

CITY AND BOROUGH OF JUNEAU, ALASKA

LETTER TO THE ASSEMBLY

Year Ended June 30, 2022

March 31, 2023



# Elgee Rehfeld Alaska's CPA Firm

Founders: George Elgee, CPA & Robert Rehfeld, CPA

## Partners

Janelle Anderson, CPA  
Ryan Beason, CPA  
Sarah Griffith, CPA  
Mark Mesdag, CPA  
Adam Sycks, CPA  
Karen Tarver, CPA

March 31, 2023

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

Dear Members:

We have audited the financial statements of the City and Borough of Juneau, Alaska (City and Borough) as of and for the year ended June 30, 2022, and have issued our report thereon dated March 31, 2023. Professional standards require that we advise you of the following matters relating to our audit.

### **Our Responsibility in Relation to the Financial Statement Audit**

As communicated in our engagement letter dated April 28, 2022, our responsibility, as described by professional standards, is to form and express opinions about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the City and Borough solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

### **Planned Scope and Timing of the Audit**

We were not able to conduct our financial statement audit consistent with the planned scope and timing we previously communicated to you. We delayed the completion of the audits as requested documentation and the draft annual comprehensive financial report (ACFR), necessary for completion of our audit procedures, were not available until after the timeframe we originally planned. Significant changes to the ACFR draft continued to occur throughout the audit period creating inefficiencies and a delay in our ability to conclude the audit.

## Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, and our firm have complied with all relevant ethical requirements regarding independence. Our financial statement preparation services are designed to ensure our independence is not impaired. Management reviews and accepts responsibility of the draft Bartlett Regional Hospital and Juneau School district financial statements, which are prepared from their respective accounting systems and records provided to us.

## Significant Risks Identified

Our audit standards require we communicate significant risks identified in the planning phase and that we design our audit to provide reasonable assurance that the financial statements are free of material misstatement whether caused by error or fraud. The significant risks identified are consistent with the risks we discussed with you during planning and at the conclusion of our audit procedures.

## Qualitative Aspects of the Entity's Significant Accounting Practices

### *Significant Accounting Policies*

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the City and Borough is included in Note 1 to the financial statements.

As described in Note 20 to the financial statements, during the year, the City and Borough changed aspects of its financial statement presentation by adopting Governmental Accounting Standards Board (GASB) *Statement No. 87, Leases*, *Statement No. 91, Conduit Debt Obligations*, *Statement No. 97, Certain Component Unit Criteria*, and *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, and *Statement No. 98, the Annual Comprehensive Financial Report*. Only *Statement No. 87, Leases*, had an impact on the City and Borough's financial reporting and accordingly, the cumulative effect of the accounting change as of the beginning of the year has been reported in the Statement of Revenues, Expenses, and Changes in Net Position.

As described in Note 23 to the financial statements, during the year, the City and Borough determined that prior period adjustments were necessary for:

- \$95,190 and \$1,535 to accurately present balances as of June 30, 2022 in a capital project fund and an internal service fund.
- \$14,419 restatement of Bartlett Regional Hospital's net position related to the lease standard implementation.
- Reclassification of a fund from an enterprise to a governmental fund type during fiscal year 2022. The impact was to increase governmental activities fund balance and decrease business-type activities net assets by \$1,604,862. The General Fund beginning fund balance was restated by \$764,199 as a result of the fund type change.

No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

### *Significant Accounting Estimates*

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

We evaluated the key factors and assumptions used to develop the values below in determining that it was reasonable in relation to the basic financial statements taken as a whole and in relation to the applicable opinion units. The most sensitive accounting estimates affecting the financial statements are:

- Management's estimate of the net pension liability, OPEB asset, OPEB liabilities, and related deferred inflows and outflows, are based on information provided by the State of Alaska.
- Management's estimates of the net realizable value of accounts, taxes, assessments and government agency receivables are based on historical collections of these receivables, current market conditions and management's assessment of the collectability of the various individual and classes of receivables.
- Management's estimate of the reserves for losses and loss adjustment expenses represent (a) individual case estimates for reported losses, (b) estimates for unreported losses based on past experience modified for current trends, and (c) estimates of expenses for investigating and settling claims. The reserves are based on the estimated ultimate cost of settling the claims, including the effects of inflation and other societal and economic factors. These estimates are limited to the appropriate per occurrence retention for the coverage and policy year.
- Management's estimate of the net realizable value of the Provider Relief Funds, in Bartlett Regional Hospital enterprise fund, is based on the guidance made available by the Department of Health and Human Services, at the time the financial statements were issued. The guidance outlining requirements on how to recognize these funds may change subsequent to the date of audit issuance, which may impact the ability of the Hospital to retain some or all of the distributions received.

