



Fiscal Year 2022 Audit Presentation

March 1, 2023

Karen Tarver, CPA

Elgee Rehfeld, LLC



FY22 AUDIT TEAMS

- **CBJ – Karen Tarver**
 - Adam Sycks, Jill Smith, Cody Campbell, Tim Lewis, Andrew Ringle, Brayden Massey-Jones, Katie Tarver, Ryan Beason
- **BRH – Sarah Griffith**
 - Adam Sycks, Jill Smith, Tim Lewis, Katie Tarver, Anujin Bayarjargal
- ▶ **JSD – Karen Tarver**
 - Jill Smith, Cody Campbell, Andrew Ringle, Katie Tarver, Batsuren Ganbat, Anujin Bayarjargal

TIMING OF AUDITS

City and Borough of Juneau (CBJ)

Fieldwork - August and October-March

FY22 FS – to be issued in March 2023

FY22 Compliance Audits – will be completed in March 2023

Bartlett Regional Hospital (BRH)

Fieldwork - August and September

FY22 FS – issued in November

Juneau School District (JSD)

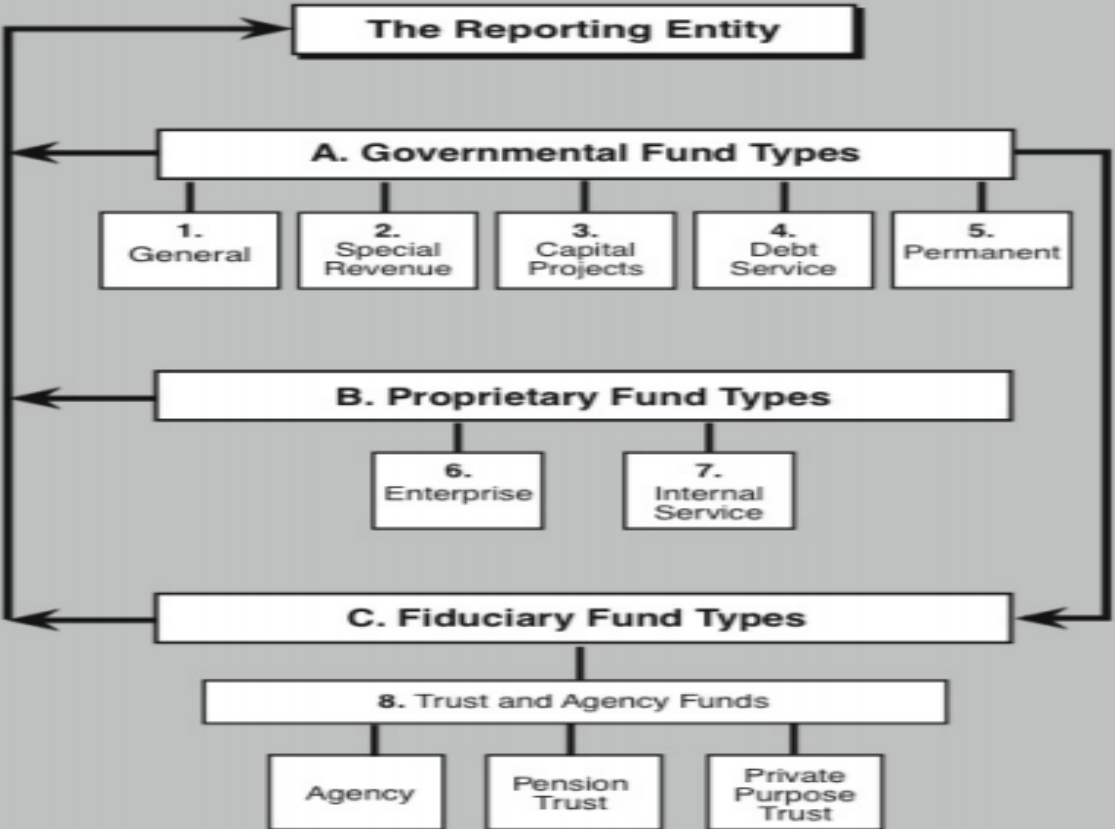
Fieldwork - July and September

FY22 FS & Compliance Audits – issued in November



CBJ – PRIMARY GOVERNMENT

Primary Government



CBJ'S ACTIVITIES AND FUNDS

- **Governmental Activities**

- General Fund
- General Debt Service
- Special Revenue Funds – 11
- Capital Project Funds – 5
- Permanent Fund

