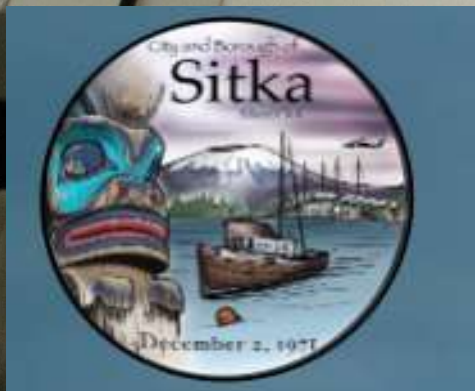


Report to Honorable Mayor and Members of Sitka Assembly

# CITY AND BOROUGH OF SITKA, ALASKA

Audit Wrap Up:  
Year Ended June 30, 2022



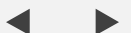
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The following communication was prepared as part of our audit, has consequential limitations, and is intended solely for the information and use of those charged with governance (e.g., Board of Directors and Audit Committee) and, if appropriate, management of the Client and is not intended and should not be used by anyone other than these specified parties.



# Welcome

February 8, 2023

Honorable Mayor and Members of Sitka Assembly

City and Borough of Sitka, Alaska

Professional standards require us to communicate with you regarding matters related to the audit, that are, in our professional judgment, significant and relevant to your responsibilities in overseeing the financial reporting process. On June 23, 2022 we presented an overview of our plan for the audit of the financial statements including the schedule of expenditures of federal awards of The City and Borough of Sitka, Alaska (Sitka) as of and for the year ended June 30, 2022, including a summary of our overall objectives for the audit, and the nature, scope, and timing of the planned audit work.

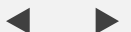
This communication is intended to elaborate on the significant findings from our audit, including our views on the qualitative aspects of Sitka's accounting practices and policies, management's judgments and estimates, financial statement disclosures, and other required matters.

We are pleased to be of service to Sitka and look forward to meeting with you on February 14, 2023 to discuss our audit findings, as well as other matters that may be of interest to you, and to answer any questions you might have.

Respectfully,

*BDO USA, LLP*

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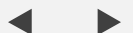


# Executive Summary

# Status of Our Audit

We have completed our audit of the financial statements as of and for the year ended June 30, 2022. Our audit was conducted in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*. This audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

- ▶ The objective of our audit was to obtain reasonable - not absolute - assurance about whether the financial statements are free from material misstatements.
- ▶ The scope of the work performed was substantially the same as that described to you in our earlier Audit Planning communications.
- ▶ We have issued unmodified opinions on the basic financial statements and released our report on February 8, 2023.
- ▶ We have issued an unmodified opinion on Sitka's Federal and State of Alaska Single Audit report, including the Schedule of Expenditures of Federal Awards (SEFA) and Schedule of State Financial Assistance (SSFA) and released our report on February 8, 2023.
- ▶ In planning and performing our audit of the SEFA and SSFA, we considered Sitka's internal control over compliance with requirements that could have a direct and material effect on its major federal program(s) to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with GAS, Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the *State of Alaska Single Audit Guide and Compliance Supplement*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance.
- ▶ Our responsibility for other information in documents containing Sitka's audited financial statements (e.g., management's discussion, budgetary comparisons, schedules of pension and OPEB amounts) does not extend beyond the financial information identified in the audit report, and we are not required to perform procedures to corroborate such other information. However, in accordance with professional standards, we have read the information included by Sitka and considered whether such information, or the manner of its presentation, was materially inconsistent with its presentation in the financial statements. Our responsibility also includes calling to management's attention any information that we believe is a material misstatement of fact. We have not identified any material inconsistencies or concluded there are any material misstatements of facts in the other information that management has chosen not to correct. All records and information requested by BDO were freely available for our inspection.
- ▶ Management's cooperation was excellent. We received full access to all information that we requested while performing our audit, and we acknowledge the full cooperation extended to us by all levels of Borough personnel throughout the course of our work.