### *Financial Statement Disclosures*

The financial statement disclosures are neutral, consistent and clear.

### **Significant Difficulties Encountered during the Audit**

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

## Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate, and communicate to the appropriate level of management:

- All known and likely misstatements identified during the audit, other than those that we believe are trivial.
- All material, corrected misstatements that were brought to the attention of management as a result of our audit procedures.
- The effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole.

The following material adjustments, identified as a result of our review of the draft financial statements, were brought to the attention of, and corrected by, management in the issued financial statements:

- Pension related liabilities and expenses were misstated in the government-wide statements and enterprise funds. A \$24 million decrease to governmental activities and a \$5.2 million increase to business-type activities (proprietary funds) was necessary to correct the net pension liability (NPL) balance and expenses. The correction was necessary due to an error in the calculation of the year-end change in the NPL balance from the prior year NPL balance.
- \$10.5 million change in presentation of fund balance from committed to unassigned in the Sales Tax special revenue fund to conform with GASB No. 54 reporting requirements.
- \$2.9 million change in presentation of fund balance from restricted to unassigned in the General Debt Service fund to conform with GASB No. 54 reporting requirements.
- Failure to include disclosure of General Debt Service fund deficit balance in footnotes to the financial statements.
- \$3.9 million reduction of accounts receivable and revenue in the Pandemic Response special revenue fund as criteria for revenue recognition was not met as of year-end.
- \$2.4 million reclassification of Equity in Central Treasury account to Due from Component Unit account and in disclosures to accurately present Juneau School District's negative equity in central treasury balance as of year-end.
- Correction for \$3.2 of encumbrances erroneously excluded from financial statements and disclosures for the Dock enterprise fund.
- Corrections to lease related balances and disclosures.
- Corrections to debt related disclosures.

The following summarizes uncorrected financial statement misstatements whose effects in the current and prior periods, as determined by management, are immaterial, both individually and in the aggregate, to the financial statements taken as a whole and each major fund:

- Debt footnote misstatement – one table does not agree to statements or to other debt disclosures.
- Capital assets – supplemental schedules do not agree to the statements or disclosures.
- Lease disclosures – omitted disclosures related to regulatory leases.
- Investment disclosures – omitted aspects of required disclosures related to fair value.

## **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the City and Borough's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

## **Representations Requested from Management**

We have requested certain written representations from management related to the financial statements, which are included in the attached letter.

## **Management's Consultations with Other Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

## **Other Significant Matters, Findings, or Issues**

In the normal course of our professional association with the City and Borough, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, significant events or transactions that occurred during the year, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the City and Borough's auditors.

## **Other Information in Documents Containing Audited Financial Statements**

Pursuant to professional standards, our responsibility as auditors for other information, whether financial or nonfinancial, included in the City and Borough's audited financial statements does not extend beyond the financial information identified in the audit report, and we are not required to perform any procedures to corroborate such other information. However, in accordance with such standards, we have made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Our responsibility also includes communicating to you any information which we believe is a material misstatement of fact. Nothing came to our attention that caused us to believe that such information, or its manner of presentation, is materially inconsistent with the information, or manner of its presentation, appearing in the financial statements.