- **Business-Type Activities**

- Enterprise Funds – 6 (includes BRH)

- **Internal Service Funds – 3 (allocated into Governmental and Business-Type Activities)**

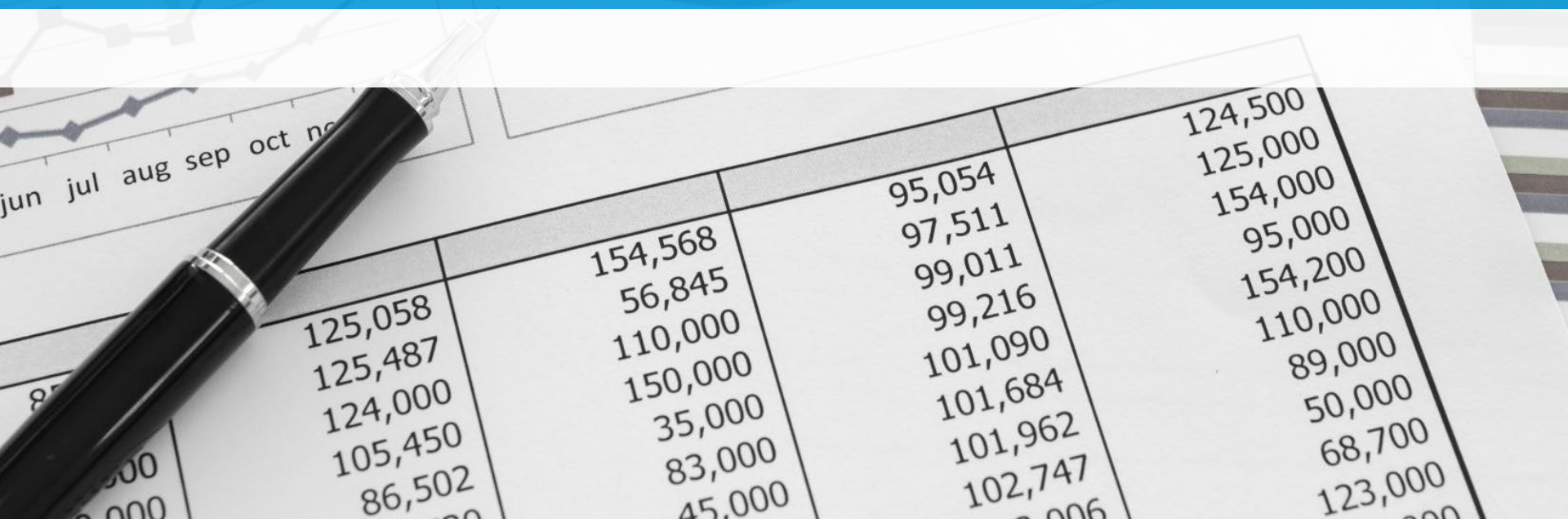
- **Fiduciary Funds – 2**

- **Component Unit – Juneau School District**



The background of the image features a collage of financial data. At the top, there is a bar chart with months from May to December on the x-axis. Below it is a pie chart with a legend for months from January to June. To the right, a stack of US dollar bills is visible, along with a portion of a calculator. A blue horizontal banner is overlaid across the middle of the image, containing the title text in white. At the bottom, a black pen lies diagonally over a table of financial figures.

"ACFR" ANNUAL COMPREHENSIVE FINANCIAL REPORT

A black pen is positioned diagonally across the bottom left of the image, resting on a table of financial data. The table contains several columns of numbers, likely representing financial metrics over time.

