAFB Bed Down F-35 Plan 12.600 $ $448,772
- EAFB Salcha/Badger Plan 12.600 $ $51,518
- Joint Land Use Study Fort Wainwright/Eielson AFB 12.610 $ $5,120

### Total U.S. Department of Defense $ $505,410

## U.S. DEPARTMENT OF INTERIOR

### Direct Program
Federal Payments in Lieu of Taxes FY18 15.226 $ $460,982

### National Park Service
- Pass-Through Programs from:
  - Alaska Department of Natural Resources
    - Historic Preservation Plan Update 15.904 16004 $ $8,477
    - Historic Preservation Plan Update Phase II 15.904 17009 $ $8,693
    - Pioneer Park National Registry 15.904 17005 $ $3,123
    - Tanana Lakes Recreation Area Playground 15.916 02-00413 $ $2,254

### Total U.S. Department of Interior $ $483,529

## U.S. DEPARTMENT OF TRANSPORTATION

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

### Federal Highway Administration (FHWA)
- Pass-through Programs from:
  - Alaska Department of Transportation and Public Facilities
    - FHWA-PL Highway Planning & Research FFY17 20.205 PL-1260(8) IGOA 2003 $ $32,716
    - FHWA-PL Highway Planning & Research FFY18 20.205 PL-1260(8) IGOA 2003 $ $56,170
    - FHWA Western Federal Highway Lands 20.205 DTFH7016E00036 $ $42,644
    - FHWA Western Federal Highway Lands 20.205 DTFH7016E00051 $ $64,204
    - Air Quality Education Outreach 20.205 AKSAS #60709 $ $409,099
    - Air Quality Hot Spot Guidance 20.205 AKSAS #60458 $ $243,203
    - Air Quality State Implementation Plan (SIP) 20.205 AKSAS #60891 $ $94,102
### U.S. DEPARTMENT OF TRANSPORTATION (continued)

#### Non-Cash Assistance

- **FMATS Area Surface Upgrades FFY14**
  - CFDA 20.205
  - Entity Identifying Number Z641970000
  - Expenditures $8,477
- **FMATS Area Surface & Approach Upgrades FFY15**
  - CFDA 20.205
  - Entity Identifying Number NFHWY00044
  - Expenditures $275
- **Gold Mine Trail Road Upgrade**
  - CFDA 20.205
  - Entity Identifying Number NFHWY00015
  - Expenditures 125,727
- **Rosie Creek Road Improvements**
  - CFDA 20.205
  - Entity Identifying Number NFHWY00017
  - Expenditures 152,746
- **FMATS Area Surface & Approach Upgrades FFY15**
  - CFDA 20.205
  - Entity Identifying Number Z608060000
  - Expenditures 1,188
- **FMATS Area Surface Upgrades FFY17**
  - CFDA 20.205
  - Entity Identifying Number NFHWY00127
  - Expenditures 443,118
- **FMATS Improvement Program FFY18**
  - CFDA 20.205
  - Entity Identifying Number NFHWY00243
  - Expenditures 12,837

**Alaska Department of Natural Resources**

- **Skyline Ridge Trail Restoration Phase II**
  - CFDA 20.219
  - Entity Identifying Number 1079711000
  - Expenditures 1,253
- **Trail Systems Enhancement Equipment**
  - CFDA 20.219
  - Entity Identifying Number 1079621300
  - Expenditures 30,882
- **Skyline Ridge Trail Restoration**
  - CFDA 20.219
  - Entity Identifying Number 1079521500
  - Expenditures 18,299

**Total Highway Planning and Construction Cluster**

- Expenditures $1,736,940

#### Federal Transit Cluster (20.507, 20.526)

**Federal Transit Administration (FTA)**

- **Direct Programs**
  - 09/12 CMAQ-Shelters Construction/Property Acquisition
    - CFDA 20.507
    - Expenditures $148,586
  - 09 CMAQ-Bus Stop Facilities
    - CFDA 20.507
    - Expenditures 136,452
  - 12 CMAQ Fort Wainwright Transit Route/MACS
    - CFDA 20.507
    - Expenditures 377,781
  - Section 5307 Operating Assistance - FFY18
    - CFDA 20.507
    - Expenditures 1,081,385
  - Transit Facility Renovation
    - CFDA 20.507
    - Expenditures 194,995
  - Transit Vans Replacement
    - CFDA 20.526
    - Expenditures 12,862