# Results of the Audit

## ACCOUNTING PRACTICES, POLICIES, ESTIMATES AND SIGNIFICANT UNUSUAL TRANSACTIONS

The following summarizes the more significant required communications related to our audit concerning Sitka's accounting practices, policies, estimates and significant unusual transactions:

Sitka's significant accounting practices and policies are those included in Note 1 to the financial statements. These accounting practices and policies are appropriate, comply with generally accepted accounting principles and industry practice, were consistently applied, and are adequately described within Note 1 to the financial statements.

- ▶ A summary of recently issued accounting pronouncements is included in Note 1 to Sitka's financial statements.
- ▶ In 2022, Sitka adopted *GASB Statement No. 87 - Leases* - Effective for the year-ended June 30, 2022. This statement addresses accounting and financial reporting for certain lease assets and liabilities for leases that previously were classified as operating leases. This Statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The Borough did discovery of all active leases and used materiality policies to determine whether they applied to GASB 87, then accounted for those that qualified accordingly.
- ▶ There were no other changes in significant accounting policies and practices during 2022.

Significant estimates are those that require management's most difficult, subjective, or complex judgments, often as a result of the need to make estimates about the effects of matters that are inherently uncertain. Sitka's significant accounting estimates, including a description of management's processes and significant assumptions used in development of the estimates, are disclosed in Note 1 of the financial statements. We do not consider any of these estimates to be significant.

### Accounting Estimates

**Allowance for Uncollectible Accounts** - Several of Sitka's accounts receivable are from granting agencies; these are considered by management to be 100% collectible. Customer accounts receivables, including amounts due related to special assessments, interest income, and various user charges are reviewed by management periodically to determine a reasonable amount of allowance, based on known factors, past history, and age of the outstanding amount.

**Net Pension/OPEB Liabilities** - The net pension/ OPEB liabilities and related deferred inflow and outflows of resources are estimated based on actuarial and other actual contribution data provided by Sitka by the PERS Plan Administrator.

**Landfill Closure and Post Closure Obligations**- Accounting rules prescribe that Sitka record the ultimate cost of closure and monitoring as the landfill is being filled. Sitka has estimated the cost of closure and monitoring material and supplies to cap and close, the cost of ongoing monitoring. This amount has been reported on the statement of net assets.

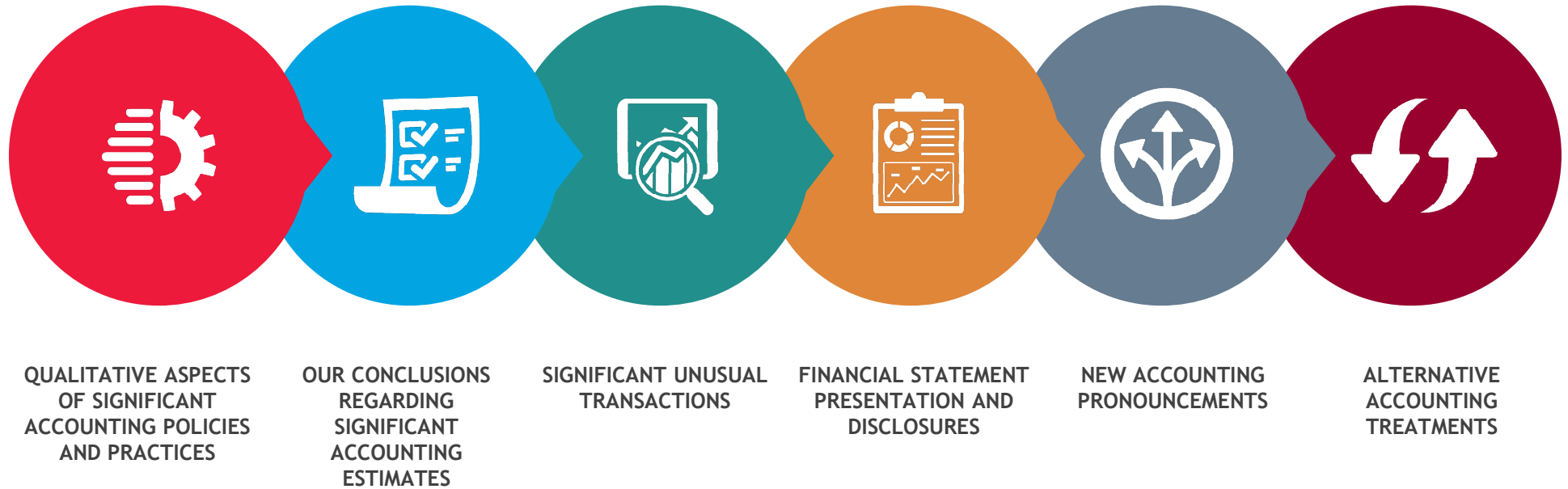
**Discount Rate** - The Borough is using a discount rate for calculations related to leases receivable and payable.