125,058	154,568	95,054	124,500
125,487	56,845	97,511	125,000
124,000	110,000	99,011	154,000
105,450	150,000	99,216	95,000
86,502	35,000	101,090	154,200
	83,000	101,684	110,000
	45,000	101,962	89,000
		102,747	50,000
			68,700
			123,000

CBJ ACFR CONTENTS

BASIC FINANCIAL STATEMENTS

AUDITOR EXPRESSES AN
OPINION ON
GOVERNMENTAL AND
BUSINESS-TYPE ACTIVITIES,
EACH MAJOR FUND, AND
AGGREGATE REMAINING
FUND INFORMATION AND
NOTES TO THE BASIC
FINANCIAL STATEMENTS

Basic Financial Statements include:

- **Government Wide Financial Statements**
(Governmental & Business-Type Activities)
 - Statement of Net Position
 - Statement of Activities
- **Fund Financial Statements**
 - Governmental Funds
 - Balance Sheet
 - Statements of Revenues, Expenditures and Changes in Fund Balances
 - Proprietary Funds
 - Statement of Net Position
 - Statement of Activities
 - Statement of Cash Flows
 - Fiduciary Funds
 - Statement of Net Position
 - Statement of Activities
- **Notes to the Basic Financial Statements**

CBJ ACFR CONTENTS

REQUIRED SUPPLEMENTARY INFORMATION

AUDITOR DOES NOT
EXPRESS AN OPINION OVER
REQUIRED SUPPLEMENTARY
INFORMATION

Required Supplementary Information includes:

- **Management Discussion and Analysis**
- **Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget to Actual**
 - Presented for each governmental major fund
- **Schedules of Proportionate Share of the Net Pension and Net OPEB Liabilities**
- **Schedules of Contributions to Alaska Public Retirement System and OPEB Plans**

CBJ ACFR CONTENTS

SUPPLEMENTARY INFORMATION

AUDITOR EXPRESSES AN 'IN
RELATION TO' OPINION ON
SUPPLEMENTARY
INFORMATION

NO OPINION IS EXPRESSED
ON THE OTHER
SUPPLEMENTARY
INFORMATION

Supplementary Information includes:

- **Combining statements**
 - **Non-Major Governmental Funds**
 - **Enterprise Funds**
- **Individual fund statements**
- **Capital Assets Used in Operation of Governmental Funds schedule**
- **Current and Closed Capital Project Schedules**

Other Supplementary Information includes:

- **Introductory section**
- **Statistical section**

ANNUAL FINANCIAL REPORTS OF CBJ, BRH AND JSD

- **City and Borough of Juneau (CBJ)**
 - ▶ ACFR (Annual Comprehensive Financial Report)
 - ▶ Compliance Reports
 - ▶ Federal and State Major Programs & Schedules
 - ▶ FAA Passenger Facility Charges Program and Schedule
- **Bartlett Hospital Regional Hospital (BRH)**
 - ▶ Financial Statements
- **Juneau School District (JSD)**
 - ▶ Financial Statements
 - ▶ Compliance Reports
 - ▶ Federal and State Major Programs & Schedules
 - ▶ State of Alaska DEED Tuition Rate Report

SIGNIFICANT TRANSACTION CYCLES

- **CBJ and JSD**
 - **Treasury** – Cash, Investments, Taxation (CBJ), other Revenue and Related Receivables
 - **Capital Assets** (CBJ only)
 - **Debt Instruments** (CBJ only)
 - **Expenditure** – Purchasing, Accounts Payable, Inventory and Supplies, and Payroll
 - **Budget**
 - **Risk** (Concentrated at CBJ)
 - **Financial Reporting**
 - **Compliance** – Legal, General Grant and Specific (including Passenger Facility Charges and Tuition Rate Report)
- **BRH**
 - **Revenue Cycle** – Patient/consumer services revenue from admissions through billing including related management of contractual and bad debt recording
 - **Property, Plant and Equipment**
 - **Expenditure** – Purchasing, Accounts Payable, Inventory and Supplies, and Payroll
 - **Financial Reporting**
 - **Compliance** – Legal, General Grant and Specific

INDEPENDENT AUDITOR'S REPORT – OPINIONS

DRAFT INDEPENDENT AUDITOR'S REPORT

To the Members of the Assembly
City and Borough of Juneau, Alaska

Report on the Audit of the Financial Statements

Opinions

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 City and Borough of Juneau, Alaska (City and Borough), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City and Borough's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City and Borough, as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITOR'S REPORT – BASIS FOR OPINIONS

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and Borough and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



INDEPENDENT AUDITOR'S REPORT – MANAGEMENT'S RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

Responsibilities of Management for the Financial Statements

The City and Borough's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City and Borough's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.



