REPORTS ON SINGLE AUDIT REQUIREMENTS
FOR FISCAL YEAR ENDED
JUNE 30, 2019
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**State Single Audit**

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FEDERAL
SINGLE AUDIT
Honorable Mayor and
Members of the Borough Assembly
Fairbanks North Star Borough

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

Independent Auditor’s Report

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Fairbanks North Star Borough (Borough), as of and for the year ended June 30, 2019, 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, 2019, and have issued our report thereon dated December 6, 2019.

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.

Fairbanks, Alaska
December 6, 2019

Cook & Hangelberg LLC
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, 2019. 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 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, 2019.

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. We conducted our audit of compliance in accordance with the Uniform Guidance, 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 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, 2019, 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, 2019. We issued our report thereon dated December 6, 2019, 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.

Fairbanks, Alaska
December 6, 2019
FAIRBANKS NORTH STAR BOROUGH
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2019

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

**U.S. DEPARTMENT OF DEFENSE**

Direct Programs

- **EAFB Bed Down F-35 Plan**
  - CFDA 12.600
  - $30,229

- **EAFB Salcha/Badger Plan**
  - CFDA 12.600
  - 173,728

Total U.S. Department of Defense

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

Direct Program

- **Federal Payments in Lieu of Taxes FY19**
  - CFDA 15.226
  - $468,337

National Park Service

Pass-Through Program from:

**Alaska Department of Natural Resources**

- **Historic Preservation Plan Update Phase II**
  - CFDA 15.904
  - 17009
  - $4,550

- **Pioneer Park National Registry**
  - CFDA 15.904
  - 17005
  - 4,469

- **FY18 Historic Preservation Travel Grant**
  - CFDA 15.904
  - 17018
  - 2,194

- **Tanana Lakes Recreation Area Playground**
  - CFDA 15.916
  - 02-00413
  - 85,498

Total U.S. Department of the Interior

**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 FFY18**
  - CPD 20.205
  - PL-1260(8)IGOA 2003
  - $30,330

- **FHWA-PL Highway Planning & Research FFY19**
  - CPD 20.205
  - PL-1260(9)IGOA 2003
  - 75,717

- **FHWA Western Federal Highway Lands Division**
  - CPD 20.205
  - DTFH7016E00036
  - 491,836

- **FHWA Western Federal Highway Lands Division**
  - CPD 20.205
  - DTFH7016E00051
  - 695,932

- **Air Quality Education Outreach**
  - CPD 20.205
  - AKSAS #60709
  - 289,008

- **Air Quality Hot Spot Guidance**
  - CPD 20.205
  - AKSAS #60458
  - 120,289

- **Air Quality State Implementation Plan (SIP)**
  - CPD 20.205
  - AKSAS #60891
  - 13,120

Non-Cash Assistance

- **Rosie Creek Road Improvements**
  - CPD 20.205
  - NFHWY00017
  - $55,023

- **Gold Mine Trail Road Upgrade**
  - CPD 20.205
  - NFHWY00015
  - 1,329,953

- **FMATS Area Surface Upgrades FFY17**
  - CPD 20.205
  - NFHWY00127
  - 168

- **FMATS Improvement Program FFY18**
  - CPD 20.205
  - NFHWY00243
  - 51,980

- **Tanana Lakes Recreation Area Access Improvements**
  - CPD 20.205
  - 1517020900162
  - 6,330

**Alaska Department of Natural Resources**

- **Skyline Ridge Trail Restoration Phase II**
  - CPD 20.219
  - 1079711000
  - $48,548

- **Tanana Lakes Recreation Area Phase IV**
  - CPD 20.219
  - 1079812400
  - 40,673

Total Highway Planning and Construction Cluster

$3,248,907
## Federal Grantor / Pass-through Grantor / Program or Cluster Title

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

### U.S. DEPARTMENT OF TRANSPORTATION (continued)

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

**Federal Transit Administration (FTA)**

**Direct Programs**

- **09 CMAQ-Bus Stop Facilities** 20.507 $12,557
- **09/12 CMAQ-Bus Stop Facilities** 20.507 128,379
- **12 CMAQ Ft. Wainwright Route/MACS** 20.507 315,353
- **FY18 5307 Operating Assistance** 20.507 1,024,038
- **FY16 5339-Transit Garage Expansion Grant** 20.526 432,329

**Total Federal Transit Cluster**

$1,912,656

**Federal Transit Administration (FTA)**

Pass-through Programs from:

- **Alaska Department of Transportation and Public Facilities**
  - **FTA 5303 Highway Planning & Research FFY15 and FFY16** 20.514 2514-16-0300 $27,249
  - **FTA 5303 Highway Planning & Research FFY17 and FFY18** 20.514 2514-19-0200 4,075