- ▶ Management did not make any significant changes to the processes or significant assumptions used to develop the accounting estimates in FY2022, with the exception of the new estimated discount rates used for implementation of GASB 87.
- ▶ The methods used to account for significant or unusual transactions, and related disclosures, are considered appropriate.

# Results of the Audit

## QUALITY OF SITKA'S FINANCIAL REPORTING

A discussion was held regarding the quality of Sitka's financial reporting, which included:



# Results of the Audit

## CORRECTED AND UNCORRECTED MISSTATEMENTS

There was one adjustment in the amount of \$257,042 to correct depreciation in the Harbor fund. The new Crescent Harbor asset was over-depreciated in 2021, so the correction was made in 2022. This also results in an uncorrected misstatement, as the error was not recorded back to 2021, given that these books and records were already closed.

There were no other corrected misstatements, other than those that were clearly trivial, related to accounts and/or disclosures that we brought to the attention of management. There were no other uncorrected misstatements, other than those that were clearly trivial, related to accounts and/or disclosures that we presented to management.

## SIGNIFICANT AREAS OF THE AUDIT

Significant focus areas of the audit for the year ending June 30, 2022 were as follows:

- ▶ Sale of hospital property
- ▶ Recognition of ARPA funding as lost revenue
- ▶ Federal major programs
  - 21.027 Coronavirus State and Local Fiscal Recovery Funds
  - 20.106 Airport Improvement Program
  - 16.710 Public Safety Partnership and Community Policing Grants







# Internal Control Over Financial Reporting

# Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Sitka’s internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion(s) on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Sitka’s internal control. Accordingly, we do not express an opinion on the effectiveness of Sitka’s internal control.

Our consideration of internal control was for the limited purpose described above and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

We are required to communicate, in writing, to those charged with governance all material weaknesses and significant deficiencies that have been identified in Sitka’s internal control over financial reporting. The definitions of control deficiency, significant deficiency and material weakness follow:

Category	Definition
Control Deficiency	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.
Significant Deficiency	A deficiency or 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.
Material Weakness	A deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of Sitka ’s financial statements will not be prevented, or detected and corrected on a timely basis.

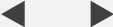
In conjunction with our audit of the financial statements, we noted no material weaknesses.

# Internal Control Over Financial Reporting



We have communicated to management of the Borough control deficiencies and provided suggestions for improvement of those deficiencies that were identified as a result of our audit that we did not consider to be material weaknesses or significant deficiencies.

Control Deficiency	Comments
IT General Controls	The Finance Director and Controller both have administrative access to the financial accounting systems. Sitka should continue audit trail reporting and monitoring to ensure controls over this authority and access.  In addition, Two former employees had active accounts in the database system at the time of audit, and one had an active domain administrative account. Sitka should consider implementing procedures to review active accounts and user rights upon termination of employees.
Review of Depreciation Calculations	We recommend Sitka review depreciation calculations for significant new capital assets to ensure proper amounts are recorded.