INDEPENDENT AUDITOR'S REPORT – OUR RESPONSIBILITIES

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

INDEPENDENT AUDITOR'S REPORT – AUDITOR'S RESPONSIBILITY UNDER GAAS

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City and Borough's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City and Borough's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

AUDIT PROCESS

Testing of Significant Internal Controls

Testing of Balances and Significant Transactions
and Disclosures

Concluding on Work

Drafting Auditor Reports

Issuance



CHANGES IN FISCAL YEAR 2022 IMPACTING AUDIT APPROACH

- GASB No. 87, Leases
- COVID funding
- Increased audit risk identified in immaterial account balances at BRH
- Turnover in Finance & Treasury departments
- Budgetary compliance

BARTLETT REGIONAL HOSPITAL FY22 AUDIT RESULTS

- Unmodified Opinion on Financial Statements
- Findings Reported to the Hospital Board
 - Significant Deficiency 2022-001 – Internal controls over Financial Reporting – Purchasing Process (BRH)
- Detailed Presentation with the BRH Finance Committee
- Note: Federal and State financial assistance is audited as part of CBJ's single audit and is not yet completed for FY22.

JUNEAU SCHOOL DISTRICT FY22 AUDIT RESULTS

- **Unmodified Opinions on Financial Statements and Federal and State major Programs**
 - No findings or questioned costs for compliance programs
 - No audit adjustments to the financial statements
- **Findings Reported to the Juneau School Board**
 - 2022-001 Significant Deficiency in Internal Controls over Financial Reporting and Compliance with CBJ Charter, Article 13 Section 7
 - 2022-002 Significant Deficiency in Internal Controls over Financial Reporting – Medicaid Billing
- **Other Informal communications with management**
 - GASB Statement No. 87 – Leases impact
 - Budgeting and Policies & Procedures updates
 - Methods for cash collections
 - Coordination with State of Alaska for FY23 budget
- **Presentation to the School Board and CBJ Finance Committee**

CBJ FY22 AUDIT STATUS

ACFR / Financial Statements audit

- In progress – expect to issue in March 2023
- Significant delays in the production of the ACFR
- Current expectation is to issue unmodified opinions with 2 findings

Federal and State Compliance audits

- In progress – expect to issue in March 2023
- Significant delays in the production of the ACFR resulted in delay compliance audit

CBJ – FY22 COMPLIANCE AUDITS IN PROGRESS

- **State Major Program**
 - 1 major program
 - 55% of total state assistance for FY22

Federal Major Programs

- 4 major programs
 - 85% of total federal assistance for FY22
 - 16% Airport related
 - 4% CIP related
 - 79% Covid related funding
 - 11% Hospital related
 - 68% Governmental and enterprise funds

FAA Passenger Facility Charges Schedule

CBJ - LETTER TO THE ASSEMBLY

Auditor Responsibility

Planned Scope and Timing
of Audit and Significant
Risks Identified

Compliance Regarding
Independence

Entity's Significant
Accounting Policies Aspects

- Significant Accounting Policies –
Use & Changes
- Significant Accounting Estimates
- Significant Disclosure

Uncorrected and Corrected
Misstatements

Difficulties, Disagreements,
Representations and
Consultations with or by
Management

Other Significant Matters,
Findings or Issues



LETTER TO THE ASSEMBLY – SIGNIFICANT ACCOUNTING POLICIES

- Adoption of GASB:
 - *No. 87, Leases*
- Prior Period Adjustments to ACFR
 - Restatements related to the reclassification of a fund from enterprise to governmental and correction for fixed asset/prepaid amounts.

