

REPORT TO HONORABLE MAYOR AND MEMBERS OF SITKA ASSEMBLY

CITY AND BOROUGH OF SITKA, ALASKA

AUDIT WRAP UP:
YEAR ENDED JUNE 30, 2023



Contents

QUICK ACCESS TO THE
FULL REPORT

INTRODUCTION	3
EXECUTIVE SUMMARY	4
INTERNAL CONTROL OVER FINANCIAL REPORTING	9
ADDITIONAL REQUIRED COMMUNICATIONS	12
APPENDIX	20

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 Borough, and is not intended and should not be used by anyone other than these specified parties.

Welcome

January 17, 2024

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 October 10, 2023, we presented an overview of our plan for the audit of the financial statements including the schedule of expenditures of federal awards of City And Borough Of Sitka (the “Borough”) as of and for the year ended June 30, 2023, 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 the 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 the Borough and look forward to meeting with you on January 23, 2024 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

BDO USA, P.C., a Virginia professional corporation, is the U.S. member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms. BDO is the brand name for the BDO network and for each of the BDO Member Firms.



JOY MERRINER

Engagement Partner

(907) 770-2257 / jmerriner@bdo.com



GEORGE BARKER

Assurance Experienced Senior

(907) 646-7379 / gbarker@bdo.com



NICOLE HAWKES

Assurance Senior

(907) 770-2237 / nhawkes@bdo.com



STERLING WANAMAKER

Assurance Senior

(907) 770-2209 / swanamaker@bdo.com



Executive Summary

Status of Our Audit

We have completed our audit of the financial statements, federal and state awards as of and for the year ended June 30, 2023. Our audit was conducted in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* (GAS) issued by the Comptroller General of the United States. 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 an unmodified opinion on the financial statements and released our report on January 16, 2024.
- ▶ We have issued our 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 have issued an unmodified opinion on the Borough's Single Audit Report, including the Schedule of Expenditures of Federal Awards (SEFA) and Schedule of State Financial Assistance (SSFA), and released our report dated January 16, 2024.





Status of Our Audit, continued

- ▶ In planning and performing our audit of the SEFA and SSFA, we considered the Borough's internal control over compliance with requirements that could have a direct and material effect on its major federal and state programs 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 Audit Guide and Compliance Supplement for State Single Audits (State Audit Guide), 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 the Borough's audited financial statements (e.g., 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 the Borough 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.