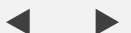


# Additional Required Communications

# Other Required Communications

Following is a summary of other required items, along with specific discussion points as they pertain to Sitka:

Requirement	Discussion Point
Significant changes to planned audit strategy or significant risks initially identified	There were no significant changes to the planned audit strategy or significant risks initially identified and previously communicated to those charged with governance as part of our Audit Planning communications.
Obtain information from those charged with governance relevant to the audit	There were no matters noted relevant to the audit, including, but not limited to: violations or possible violations of laws or regulations; risks of material misstatement, including fraud risks; or tips or complaints regarding the Borough's financial reporting that we were made aware of as a result of our inquiry of those charged with governance.
Nature and extent of specialized skills or knowledge needed related to significant risks	There were no specialized skills or knowledge needed, outside of the core engagement team, to perform the planned audit procedures or evaluate audit results related to significant risks.
Consultations with other accountants	We are not aware of any consultations about accounting or auditing matters between management and other independent public accountants. Nor are we aware of opinions obtained by management from other independent public accountants on the application of generally accepted accounting principles.
Significant findings and issues arising during the audit in connection with Sitka's related parties	We have evaluated whether the identified related party relationships and transactions have been appropriately identified, accounted for, and disclosed and whether the effects of the related party relationships and transactions, based on the audit evidence obtained, prevent the financial statements from achieving fair presentation.
Significant findings or issues arising during the audit that were discussed, or were the subject of correspondence, with management	There were no significant findings or issues arising during the audit that were discussed, or were the subject of correspondence, with management



# Other Required Communications

Following is a summary of other required items, along with specific discussion points as they pertain to Sitka:

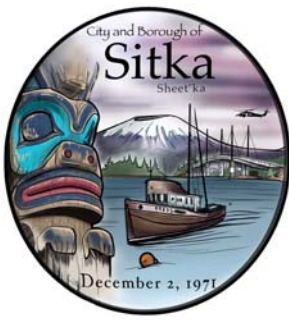
Requirement	Discussion Point
Disagreements with management	There were no disagreements with management about matters, whether or not satisfactorily resolved, that individually or in aggregate could be significant to Sitka's financial statements or to our auditor's report.
Significant difficulties encountered during the audit	There were no significant difficulties encountered during the audit.
Matters that are difficult or contentious for which the auditor consulted outside the engagement team	There were no difficult or contentious matters that we consulted with others outside the engagement team that we reasonably determined to be relevant to those charged with governance regarding their oversight of the financial reporting process.
Other matters significant to the oversight of Sitka's financial reporting process, including complaints or concerns regarding accounting or auditing matters	There are no other matters that we consider significant to the oversight of Sitka's financial reporting process that have not been previously communicated.
Representations requested from management	Please refer to the management representation letter.



# Independence

Our engagement letter to you dated June 23, 2022 describes our responsibilities in accordance with professional standards and certain regulatory authorities and *Government Auditing Standards* with regard to independence and the performance of our services. This letter also stipulates the responsibilities of Sitka with respect to independence as agreed to by Sitka. Please refer to that letter for further information.





# CITY AND BOROUGH OF SITKA

A COAST GUARD CITY

February 8, 2023

BDO USA, LLP  
3601 C Street, Suite 600  
Anchorage, AK 99503

Ladies and gentlemen:

We are providing this letter in connection with your audit(s) of the financial statements of the City and Borough of Sitka, Alaska (the Borough), which comprise the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows for the years then ended, and the related notes to the financial statements, for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. We confirm that we are responsible for the preparation and fair presentation in the financial statements of financial position, changes in net position, and cash flows in conformity with accounting principles generally accepted in the United States of America.