## Internal Control and Other Matters

### Material Weakness and Significant Deficiencies in Internal Control Over Financial Reporting

#### *Material Weakness and Significant Deficiencies in Internal Controls over Financial Reporting Noted during Current Year Audit*

As described in our *Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*, we identified deficiencies in internal control over financial reporting that we consider to be a material weakness and significant deficiencies, as listed below:

#### 2022-001: Material Weakness in Internal Controls over Financial Reporting – ACFR Preparation

Internal controls over financial reporting were not sufficiently implemented to accurately close the accounting records and prepare the ACFR for the City and Borough as of year-end. Significant adjustments to net position/fund balance, cash, pension liabilities, deferred inflow/outflows, revenues, and expenses were identified as a result of audit procedures and review of the draft ACFR. In addition to balances requiring adjustment, disclosures were missing, and disclosures and supplemental information was not in agreement with draft financial statements included in the draft ACFR. The records in place to support account balances did not agree to some balances and internal reviews were not sufficient to detect or identify the errors. Account balances and disclosures were corrected by management as a result of the audit process.

#### 2022-002: Significant Deficiency in Internal Controls over Financial Reporting – Lease Standard Implementation

Internal controls over financial reporting were not sufficiently designed and implemented to ensure lease populations were complete, lease discount rates were supported and reasonable, and lease balances and disclosures were accurate. Internal policies and procedures were not documented for the new lease accounting standard during fiscal year 2022. Significant adjustments to balances and disclosures for leases were identified as a result of audit procedures.

#### 2022-003: Significant Deficiency in Internal Controls over Financial Reporting – Purchasing Processes, Bartlett Regional Hospital Enterprise Fund

Internal controls over purchasing for part of the year were not sufficiently designed and implemented to ensure that physical assets purchased with credit cards, including furnishings, equipment, and IT assets were tracked and safeguarded. Tested credit card, employee reimbursement, and travel purchases were not adequately supported, nor was the business purpose of transactions sufficiently documented in some cases.

#### *Significant Deficiency in Internal Controls over Financial Reporting Noted During the Prior Year Audit and Current Status*

As described in our prior year *Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements*

*Performed in Accordance with Government Auditing Standards*, we identified a deficiency in internal control over financial reporting that we considered to be a significant deficiency, as described below:

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

Internal controls over purchasing were not sufficiently designed and implemented to ensure that physical assets purchased with credit cards, including artwork, furnishings, IT equipment, and gift cards, were tracked and safeguarded. Tested credit card, employee reimbursement, and travel purchases were not adequately supported, nor was the business purpose of transactions sufficiently documented in some cases.

*Status:* The issues were not fully addressed during fiscal year 2022 due to the timing of the issuance of our prior year report and time available prior to the fiscal year 2022 year-end. See current year significant deficiency 2022-003 above.

*Significant Deficiency in Internal Controls over Compliance and Compliance Finding Noted During the Prior Year Audit and Current Status*

As described in our prior year *Independent Auditor's Report on Compliance for each Major Federal Program and Report on Internal Control over Compliance in Accordance with the Uniform Guidance*, we identified major program noncompliance and a deficiency in internal control over compliance that we considered to be a significant deficiency, as described below:

2021-002: Major Program Noncompliance and Significant Deficiency in Internal Controls over Compliance – Allowable Costs/Cost Principles – Transaction Support, Bartlett Regional Hospital Enterprise Fund

Internal controls over purchasing were not sufficiently designed and implemented to ensure costs charged to the award were adequately documented and/or supported for costs incurred and recorded in the Bartlett Regional Hospital enterprise fund. Credit card, employee reimbursements, and travel purchases charged to award number 602-239-21004, COVID-19 – Substance Use Disorder Services Expansion – Youth Psychiatric Stabilization CARES award, part of the U.S. Department of the Treasury, Coronavirus Relief Fund program (ALN#21.019), were not adequately supported to confirm that costs charged to the award were allowable.

*Status:* Grant issues were resolved in fiscal year 2022. Issue is considered resolved.

***Other Internal Control Matters Noted During Current Audit***

During our audit we noted an other internal control matter that is an opportunity for strengthening internal controls and operating efficiency that we discussed with management. This item did not affect our reports on the financial statements of the City and Borough.

Finance and Accounting Policies and Procedures:

The Finance Department, per the City and Borough Charter section 03.10.020, is responsible for providing accounting and finance services to all other departments and programs within the City and Borough. Ensuring the documented policies and procedures address internal control risks and reporting requirements, as well as providing guidance to departments on accounting and reporting matters, is a key



responsibility of the Finance Department. As with many organizations, reviews and updates of existing policies and procedures have not been a high priority during the last two years due to the pandemic but are an important part of any internal control environment and should be done on a consistent and regular basis.