**Total Federal Transit Cluster**

- Expenditures $1,952,061

#### Federal Transit Administration (FTA)

**Pass-through Programs from: Alaska Department of Transportation and Public Facilities**

- **FY18 Grey Line - Formula Grants for Rural Areas**
  - CFDA 20.509
  - Entity Identifying Number 2514-18-0100
  - Expenditures $126,866
- **FTA 5303 Highway Planning & Research FFY15 & FFY16**
  - CFDA 20.514
  - Entity Identifying Number 2514-16-0300
  - Expenditures 16,761

**Total U.S. Department of Transportation**

- Expenditures $3,832,628

### INSTITUTE OF MUSEUM AND LIBRARY SERVICES

**Pass-Through Programs from: Alaska State Library**

- **Library Continuing Education Grant FY18 - #1**
  - CFDA 45.310
  - Entity Identifying Number CED-18-733-01
  - Expenditures $1,071
- **Library Continuing Education Grant FY18 - #2**
  - CFDA 45.310
  - Entity Identifying Number CED-18-733-02
  - Expenditures 1,250
- **Library Continuing Education Grant FY18 - #3**
  - CFDA 45.310
  - Entity Identifying Number CED-18-733-03
  - Expenditures 1,250
- **Library Continuing Education Grant FY18 - #4**
  - CFDA 45.310
  - Entity Identifying Number CED-18-733-04
  - Expenditures 1,018
- **Library Continuing Education Grant FY18 - #5**
  - CFDA 45.310
  - Entity Identifying Number CED-18-733-05
  - Expenditures 1,250

**Total Institute of Museum and Library Services**

- Expenditures $5,839
## FAIRBANKS NORTH STAR BOROUGH

**Schedule of Expenditures of Federal Awards**

**For the Year Ended June 30, 2018 (continued)**

<table>
<thead>
<tr>
<th>Federal Grantor / Pass-Through Grantor / Program or Cluster Title</th>
<th>Federal</th>
<th>Pass-Through</th>
<th>Passed</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>U.S. ENVIRONMENTAL PROTECTION AGENCY</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pass-through Program from: Alaska Department of Commerce, Community and Economic Development</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fairbanks, AK PM$_{2.5}$ Nonattainment Area Change Out</td>
<td>66.202</td>
<td>16-TAS-01</td>
<td>$</td>
<td>$458,516</td>
</tr>
<tr>
<td>Total U.S. Environmental Protection Agency</td>
<td>$</td>
<td>$458,516</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>U.S. DEPARTMENT OF HOMELAND SECURITY</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Direct Program</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Chena Slough Hydrologic and Hydraulic Data Development</td>
<td>97.045</td>
<td></td>
<td>$</td>
<td>$70,000</td>
</tr>
<tr>
<td>Pass-through Programs from: Alaska Department of Military and Veterans Affairs</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2015 Homeland Security Grant Program</td>
<td>97.067</td>
<td>EMW-2015-SS-00026</td>
<td></td>
<td>5,000</td>
</tr>
<tr>
<td>2016 Homeland Security Grant Program</td>
<td>97.067</td>
<td>EMW-2016-SS-00002</td>
<td></td>
<td>130,680</td>
</tr>
<tr>
<td>Federal Emergency Management Agency (FEMA)</td>
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<td></td>
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<tr>
<td>Pass-through Program from: Alaska Department of Military and Veterans Affairs</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Emergency Management Performance Grant FFY18</td>
<td>97.042</td>
<td>EMS-2017-EP-00001-S01</td>
<td>$</td>
<td>$175,000</td>
</tr>
<tr>
<td>Pass-through Program from: Alaska Department of Commerce, Community &amp; Economic Development</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Floodplain Conference Travel Grant - FY18</td>
<td>97.023</td>
<td>EMS-2017-RX-0003</td>
<td>$</td>
<td>$2,326</td>
</tr>
<tr>
<td>Total U.S. Department of Homeland Security</td>
<td>$</td>
<td>$477,184</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grand Total - Federal Financial Assistance</td>
<td>$</td>
<td>$5,816,624</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018

1 Basis of Presentation and Summary of Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal award activity of the Fairbanks North Star Borough under programs of the federal government for the year ended June 30, 2018 in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Fairbanks North Star Borough, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Fairbanks North Star Borough.

Expenditures reported on the SEFA are presented on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, and in 2 CFR part 225, Cost Principles for State, Local, and Tribal Governments, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Federal pass-through entity identifying numbers are presented where available. The Fairbanks North Star Borough has elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance. Matching costs, the non-federal share of certain program costs, are not included in the SEFA.