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 that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, as of the date of this representation letter, as entered on the first page, the following representations made to you during your audit(s):

- (1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated June 23, 2022, for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America.
- (2) We have fulfilled our responsibility, as set out in the terms of the aforementioned audit engagement letter, 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) The financial statements include all properly classified funds and other financial information of the primary government and all component units required to be included in the financial reporting entity by accounting principles generally accepted in the United States of America. All funds required to be presented as major funds are identified and presented as such.
- (4) We have made available to you:



- (a) All financial records, and related data and federal awards (including amendments, if any, and any other correspondence with federal agencies or pass-through entities relevant to federal programs and related activities)], including the names of all related parties and all relationships and transactions with related parties, as agreed upon in the terms of the aforementioned audit engagement letter.
  - (b) All additional information that you have requested from us for the purpose of the audit.
  - (c) Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
  - (d) Minutes of the meetings of Borough Assembly that were held from July 1, 2021, to the date of this letter, or summaries of actions of recent meetings for which minutes have not yet been prepared.
- (5) There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in financial reporting practices.
- (6) There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements or schedule of expenditures of federal awards (SEFA), or Schedule of State Financial Assistance (SSFA). The financial statement misstatements relating to accounts and disclosures identified and discussed with us in the course of the audit that are listed immediately below have been corrected. We have evaluated the propriety of the corrected misstatements based on a review of both the applicable authoritative literature and the underlying supporting evidence from our files and confirm our responsibility for the decision to correct them.

**Corrected Misstatements**

Item #	Account Name and Adjustment Description	Debit	Credit
1	Accumulated depreciation - Harbor Depreciation	\$ 257,062	\$ 257,062

- (7) The financial statement misstatements relating to accounts and disclosures identified and discussed with us in the course of the audit that are listed immediately below have not been corrected. In our opinion, the effects of not correcting such identified financial statement misstatements are, both individually and in the aggregate, immaterial to the financial statements of the Government taken as a whole.

**Uncorrected Misstatements**

Item #	Account Name and Adjustment Description	Debit	Credit	Impact on Net Position
2	Depreciation expense - 2022 - Harbor Fund	\$ 257,042		

Item #	Account Name and Adjustment Description	Debit	Credit	Impact on Net Position
	Depreciation expense - 2021 reflected as opening net position in 2022)		\$ 257,042	\$ 257,052
Current year cumulative uncorrected misstatements				\$ 257,052
Cumulative effect of prior period uncorrected misstatements brought forward from last period				-0-
Cumulative uncorrected misstatements adjusted for prior period impact				\$ 257,052

- (8) You have identified and discussed with us in the course of the audit the deficiencies in our internal control over financial reporting listed immediately below “included in the attached schedule of identified control deficiencies, which we have initialed and dated”.

Control Deficiencies Other Than Material Weaknesses or Significant Deficiencies
Superuser risk: The Finance Director has administrative access to the financial accounting system. Sitka should continue to audit trail reporting and monitoring to ensure controls over this access and authority.
IT access and user controls: Two former employees had active accounts in the database system at the time of audit, and one had an active domain administrative account.
Depreciation review: We recommend Sitka review depreciation calculations for significant new capital assets to ensure proper amounts are recorded.

- (9) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud or noncompliance. 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 or noncompliance. We have no knowledge of any:
- (a) Fraud or suspected fraud involving management or involving employees who have significant roles in internal control, whether or not perceived to have a material effect on the financial statements.
  - (b) Fraud or suspected fraud involving others where the fraud could have a material effect on the financial statements.
  - (c) Allegations of fraud or suspected fraud affecting the Government received in communications from employees, former employees, regulatory agencies, law firms, predecessor accounting firms, or others.
  - (d) Instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts or grant agreements, or abuse, whose effects should be considered when preparing the financial statements.
- (10) We have no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.