We recommend a city-wide assessment of finance and accounting related policies and development of a schedule for periodic reviews and updates be implemented. In addition, as new internal control risks, or accounting and reporting needs are identified, either from a change in current practices or a new accounting standard, the Finance department should ensure changes are documented, implemented, and training is provided in a timely manner.

#### ***Other Internal Control Matters Noted During the Prior Audit and Their Current Status***

During our prior audits we noted other internal control matters that were opportunities for strengthening internal controls and operating efficiency. Following are the recommendations we made in the prior years that were reported as unresolved as of June 30, 2021, and the current status of those recommendations:

##### Further Develop and Document Accounting Procedures:

In prior years, we recommended management document the tasks associated with the annual close of the City and Borough's accounting records, and the production of its financial reports used in the annual comprehensive financial report (ACFR).

*Status:* See Material Weakness 2022-001 above.

##### Aggregate, Record and Disclose the City and Borough Leases Receivable:

In prior year, we recommended the City and Borough aggregate its leases and evaluate how leases are recorded and disclosed.

*Status* In our fiscal year 2021 letter to the assembly we reported this other matter as resolved as management had purchased lease software and anticipated the software would produce all necessary journal entries for the City and Borough to be in compliance with GASB No. 87 in fiscal year 2022. The implementation of the new accounting standard was not designed or implemented to ensure documentation and information was captured for financial reporting purposes accurately or in a timely manner. See Significant Deficiency 2022-002 for current year status.

---

This information is intended solely for the use of the Assembly, federal and state granting authorities and management of the City and Borough and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

*Elgee Rehfeld*



Address: 155 Municipal Way, Juneau, AK 99801  
Phone: 907-586-5278, Fax: 907-586-4552

March 31, 2023

Elgee Rehfeld, LLC  
9309 Glacier Highway, Suite B-200  
Juneau, Alaska 99801

City and Borough of Juneau Assembly Members,

This representation letter is provided in connection with your audit of the financial statements of the City and Borough of Juneau, Alaska (City and Borough) as of June 30, 2022 and for the year then ended, and the related notes to the financial statements, for the purpose of expressing opinions on whether the basic financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows, where applicable, of the various opinion units of the City and Borough in accordance with accounting principles generally accepted for governments in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information such that, in the light of surrounding circumstances, 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.

We confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves as of March 31, 2023:

## Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement dated April 28, 2022, for the preparation and fair presentation of the financial statements of the various opinion units referred to above in accordance with U.S. GAAP.
2. We acknowledge our responsibility 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.
3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
4. We acknowledge our responsibility for compliance with the laws, regulations, and provisions of contracts and grant agreements.
5. We acknowledge our responsibility for compliance with the laws, regulations, and provisions of contracts and grant agreements.
6. We have reviewed, approved, and taken responsibility for the financial statements and related notes.
7. We have a process to track the status of audit findings and recommendations.
8. We have identified and communicated to you all previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
9. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
10. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
11. All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
12. The effects of uncorrected misstatements summarized in Letter to the Assembly and aggregated by you during the current engagement are immaterial, both individually and in the aggregate, to the applicable opinion units and to the financial statements as a whole.
13. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
14. The component unit is included and properly disclosed.
15. All funds and activities are properly classified.

16. All funds that meet the quantitative criteria in GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, GASB Statement No. 37, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments: Omnibus* as amended, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, for presentation as major are identified and presented as such and all other funds that are presented as major are considered important to financial statement users.
17. All components of net position, nonspendable fund balance, and restricted, committed, assigned, and unassigned fund balance are properly classified and, if applicable, approved.
18. Our policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position/fund balance are available is appropriately disclosed and net position/fund balance is properly recognized under the policy.
19. All revenues within the statement of activities have been properly classified as program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
20. All expenses have been properly classified in or allocated to functions and programs in the statement of activities, and allocations, if any, have been made on a reasonable basis.
21. All interfund and intra-entity transactions and balances have been properly classified and reported.
22. Special items and extraordinary items have been properly classified and reported.
23. Deposit and investment risks have been properly and fully disclosed.
24. Capital assets, including infrastructure assets, are properly capitalized, reported, and if applicable, depreciated.
25. All required supplementary information is measured and presented within the prescribed guidelines.
26. With regard to investments and other instruments reported at fair value:
  - a. The underlying assumptions are reasonable and they appropriately reflect management's intent and ability to carry out its stated courses of action.
  - b. The measurement methods and related assumptions used in determining fair value are appropriate in the circumstances and have been consistently applied.
  - c. The disclosures related to fair values are complete, adequate, and in accordance with U.S. GAAP.