2 Non-Cash Assistance

In FY18, entities other than the Fairbanks North Star Borough received federal grants that were expended by those entities to enhance Borough-owned assets. The value of this non-cash assistance was determined in accordance with the provisions of 2 CFR §200, Subpart F, Audit Requirements, Section 502 (g). The Alaska Department of Transportation and Public Facilities was the recipient of U.S. Department of Transportation federal-aid highway funds and expended those funds to resurface roadways in Borough road service areas (RSAs).
FAIRBANKS NORTH STAR BOROUGH
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: unmodified

Internal control over financial reporting:

Material weakness (es) identified? Yes ___ X No

Significant deficiency (ies) identified? Yes ___ X None reported

Noncompliance material to financial statements noted? Yes ___ X No

Federal Awards

Internal control over major federal programs:

Material weakness (es) identified? Yes ___ X No

Significant deficiency (ies) identified? Yes ___ X None reported

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

Any audit findings disclosed that are required to be reported In accordance with 2 CFR 200.516(a)? Yes ___ X No

Identification of major federal programs:

CFDA Number(s): Name of Federal Program or Cluster
12.600 EAFB Bed Down F-35 Plan, Salcha/Badger Plan
20.205, 20.219 Federal Highway Planning and Construction
66.202 U.S. EPA Fairbanks, Alaska PM$_{2.5}$ Nonattainment Area

Change Out

Dollar threshold used to distinguish between type A and Type B programs: $750,000

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.
STATE
SINGLE AUDIT
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Independent Auditor's Report

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Fairbanks North Star Borough (Borough), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements. We also have audited the financial statements of each of the Borough's nonmajor governmental, internal service, and fiduciary funds presented as supplementary information, as defined by the Governmental Accounting Standards Board, as of and for the year ended June 30, 2018 and have issued our report thereon dated December 21, 2018.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

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

Fairbanks, Alaska
December 21, 2018
Honorale Mayor and
Members of the Borough Assembly
Fairbanks North Star Borough

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

Independent Auditor's Report

Report on Compliance for Each Major State Program
We have audited Fairbanks North Star Borough’s (Borough) compliance with the types of compliance requirements described in the State of Alaska Audit Guide and Compliance Supplement for State Single Audits that could have a direct and material effect on each of the Borough’s major state programs for the year ended June 30, 2018. The Borough’s major state programs are identified in the accompanying schedule of state financial assistance.

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

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

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

Opinion on Each Major State Program
In our opinion, the Borough complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2018.

Report on Internal Control over Compliance
Management of the Borough is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Borough’s internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the State of Alaska Audit 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. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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


We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Fairbanks North Star Borough as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Borough’s basic financial statements. We also have audited the financial statements of each of the Borough’s nonmajor governmental, internal service, and fiduciary funds presented as supplementary information, as defined by the Governmental Accounting Standards Board, as of and for the year ended June 30, 2018. We issued our report thereon dated December 21, 2018, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements and combining and individual fund financial statements and additional information schedules. The accompanying schedule of state financial assistance is presented for purposes of additional analysis as required by the State of Alaska Audit Guide and Compliance Supplement for State Single Audits and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of state financial assistance is fairly stated in all material respects in relation to the financial statements as a whole.

December 21, 2018
Fairbanks, Alaska

Cooke & Haugeberg LLC
### Grants to Municipalities

<table>
<thead>
<tr>
<th>Name of Award</th>
<th>Grantor's Number</th>
<th>Total State Expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Senate District D Road Service Area Funding*</td>
<td>13-DC-585</td>
<td>$398,736</td>
</tr>
<tr>
<td>Borough Emergency Operations Center Funding</td>
<td>13-DC-352</td>
<td>21,831</td>
</tr>
<tr>
<td>Kiwanis Field &amp; Fairbanks Youth Soccer Association Artificial Turf Fields</td>
<td>13-DC-558</td>
<td>53,544</td>
</tr>
<tr>
<td>Parks and Recreation Facility Improvements -- Birch Hill</td>
<td>13-DC-472</td>
<td>26,633</td>
</tr>
<tr>
<td>Noel Wien Library Maintenance*</td>
<td>13-DC-545</td>
<td>177,451</td>
</tr>
<tr>
<td>Road Service Area Funding*</td>
<td>12-DC-351</td>
<td>158,317</td>
</tr>
<tr>
<td>Barnette Magnet School Renovation and Reconstruction</td>
<td>12-DC-623</td>
<td>75</td>
</tr>
<tr>
<td>Fire Station 31 Upgrade*</td>
<td>15-DC-450</td>
<td>1,240,735</td>
</tr>
<tr>
<td>Domestic Water Well Installation Project</td>
<td>15-DC-471</td>
<td>54,014</td>
</tr>
<tr>
<td>Air Quality Mitigation</td>
<td>13-DC-526</td>
<td>118,785</td>
</tr>
<tr>
<td>Natural Gas Distribution System Development*</td>
<td>13-DC-544</td>
<td>377,224</td>
</tr>
<tr>
<td>Lathrop High School Classroom Technology &amp; Physical Education Equipment</td>
<td>14-DC-052</td>
<td>432</td>
</tr>
<tr>
<td>Two Rivers Elementary School Classroom Upgrades</td>
<td>14-RR-008</td>
<td>5,635</td>
</tr>
</tbody>
</table>