- (11) An actuary has been used to measure pension and other postretirement liabilities and costs, and there is involvement with a multiemployer plan (State of Alaska PERS). A specialist was used to assist in the determination of landfill estimates. Regarding the use of these specialists, we agree with the findings of specialists in evaluating the pension, OPEB, and landfill estimates 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.
- (12) The following, where applicable and material, have been properly recorded or disclosed in the financial statements:
- (a) The identity of all related parties and all related party relationships and transactions of which we are aware, including revenues, expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties.
  - (b) Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances and line-of-credit or similar arrangements.
  - (c) Guarantees, whether written or oral, under which the Government is contingently liable.
  - (d) Significant estimates and material concentrations known to management that are required to be disclosed in accordance with accounting principles generally accepted in the United States of America. In that regard, all accounting estimates that could be material to the financial statements, including key factors and significant assumptions underlying those estimates, have been identified, and we believe the estimates are reasonable in the circumstances. The methods, significant assumptions, and the data used in making the accounting estimates and the related disclosures are appropriate to achieve recognition, measurement, and disclosure that is in accordance with accounting principles generally accepted in the United States of America.
  - (e) The effects of all known actual or possible litigation, claims, and other liabilities or gain or loss contingencies that are required to be accrued or disclosed by accounting principles generally accepted in the United States of America, including:
    - Pending or anticipated tax refunds, other potential or pending claims, lawsuits by or against any branch of government or others;
    - Written or oral guarantees, endorsements, or unused letters of credit;
    - Unusual guarantees; or
    - Labor claims or negotiations.

Accounting principles generally accepted in the United States of America require loss contingencies to be accrued if it is probable an asset has been impaired or a liability incurred at the statement of financial position date and the amount of loss can be reasonably estimated. Such contingencies must be disclosed, but may not be accrued, if

the loss is reasonably possible (but not probable) or the loss is probable but the amount of loss cannot be reasonably estimated.

- (f) Commitments, such as:
- Major capital asset purchase agreements;
  - More-than-one-year employment arrangements or contracts with suppliers or customers, or one-year-or-longer term leases;
  - Deferred compensation, bonuses, pensions plans, or severance pay; or
  - Pending sale or merger of all or a portion of the business or of an interest therein or acquisition of all or a portion of the business, assets or securities of another entity;
- (g) Joint ventures or other participations, the detailed transactions of which are not carried on our books.
- (13) There are no:
- (a) Violations or possible violations of budget ordinances, laws or regulations and provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects could be material to the financial statements whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.
- (b) Unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with accounting principles generally accepted in the United States of America.
- (c) Side agreements or other arrangements (either written or oral) that have not been disclosed to you.
- (d) Restrictions of net position that were not properly authorized and approved, or reclassifications of net position that have not been properly reflected in the financial statements.
- (14) Receivables recorded in the financial statements represent valid claims against debtors for transactions arising on or before the statement of financial position date and have been appropriately reduced to their estimated net realizable value.
- (15) The Government has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- (16) We have appropriately disclosed the Government's 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 are available and have determined that net position is properly recognized under the policy.
- (17) We have complied with all aspects of contractual agreements, including debt covenants, that would have a material effect on the financial statements in the event of noncompliance. We

have also complied with the SEC disclosure rules for reporting annual financial information and material events to repositories in accordance with SEC Rule N.240, 15c2-12.