- d. There are no subsequent events that require adjustments to the fair value measurements and disclosures included in the financial statements.

## Information Provided

- 27. We have provided you with:
  - a. Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statements of the various opinion units referred to above, such as records, documentation, meeting minutes, and other matters;
  - b. Additional information that you have requested from us for the purpose of the audit; and
  - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
- 28. All transactions have been recorded in the accounting records and are reflected in the financial statements.
- 29. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- 30. We have provided to you our analysis of the entity's ability to continue as a going concern, including significant conditions and events present, and if necessary, our analysis of management's plans, and our ability to achieve those plans.
- 31. We have disclosed to you all information that we are aware of in relation to fraud or suspected fraud that affects the entity and involves:
  - a. Management;
  - b. Employees who have significant roles in internal control; or
  - c. Others where the fraud could have a material effect on the financial statements.
- 32. We have no knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, vendors, regulators, or others.
- 33. We are not aware of any pending or threatened litigation and claims whose effects should be considered when preparing the financial statements.
- 34. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.
- 35. There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in accounting, internal control, or financial reporting practices.

36. The City and Borough has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
37. We have disclosed to you all guarantees, whether written or oral, under which the City and Borough is contingently liable.
38. We have disclosed to you all nonexchange financial guarantees, under which we are obligated and have declared liabilities and disclosed properly in accordance with GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, for those guarantees where it is more likely than not that the entity will make a payment on any guarantee.
39. For nonexchange financial guarantees where we have declared liabilities, the amount of the liability recognized is the discounted present value of the best estimate of the future outflows expected to be incurred as a result of the guarantee. Where there was no best estimate but a range of estimated future outflows has been established, we have recognized the minimum amount within the range.
40. We have disclosed to you all significant estimates and material concentrations known to management that are required to be disclosed in accordance with GASB Statement No. 62 (GASB-62), *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. Significant estimates are estimates at the balance sheet date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets or geographic areas for which events could occur that would significantly disrupt normal finances within the next year.
41. We have identified and disclosed to you the laws, regulations, and provisions of contracts and grant agreements that could have a direct and material effect on financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds.
42. There are no:
  - a. Violations or possible violations of laws or regulations, or provisions of contracts or grant agreements whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency, including applicable budget laws and regulations.
  - b. Unasserted claims or assessments that our lawyer has advised are probable of assertion and must be disclosed in accordance with GASB-62.

- c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by GASB-62.
  - d. Continuing disclosure consent decree agreements or filings with the Securities and Exchange Commission and we have filed updates on a timely basis in accordance with the agreements (Rule 240, 15c2-12).
43. The City and Borough has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset or future revenue been pledged as collateral, except as disclosed to you.
44. We have complied with all aspects of grant agreements and other contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
45. We are responsible for and will accurately prepare a corrective action plan for deficiencies reported to us by you.

### **Required Supplementary Information**

With respect to the required supplementary information accompanying the financial statements:

46. We acknowledge our responsibility for the presentation of the required supplementary information in accordance with accounting principles generally accepted in the United States of America.
47. We believe the required supplementary information, including its form and content, is measured and fairly presented in accordance with accounting principles generally accepted in the United States of America.
48. The methods of measurement or presentation have not changed from those used in the prior period.
49. We believe the significant assumptions or interpretations underlying the measurement or presentation of the required supplementary information, and the basis for our assumptions and interpretations, are reasonable and appropriate in the circumstances.

### **Use of Specialist**

50. We agree with the findings of specialists performing actuarial services and have adequately considered the qualifications of the specialist in determining the amounts and disclosures

used in the financial statements and underlying accounting records. We did not give or cause any instructions to be given to specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on the independence or objectivity of the specialists.