**Community Assistance Program Direct Payment**

Community Assistance Program -- FY18* $2,080,456

**Total State of Alaska Department of Commerce, Community and Economic Development** $4,713,868

### ALASKA HOUSING FINANCE CORPORATION

State Payments in Lieu of Taxes - FY18 $61,906

**Total Alaska Housing Finance Corporation** $61,906

### ALASKA DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT

FY18 State Aid for School Construction* $11,641,193

**Division of State Libraries, Archives & Museums**

**Library Services Grants**

<table>
<thead>
<tr>
<th>Grant Name</th>
<th>Grantor's Number</th>
<th>Total Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public Library Assistance - FY18</td>
<td>PLA-18-733-01</td>
<td>21,000</td>
</tr>
<tr>
<td>Online With Libraries</td>
<td></td>
<td>2,982</td>
</tr>
</tbody>
</table>

**Total Alaska Department of Education and Early Development** $11,665,175

### ALASKA DEPARTMENT OF ENVIRONMENTAL CONSERVATION

Oil Spill Response Capabilities - Equipment and Training FY18 CC18559082 7/17 $10,000

**Total Alaska Department of Environmental Conservation** $10,000

*State Major Program
### ALASKA DEPARTMENT OF HEALTH AND SOCIAL SERVICES

<table>
<thead>
<tr>
<th>Name of Award</th>
<th>Grantor's Number</th>
<th>Total State Expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Human Services Community Matching Grant - FY17</td>
<td>605-231-1701</td>
<td>$654</td>
</tr>
<tr>
<td>Human Services Community Matching Grant - FY18</td>
<td>605-231-1802</td>
<td>274,182</td>
</tr>
<tr>
<td><strong>Total Alaska Department of Health and Social Services</strong></td>
<td></td>
<td><strong>$274,836</strong></td>
</tr>
</tbody>
</table>

### INTERIOR REGIONAL HOUSING AUTHORITY

<table>
<thead>
<tr>
<th>Name of Award</th>
<th>Total State Expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td>State Payments in Lieu of Taxes - FY18</td>
<td>$41,787</td>
</tr>
<tr>
<td><strong>Total Interior Regional Housing Authority</strong></td>
<td><strong>$41,787</strong></td>
</tr>
</tbody>
</table>

### ALASKA DEPARTMENT OF REVENUE

<table>
<thead>
<tr>
<th>Name of Award</th>
<th>Total State Expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td>State Fish Tax - FY18</td>
<td>$424</td>
</tr>
<tr>
<td><strong>Total Alaska Department of Revenue</strong></td>
<td><strong>$424</strong></td>
</tr>
</tbody>
</table>

### ALASKA DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES

<table>
<thead>
<tr>
<th>Name of Award</th>
<th>Total State Expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY18 Debt Reimbursement for Municipal Capital Projects*</td>
<td>$332,955</td>
</tr>
</tbody>
</table>

#### State Matches to Federal Grants

**Federal Transit Administration (FTA)**

**Direct Programs**

- 09 CMAQ-Bus Stop Facilities
  - AKSAS #60568
  - $24,774
- 12 CMAQ Fort Wainwright Transit Route/MACS
  - AKSAS #62441
  - $37,500
- Section 5307 Operating Assistance - FFY18*
  - 2514-18-0200
  - $184,700

**Total Alaska Department of Transportation and Public Facilities**

<table>
<thead>
<tr>
<th>Total State Expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>$579,929</strong></td>
</tr>
</tbody>
</table>

### Grand Total - State Financial Assistance

<table>
<thead>
<tr>
<th>Total State Financial Assistance</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>$17,347,925</strong></td>
</tr>
</tbody>
</table>

### ALASKA DEPARTMENT OF ADMINISTRATION

<table>
<thead>
<tr>
<th>Name of Award</th>
<th>Total State Expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td>PERS Defined Benefit Plan State Direct Contribution*</td>
<td>$863,311</td>
</tr>
</tbody>
</table>
  - according to letter dated August 23, 2018
  - PERS ER 116
| **Total Alaska Department of Administration**      | **$863,311**             |

### Grand Total

<table>
<thead>
<tr>
<th>Grand Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>$18,211,236</strong></td>
</tr>
</tbody>
</table>

*State Major Program
Notes to the Schedule of State Financial Assistance
For the Year Ended June 30, 2018

1 Basis of Presentation and Summary of Significant Accounting Policies

This Schedule of State Financial Assistance (SSFA) includes the state grant activity of the Fairbanks North Star Borough under programs of the state government for the year ended June 30, 2018 and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the State of Alaska Audit Guide and Compliance Supplement for State Single Audits. Therefore, some amounts presented in the SSFA may differ from amounts presented in, or used in preparation of, the basic financial statements.