- (18) No discussions have taken place with your firm's personnel regarding employment with the Government.
- (19) We are responsible for compliance with laws, regulations and provisions of contracts and grant agreements applicable to us and we have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts.
- (20) Components of net position (net investment in capital assets, restricted and unrestricted) and classifications of fund balance (nonspendable, restricted, committed, assigned and unassigned) are properly classified and, if applicable, approved.
- (21) Revenues are appropriately classified in the statement of activities within program revenues, contributions, and general revenues. Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
- (22) In regards to the preparation of the financial statements and related footnote disclosures, preparation of the GASB 68 and 75 entries and related footnote disclosures, and the preparation of the require Form SF - SAC Data Collection Form, performed by you, we have: (1) assumed all management responsibilities, (2) designated an individual (within senior management) with suitable skill, knowledge, or experience to oversee the services, (3) evaluated the adequacy and results of the services performed, and (4) accepted responsibility for the results of the services.
- (23) We acknowledge our responsibility for presenting the supplementary information in accordance with accounting principles generally accepted in the United State of America and we believe it is fairly presented. The methods of measurement and presentation of the supplementary information have not changed from the prior period and we have disclosed to you any significant assumptions underlying the measurement and presentation of the supplementary information.
- (24) Required supplementary information is measured and presented in accordance with prescribed guidelines.
- (25) With respect to federal award programs:
  - (a) 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), including requirements relating to the preparation of the schedule of expenditures of federal awards (SEFA).
  - (b) We have, in accordance with the Uniform Guidance, identified and disclosed to you in the schedule of expenditures of federal awards (SEFA), expenditures made during the audit period for all government programs and related activities provided by federal agencies in the form of federal awards, grants, federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements,

interest subsidies, insurance, food commodities, direct appropriations, and other direct assistance.

- (c) We acknowledge our responsibility for the preparation of the SEFA and related notes in accordance with the requirements of the Uniform Guidance, and we believe the SEFA, including its form and content, is fairly presented in accordance with the Uniform Guidance. The methods of measurement or presentation of the SEFA have not changed from those used in the prior period and we have disclosed to you any significant assumptions and interpretations underlying the measurement or presentation of the SEFA below.
- (d) We have notified you of federal awards and funding increments that were received for awards received before December 26, 2014, and differentiated those awards from awards received on or after December 26, 2014, and subject to the audit requirements of the Uniform Guidance.
- (e) We will include the auditor's report on the SEFA in any document that contains the SEFA and that indicates you have reported on such information.
- (f) If the SEFA is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the SEFA no later than the date we issue the SEFA and the auditor's report thereon.
- (g) We are responsible for understanding and complying with, and have complied with in all material respects, the requirements of federal statutes, regulations, and the terms and conditions of federal awards related to each of our federal programs and have identified and disclosed to you the requirements of federal statutes, regulations, and the terms and conditions considered to have a direct and material effect on each federal program.
- (h) We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance for federal programs that provides reasonable assurance that we are managing our federal awards in compliance with federal statutes, regulations, and the terms and conditions that could have a material effect on our federal programs. We believe the internal control system is adequate and is functioning as intended. Also, subsequent to the date of the auditor's report as of which compliance was audited, no changes have occurred in internal control over compliance or other factors that might significantly affect internal control, including any corrective action we have taken regarding significant deficiencies and material weaknesses in internal control over compliance as reported in the schedule of findings and questioned costs.
- (i) We have made available to you all federal award contracts and grant agreements (including amendments, if any) and any other correspondence with federal agencies or pass-through entities relating to each major federal program and related activities that have taken place with federal agencies or pass-through entities.
- (j) We have received no requests from a federal agency to audit one or more specific programs as a major program.
- (k) We have complied, in all material respects, with the direct and material compliance requirements (except for noncompliance disclosed to you), including when applicable, those set forth in the *OMB Compliance Supplement*, relating to federal awards and have

identified and disclosed to you all amounts questioned and all known noncompliance with the direct and material requirements of federal awards, including the results of other audits or program reviews. or confirmed that there were no amounts questioned and no known noncompliance with the direct and material compliance requirements of federal awards. We also know of no instances of noncompliance occurring subsequent to the end of the period audited.