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

$5,192,887

### INSTITUTE OF MUSEUM AND LIBRARY SERVICES

**Pass-through Programs from:**

- **Alaska State Library**
  - **Library Continuing Education Grant FY19 - #1** 45.310 CED-19-733-01 $1,250
  - **Library Continuing Education Grant FY19 - #2** 45.310 CED-19-733-02 1,250
  - **Library Continuing Education Grant FY19 - #3** 45.310 CED-19-733-03 1,250
  - **Library Continuing Education Grant FY19 - #4** 45.310 CED-19-733-04 1,250
  - **Library Continuing Education Grant FY19 - #5** 45.310 CED-19-733-05 1,250

**Total Institute of Museum and Library Services**

$6,250

### U.S. ENVIRONMENTAL PROTECTION AGENCY

**Pass-through Programs from:**

- **Alaska Department of Commerce, Community and Economic Development**
  - **Targeted Airshed Fairbanks Conversion/Removal** 66.202 18-TAS-01 $256,676
  - **Fairbanks, Alaska PM2.5 Nonattainment Area Change Out** 66.202 16-TAS-01 772,723

**Total U.S. Environmental Protection Agency**

$1,029,399

### U.S. DEPARTMENT OF HOMELAND SECURITY

**Pass-through Programs from:**

- **Alaska Department of Military and Veterans Affairs**
  - **2016 Homeland Security Grant Program** 97.067 EMW-2016-SS-00002-S01 $48,102
  - **2017 Homeland Security Grant Program** 97.067 EMW-2017-SS-00048-S01 62,117
  - **2018 Homeland Security Grant Program** 97.067 EMW-2018-SS-00045-S01 48,717
### Federal Pass-Through Passed Total

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

#### U.S. DEPARTMENT OF HOMELAND SECURITY (continued)

**Federal Emergency Management Agency (FEMA)**

Pass-through Program from:

**Alaska Department of Military and Veterans Affairs**


**Total U.S. Department of Homeland Security**

$ $318,936

**Grand Total - Federal Financial Assistance**

$ $7,316,477
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, 2019 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.

Non-Cash Assistance

In FY19, 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 Part 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 Program funds and expended those funds to resurface roadways in Borough road service areas (RSAs). Western Federal Lands Highway Division was the recipient of the U.S. Department of Transportation funds to improve road access to Tanana Lakes Recreation Area.
FAIRBANKS NORTH STAR BOROUGH
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2019

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:

<table>
<thead>
<tr>
<th>CFDA Number(s)</th>
<th>Name of Federal Program or Cluster</th>
</tr>
</thead>
<tbody>
<tr>
<td>15.226</td>
<td>Federal Payments in Lieu of Taxes FY19</td>
</tr>
<tr>
<td>66.202</td>
<td>Fairbanks, Alaska PM2.5 Nonattainment Area</td>
</tr>
<tr>
<td></td>
<td>Change Out</td>
</tr>
<tr>
<td>66.202</td>
<td>Targeted Airshed Fairbanks Conversion/Removal</td>
</tr>
</tbody>
</table>

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, 2019, 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, 2019 and have issued our report thereon dated December 6, 2019.

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 6, 2019
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, 2019. 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 state statutes, regulations, and the terms and conditions of its state awards 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, 2019.

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 discreetly 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, 2019, 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, 2019. We issued our report thereon dated December 6, 2019, 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. 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. 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.

Fairbanks, Alaska
December 6, 2019
## STATE OF ALASKA DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT

### Grants to Municipalities

<table>
<thead>
<tr>
<th>Name of Award</th>
<th>Award Number</th>
<th>Passed Through to Subrecipients</th>
<th>State Expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Barnette Magnet School Renovation and Reconstruction</td>
<td>12-DC-623</td>
<td>$</td>
<td>$13</td>
</tr>
<tr>
<td>Fire Station 31 Upgrade</td>
<td>15-DC-450</td>
<td>18,798</td>
<td>18,798</td>
</tr>
<tr>
<td>Domestic Water Well Installation Project</td>
<td>15-DC-471</td>
<td>117</td>
<td>117</td>
</tr>
<tr>
<td>Air Quality Mitigation</td>
<td>13-DC-526</td>
<td></td>
<td>64,229</td>
</tr>
<tr>
<td>Natural Gas Distribution System Development*</td>
<td>13-DC-544</td>
<td></td>
<td>304,575</td>
</tr>
</tbody>
</table>