2 State of Alaska Funds Passed Through to Subrecipients

This SSFA includes $1,300,816 in Department of Commerce, Community, and Economic Development grant funds, $6,067 were passed through to the Fairbanks North Star Borough School District, and $1,294,749 were passed through to local volunteer fire departments. The Department of Health and Social Services passed through $259,644 of grant funds to local community organizations under the Human Services Community Matching Grant program.

3 Budget to Actual Comparison

Human Services Community Matching Grant – FY 2016-17
Alaska Department of Health and Social Services

A schedule of budgeted and actual revenues and expenditures for the FY 2016-17 Human Services Community Matching Grant from the Alaska Department of Health and Social Services (DHSS) follows:

<table>
<thead>
<tr>
<th></th>
<th>Final Budget</th>
<th>Actual Expenditures</th>
<th>Variance with Final Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues from State of Alaska</td>
<td>$274,889</td>
<td>$274,889</td>
<td>$0</td>
</tr>
<tr>
<td>Expenditures</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other direct expense</td>
<td>261,799</td>
<td>261,799</td>
<td></td>
</tr>
<tr>
<td>Indirect costs</td>
<td>13,090</td>
<td>13,090</td>
<td></td>
</tr>
<tr>
<td>Total expenditures</td>
<td>274,889</td>
<td>274,889</td>
<td></td>
</tr>
<tr>
<td>Excess of revenue over expenditures</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
</tbody>
</table>

The amount in the “Actual Expenditures” column for “Total Expenditures” is $654 greater than as footnoted in the Schedule of Expenditures of State Awards as of June 30, 2017; $654 was the amount expended during the current fiscal year for a required program audit, which was completed and invoiced after June 30, 2017 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, 2017.
### Budget to Actual Comparison

**Human Services Community Matching Grant – FY 2017-18**

Alaska Department of Health and Social Services

A schedule of budgeted and actual revenues and expenditures for the FY 2017-18 Human Services Community Matching Grant from the Alaska Department of Health and Social Services (DHSS) follows:

<table>
<thead>
<tr>
<th></th>
<th>Final Budget</th>
<th>Actual Expenditures</th>
<th>Variance with Final Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues from State of Alaska</strong></td>
<td>$274,182</td>
<td>$274,182</td>
<td>$</td>
</tr>
<tr>
<td><strong>Expenditures</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other direct expense</td>
<td>261,126</td>
<td>260,473</td>
<td>653</td>
</tr>
<tr>
<td>Indirect costs</td>
<td>13,056</td>
<td>13,056</td>
<td></td>
</tr>
<tr>
<td><strong>Total expenditures</strong></td>
<td>274,182</td>
<td>273,529</td>
<td>653</td>
</tr>
<tr>
<td><strong>Excess of revenue over expenditures</strong></td>
<td>$</td>
<td>$653</td>
<td>($653)</td>
</tr>
</tbody>
</table>

The amount in the “Actual Expenditures” column for “Total Expenditures” is $653 greater than as footnoted in the Schedule of Expenditures of State Awards as of June 30, 2018; $653 was the amount expended during the current fiscal year for a required program audit, which was completed and invoiced after June 30, 2018 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, 2018.

### PERS Defined Benefit Plan (Tiers I, II, and III)

**State Direct Contribution – 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 2018, the Alaska Legislature appropriated $72,719,000, which exceeds the State’s statutorily-required direct contribution. The $863,311 reflects the amount allocated to the Borough by the State for fiscal year 2018. As explained in the Notes to the Financial Statements, the Borough recognized revenue of $1,291,817 equal to the nonemployer portion of total pension expense.
SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of report the auditor issued: unmodified

Internal control over financial reporting:

Significant deficiency (es) identified? Yes ___ X No

Material weakness (ies) identified? Yes ___ X No

Noncompliance material to financial statements? Yes ___ X No

State Financial Assistance

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

Internal control over major programs:

Significant deficiency (es) identified? Yes ___ X No

Material weakness (es) identified? Yes ___ X No

Dollar threshold used to distinguish a state major program: $200,000

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.