- (l) 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 from the end of the period covered by the compliance audit to the date of the auditor's report.
- (m) Amounts claimed or used for matching were determined in accordance with relevant guidelines in the Uniform Guidance.
- (n) We have disclosed to you our interpretations of compliance requirements that are subject to varying interpretations, if any.
- (o) We have made available to you all documentation related to compliance with the direct and material compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.
- (p) 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.
- (q) Federal 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 schedule of expenditures of federal awards.
- (r) The copies of federal program financial reports provided to you are true copies of the reports submitted or electronically transmitted, to the respective federal agency or pass-through entity, as applicable.
- (s) We have monitored subrecipients, as necessary, to determine that they have expended subawards in compliance with applicable federal statutes, regulations and terms and conditions of the subaward and have met other pass-through entity requirements of the Uniform Guidance.
- (t) We have considered the results of subrecipients' audits and have made any necessary adjustments to our books and records.
- (u) We have issued management decisions for audit findings that relate to federal awards made to subrecipients and such management decisions have been issued within six months of acceptance of the audit report by the Federal Audit Clearinghouse. Additionally, we have followed-up ensuring that the subrecipient has taken timely and appropriate action on all deficiencies detected through audits, on-site reviews, and other means that pertain to the federal award provided to the subrecipient.
- (v) We have charged costs to federal awards in accordance with applicable cost principles.
- (w) We are responsible for, and have accurately completed, the appropriate sections of the Data Collection Form as required by the Uniform Guidance. The final version of the

applicable audit reporting package, which includes your signed auditor's reports, that we will submit to the Federal Audit Clearinghouse (FAC) will be identical to the final version of such documents that you provided to us.

- (x) We have identified and disclosed to you the findings received and related corrective actions taken for previous audits, attestation engagements, internal or external monitoring, and other studies directly related to the audit objectives of the compliance audit, including findings received and corrective actions taken from the end of the audit period covered by the compliance audit report to the date of the auditor's report.
  - (y) We are responsible for and have ensured the reporting package does not contain protected personally identifiable information.
- (26) There have been no known or suspected breaches of sensitive information (e.g., personnel files) caused by cyber-attack or other means, or other cybersecurity incidents, where the breach or other incident could have a material effect on the financial statements.
- (27) In connection with any electronic presentation of the financial statements and your audit report thereon on our web site, we acknowledge that:
- We are responsible for the preparation, presentation, and content of the financial statements in the electronic format.
  - If your audit report is presented on our web site, the full financial statements upon which you reported and to which you appended your signed report will be presented.
  - We will clearly indicate in the electronic presentation on our web site the financial information that is subject to your audit report. We will clearly differentiate any information that may also be presented by us on or in connection with our web site that was contained in the published version of the financial statements and other supplementary information, but which is not part of the audited financial statements or other financial information covered by your audit report.
  - We have assessed the security over financial statement information and the audit report presented on our web site, and are satisfied that procedures in place are adequate to ensure the integrity of the information provided. We understand the risk of potential misrepresentation inherent in publishing financial information on our web site through internal failure or external manipulation.
  - If the electronic financial statements are generally made available to the public on our web site, we will include a notification to the reader that such financial statements are presented for convenience and information purposes only, and while reasonable efforts have been made to ensure the integrity of such information, they should not be relied on. A copy of the printed financial statements will be provided on request.
- (28) The accounting policies reflected in the opening balances have been consistently applied in the current period's financial statements. (Such changes in accounting policies have been appropriately accounted for and adequately presented and disclosed in accordance with accounting principles generally accepted in the United States of America (other comprehensive basis of accounting)).



- (29) Our annual report comprises the following documents: Annual Comprehensive Financial Report

Such documents are consistent with the financial statements, and do not contain any material misstatements. The final version of the documents that comprise the annual report will be provided to you when available, and prior to our issuance of the documents to any third parties.


- (30) We have considered climate-related events and conditions when preparing the financial statements and necessary disclosures, and have communicated to you such matters, if any, and their impact on our financial reporting.

To the best of our knowledge and belief, no events, including instances of noncompliance, have occurred subsequent to the statement of financial position date and through the date of this representation letter, as entered on the first page, that would require adjustment to or disclosure in the aforementioned financial statements or in the schedule of findings and questioned costs.

Very truly yours,

  
\_\_\_\_\_  
John Leach, Municipal Administrator

  
\_\_\_\_\_  
Melissa Haley, Finance Director



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