LETTER TO ASSEMBLY - SIGNIFICANT ESTIMATES

- **Pension and OPEB Assets, Liabilities, Deferred In/Outflows**
 - Based on information provided by the State of Alaska
- **Accounts, Taxes, Assessments and Other Receivables**
 - Based on historical collection, market conditions
 - Assumes ability to collect
 - Accuracy of allowance for doubtful accounts
- **Self-insurance reserves for claims liabilities**
 - Represents reserves for reported and unreported losses
 - Based on an estimated (by an actuary) ultimate cost of settling the claims
- **Provider Relief Funds (BRH)**
 - Based on guidance made available by U.S. Department of Health and Human Services, at time financials were issued.

LETTER TO
ASSEMBLY –
UNCORRECTED
AND
CORRECTED
MISSTATEMENTS

Still in progress but include:

- Change in presentation of fund balance between committed and unassigned in the Sales Tax Special Revenue Fund to conform with GASB No. 54 reporting requirements.
- Omitted lease disclosures
- Corrections to capital asset, debt, lease, fund balance disclosures
- Corrections to Capital Project schedules (supplementary information) and Capital Project amounts in basic financial statements
- Correction classification of current and long-term compensated absences in BRH Enterprise Fund
- Correct classification of non-operating revenue from operating to non-operating

LETTER TO THE
ASSEMBLY - INTERNAL
CONTROL MATTERS
AND
RECOMMENDATIONS

DRAFT Finding 2022-001: Material Weakness in
Internal Controls over Financial Reporting –
ACFR Preparation Process

- We recommend management complete a formal evaluation of:
 - Process used to compile information for the ACFR
 - Software used to compile the ACFR
 - Review procedures and resources used in reviewing the ACFR

We recommend an update to the ACFR preparation process, to ensure there are controls in place to mitigate the risks identified in the evaluation and to ensure accurate and timely preparation of the ACFR.

LETTER TO THE
ASSEMBLY - INTERNAL
CONTROL MATTERS
AND
RECOMMENDATIONS

DRAFT Finding 2022-002: Significant Deficiency
in Internal Controls over Financial Reporting –
Lease Standard Implementation Procedure
Documentation

- We recommend management complete a formal evaluation of the procedures and documentation associated with accounting and reporting under the lease standard (GASB No. 87). Improved documentation and departmental guidance is needed to ensure accurate and timely preparation of the ACFR lease information.

LETTER TO THE
ASSEMBLY - INTERNAL
CONTROL MATTERS
AND
RECOMMENDATIONS

DRAFT Finding 2022-003: Significant Deficiency
in Internal Controls over Financial Reporting –
Purchasing Processes (BRH Enterprise Fund)

- We recommend management complete a formal evaluation of the risks and controls associated with the purchasing cycle, as well as all other financial functions, and ensure controls are in place to mitigate the risks identified.

LETTER TO
THE
ASSEMBLY –
OTHER
INTERNAL
CONTROL
COMMENTS
DRAFT

Review of Financial Related Policies and
Procedures

Finance & Treasury Department Task
Management

Utilization of Software for ACFR Preparation

LETTER TO
THE
ASSEMBLY –
STATUS OF
PRIOR YEAR
FINDING &
COMMENTS
DRAFT

Finding 2021-001: Significant Deficiency in Internal Controls over Financial Reporting – Purchasing Processes, Bartlett Regional Hospital Enterprise Fund

Finding repeated as 2022-003 due to timing of corrective action occurring late in FY22

Other Internal Control Matters:

- Further Develop and Document Accounting Procedures
 - We recommended management continue to formalize documentation, including the controller's ACFR review procedures.

Comment is Repeated and part of 2022-001

CONCLUSION

- Thank you to the CBJ Finance and Treasury Departments, JSD Finance, and BRH's Finance staff for their assistance in our audits. It has been a challenging year and those we interacted with have responded in a professional manner and worked diligently to provide the information needed for our audits.
- We are happy to sit down with members of the Assembly to discuss any items related to our audits.
- Questions?