## The Uniform Guidance and State of Alaska Awards

With respect to federal and state awards, we represent the following to you:

51. We are responsible for understanding and complying with and have complied 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), as applicable, the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*, and the *Passenger Facility Charge Guide*.
52. We are responsible for the preparation and presentation of the schedule of expenditures of federal awards (SEFA) in accordance with the Uniform Guidance, the schedule of state financial assistance (SSFA) in accordance with the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*, and the Schedule of Passenger Facility Charges (PFC) in accordance with the *Passenger Facility Charge Guide*.
53. The methods of measurement or presentation have not changed from those used in the prior period.
54. We believe the significant assumptions or interpretations underlying the measurement or presentation of the SEFA, SSFA, and PFC, and the basis for our assumptions and interpretations, are reasonable and appropriate in the circumstances.
55. We have identified and disclosed all of our government programs and related activities subject to the Uniform Guidance, the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*, and the *Passenger Facility Charge Guide* compliance audits.
56. We have notified you of federal awards and funding increments that were received before December 26, 2014, and differentiated those awards from awards and funding increments received on or after December 26, 2014, and subject to the audit requirements of the Uniform Guidance.
57. As the SEFA, SSFA and PFC are not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the SEFA,



SSFA and PFC no later than the date of issuance by the entity of the SEFA, SSFA, PFC and the auditor's report thereon.

58. We have provided to you our interpretations of any compliance requirements that have varying interpretations.
59. We have made available to you all federal and state awards (including amendments, if any) and any other correspondence relevant to federal or state programs and related activities that have taken place with federal or state agencies or pass-through entities.
60. We have received no requests from a federal or state agency to audit one or more specific programs as a major program.
61. We have identified and disclosed to you all amounts questioned and any known noncompliance with the requirements of federal and state awards, including the results of other audits or program reviews, or stated that there was no such noncompliance. We also know of no instances of noncompliance with direct and material compliance requirements occurring subsequent to period covered by the auditor's report.
62. We have disclosed to you any communications from federal awarding agencies and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including communications received to the date of the auditor's report.
63. We have made available to you all documentation related to compliance with the direct and material compliance requirements, including information related to federal and state program financial reports and claims for advances and reimbursements.
64. Federal and state program financial reports and claims for advances and reimbursements are supported by the books and records from which the basic financial statements have been prepared (and are prepared on a basis consistent with the SEFA, SSFA, and PFC).
65. The copies of federal and state program financial reports provided to you are true copies of the reports submitted, or electronically transmitted, to the respective federal or state agency or pass-through entity, as applicable.
66. We have considered the results of audits and have made any necessary adjustments to our own books and records.
67. We have properly classified amounts claimed or used for matching in accordance with related guidelines in the Uniform Guidance, the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*, and the *Passenger Facility Charge Guide*, as applicable.

68. We have charged costs to federal and state awards in accordance with applicable cost principles.
69. We are responsible for and will accurately prepare the summary schedule of prior audit findings to include all findings required to be included, and we have provided you with all information on the status of the follow-up on prior audit findings by federal and state awarding agencies and pass-through entities, including all management decisions.
70. We have disclosed to you the findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditor's report.
71. We have disclosed all contracts or other agreements with service organizations and disclosed to you all communications from these service organizations relating to noncompliance at the organizations.
72. We have disclosed to you the nature of any subsequent events that provide additional evidence with respect to conditions that existed at the end of the reporting period that affect noncompliance during the reporting period.

In addition:

73. We are responsible for understanding and complying with the requirements of federal and state statutes, regulations, and the terms and conditions of federal and state awards related to each of our federal and state programs.
74. We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance for federal and state programs that provide reasonable assurance that we are managing our federal and state awards in compliance with federal and state statutes, regulations, and the terms and conditions of the federal and state award that could have a material effect on our federal and state programs. Also, no changes have been made in the internal control over compliance or other factors that might significantly affect internal control, including any corrective action taken by management with regard to significant deficiencies and material weaknesses in internal control over compliance, have occurred subsequent to the period covered by the auditor's report.



---

Rorie Watt, City Manager



---

Jeff Rogers, Finance Director



---

Sarita Knull, Controller



---

Angie Flick, Treasurer