### Community Assistance Program Direct Payment

<table>
<thead>
<tr>
<th>Name of Award</th>
<th>Award Number</th>
<th>Passed Through to Subrecipients</th>
<th>State Expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Community Assistance Program -- FY19*</td>
<td></td>
<td></td>
<td>$1,698,840</td>
</tr>
</tbody>
</table>

### Total State of Alaska Department of Commerce, Community and Economic Development

<table>
<thead>
<tr>
<th></th>
<th></th>
<th>$18,915</th>
<th>$2,086,572</th>
</tr>
</thead>
</table>

## ALASKA HOUSING FINANCE CORPORATION

<table>
<thead>
<tr>
<th>Name of Award</th>
<th>Award Number</th>
<th>Passed Through to Subrecipients</th>
<th>State Expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td>State Payments in Lieu of Taxes - FY19</td>
<td></td>
<td>$</td>
<td>$42,541</td>
</tr>
</tbody>
</table>

### Total Alaska Housing Finance Corporation

<table>
<thead>
<tr>
<th></th>
<th></th>
<th>$</th>
<th>$42,541</th>
</tr>
</thead>
</table>

## ALASKA DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT

### FY19 State Aid for School Construction*

|                                                        |             | $                            | $9,836,388        |

## Division of State Libraries, Archives & Museums

### Library Services Grants

<table>
<thead>
<tr>
<th>Name of Award</th>
<th>Award Number</th>
<th>Passed Through to Subrecipients</th>
<th>State Expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public Library Assistance - FY19</td>
<td>PLA-19-733-01</td>
<td></td>
<td>21,000</td>
</tr>
<tr>
<td>NASA Stem Travel</td>
<td></td>
<td>452</td>
<td></td>
</tr>
</tbody>
</table>

### Total Alaska Department of Education and Early Development

|                                                        |             | $                            | $9,857,840        |

## ALASKA DEPARTMENT OF HEALTH AND SOCIAL SERVICES

### Human Services Community Matching Grant -FY18*

<table>
<thead>
<tr>
<th>Name of Award</th>
<th>Award Number</th>
<th>Passed Through to Subrecipients</th>
<th>State Expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Human Services Community Matching Grant -FY18*</td>
<td>605-231-18002</td>
<td>$</td>
<td>$653</td>
</tr>
</tbody>
</table>

### Human Services Community Matching Grant -FY19**

<table>
<thead>
<tr>
<th>Name of Award</th>
<th>Award Number</th>
<th>Passed Through to Subrecipients</th>
<th>State Expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Human Services Community Matching Grant -FY19**</td>
<td>605-231-19002</td>
<td>257,885</td>
<td>271,458</td>
</tr>
</tbody>
</table>

### Total Alaska Department of Health and Social Services

|                                                        |             | $257,885                       | $272,111          |

*State Major Program

---

1. Schedule of State Financial Assistance
### Interior Regional Housing Authority

<table>
<thead>
<tr>
<th>Award Name</th>
<th>Award Number</th>
<th>Passed Through to Subrecipients</th>
<th>State Expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td>State Payments in Lieu of Taxes - FY19</td>
<td></td>
<td></td>
<td>$39,073</td>
</tr>
<tr>
<td>Total Interior Regional Housing Authority</td>
<td></td>
<td></td>
<td>$39,073</td>
</tr>
</tbody>
</table>

### Alaska Department of Revenue

<table>
<thead>
<tr>
<th>Award Name</th>
<th>Award Number</th>
<th>Passed Through to Subrecipients</th>
<th>State Expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td>State Telephone and Electric Co-op FY18*</td>
<td></td>
<td></td>
<td>$433,052</td>
</tr>
<tr>
<td>State Telephone and Electric Co-op FY19*</td>
<td></td>
<td></td>
<td>420,441</td>
</tr>
<tr>
<td>State Fish Tax - FY19</td>
<td></td>
<td></td>
<td>102</td>
</tr>
<tr>
<td>Total Alaska Department of Revenue</td>
<td></td>
<td></td>
<td>$853,595</td>
</tr>
</tbody>
</table>

### Alaska Department of Transportation and Public Facilities

<table>
<thead>
<tr>
<th>Award Name</th>
<th>Award Number</th>
<th>Passed Through to Subrecipients</th>
<th>State Expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY19 Debt Reimbursement for Municipal Capital Projects*</td>
<td></td>
<td></td>
<td>$338,287</td>
</tr>
</tbody>
</table>

### Federal Transit Administration (FTA)

#### Direct Programs

<table>
<thead>
<tr>
<th>Program Description</th>
<th>Award Number</th>
<th>Passed Through to Subrecipients</th>
<th>State Expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td>09 CMAQ-Bus Stop Facilities</td>
<td>AKSAS #60568</td>
<td></td>
<td>1,214</td>
</tr>
<tr>
<td>09/12 CMAQ-Bus Stop Facilities</td>
<td>AKSAS #60568</td>
<td></td>
<td>12,743</td>
</tr>
<tr>
<td>12 CMAQ Ft. Wainwright Route/MACS</td>
<td>AKSAS #62441</td>
<td></td>
<td>31,303</td>
</tr>
<tr>
<td>FY18 5307 Operating Assistance</td>
<td>2514-19-0100</td>
<td></td>
<td>41,267</td>
</tr>
<tr>
<td>Total Alaska Department of Transportation and Public Facilities</td>
<td></td>
<td></td>
<td>$424,814</td>
</tr>
</tbody>
</table>

### Alaska Department of Administration

<table>
<thead>
<tr>
<th>Award Name</th>
<th>Award Number</th>
<th>Passed Through to Subrecipients</th>
<th>State Expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td>PERS Defined Benefit Plan State Direct Contribution* according to the letter dated July 24, 2019</td>
<td>PERS ER 116</td>
<td></td>
<td>$1,650,447</td>
</tr>
<tr>
<td>Total Alaska Department of Administration</td>
<td></td>
<td></td>
<td>$1,650,447</td>
</tr>
<tr>
<td>Grand Total</td>
<td></td>
<td></td>
<td>$15,226,993</td>
</tr>
</tbody>
</table>

---

*State Major Program
Basis of Presentation and Summary of Significant Accounting Policies

This Schedule of State Financial Assistance includes the state award activity of the Fairbanks North Star Borough under programs of the State of Alaska for the year ended June 30, 2019 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. Because the Schedule presents only a selected portion of the operations of the Borough, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Borough.

State of Alaska Funds Passed Through to Subrecipients

Of the state expenditures presented in the Schedule, the following state awards were passed through to subrecipients(s):

<table>
<thead>
<tr>
<th>Program</th>
<th>Award</th>
<th>Amount to Subrecipient</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fire Station 31 Upgrade</td>
<td>15-DC-450</td>
<td>$18,798</td>
</tr>
<tr>
<td>Domestic Water Well Installation Project</td>
<td>15-DC-471</td>
<td>117</td>
</tr>
<tr>
<td>Human Services Community Matching Grant FY19</td>
<td>605-231-19002</td>
<td>257,885</td>
</tr>
</tbody>
</table>

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>Revenues from State of Alaska</td>
<td>$274,182</td>
<td>$274,182</td>
<td>$0</td>
</tr>
<tr>
<td>Expenditures</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other direct expense</td>
<td>261,126</td>
<td>261,126</td>
<td></td>
</tr>
<tr>
<td>Indirect costs</td>
<td>13,056</td>
<td>13,056</td>
<td></td>
</tr>
<tr>
<td>Total expenditures</td>
<td>$274,182</td>
<td>$274,182</td>
<td>$0</td>
</tr>
<tr>
<td>Excess of revenue over expenditures</td>
<td>$</td>
<td>$</td>
<td>$</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.
### Budget to Actual Comparison

**Human Services Community Matching Grant – FY 2018-19**  
Alaska Department of Health and Social Services

A schedule of budgeted and actual revenues and expenditures for the FY 2018-19 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>$271,458</td>
<td>$271,458</td>
<td>$</td>
</tr>
<tr>
<td><strong>Expenditures</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other direct expense</td>
<td>258,531</td>
<td>257,885</td>
<td>646</td>
</tr>
<tr>
<td>Indirect costs</td>
<td>12,927</td>
<td>12,927</td>
<td></td>
</tr>
<tr>
<td><strong>Total expenditures</strong></td>
<td>$271,458</td>
<td>$270,812</td>
<td>646</td>
</tr>
<tr>
<td>Excess of revenue over expenditures</td>
<td>$646</td>
<td>$646</td>
<td>($646)</td>
</tr>
</tbody>
</table>

The amount in the “Actual Expenditures” column for “Total Expenditures” is $646 greater than as footnoted in the Schedule of Expenditures of State Awards as of June 30, 2019; $646 was the amount expended during the current fiscal year for a required program audit, which was completed and invoiced after June 30, 2019 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, 2019.

### 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 2019, the Alaska Legislature appropriated $135,219,000, which exceeds the State’s statutorily-required direct contribution. The $1,650,447 reflects the amount allocated to the Borough by the State for fiscal year 2019. As explained in the Notes to the Financial Statements, the Borough recognized revenue of $603,159 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:
  Material weakness(es) identified? Yes ___ x No
  Significant deficiency(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:
  Material weakness(es) identified? Yes ___ x No
  Significant deficiency(ies) 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.
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