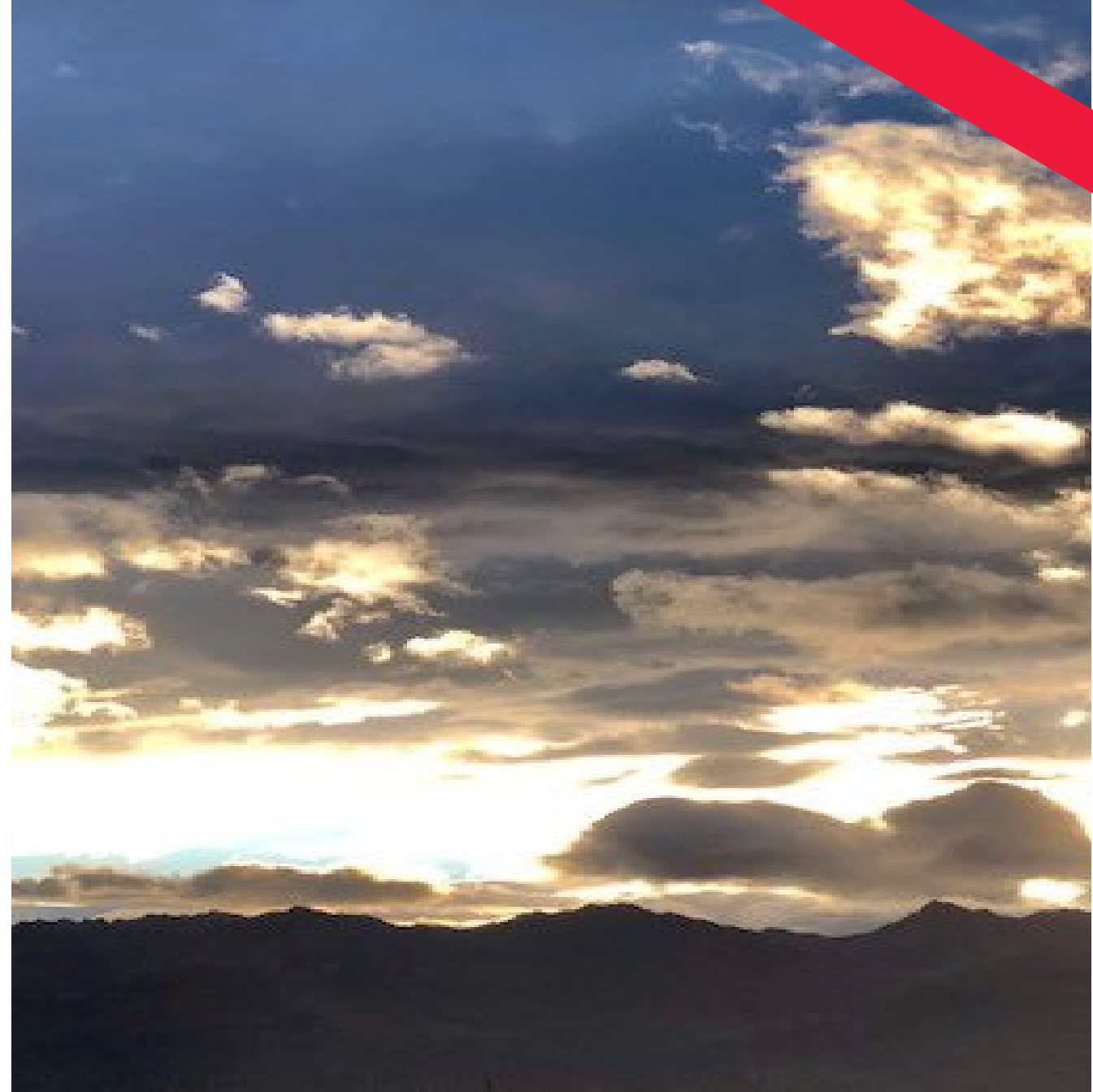
Results of the Audit

ACCOUNTING PRACTICES AND POLICIES

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

The Borough'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 the applicable financial reporting framework 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 N to the Borough's financial statements.
- ▶ GASB 96 Implementation - The Borough adopted GASB 96 - Subscription-Based Information Technology Arrangements (SBITAs) - Effective for the year-ended June 30, 2023. This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users. This statement, among other things, defines a SBITAs, establishes results in a right-to-use subscription asset (an intangible asset) and a corresponding subscription liability, provides capitalization criteria for outlays other than subscription payments, and requires note disclosures regarding a SBITA.
- ▶ There were no other changes in significant accounting policies and practices during 2023.



Results of the Audit

ACCOUNTING ESTIMATES

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. There are no significant estimates identified as applicable to 2023.

- ▶ The Borough’s other 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.
- ▶ Management did not make any significant changes to the processes or significant assumptions used to develop the accounting estimates in FY2023, with the exception of the new estimated discount rates used for implementation of GASB 96.
- ▶ Management did not make any significant changes to the processes or significant assumptions used to develop the significant accounting estimates in 2023.

Accounting Estimates

Allowance for Uncollectible Accounts - Several of the Borough’s accounts receivable are from granting agencies; these are considered by management to be 100% collectible. Customer accounts receivables, including amounts due related to taxes, 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.

Depreciation - Capital assets are depreciated based on estimated useful lives, which are established based on industry standards and historical experience.

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 the Borough by the PERS Plan Administrator.

Closure and Post Closure Obligations - Accounting rules prescribe that the Borough record the ultimate cost of closure and monitoring as the landfill is being filled. The Borough 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.

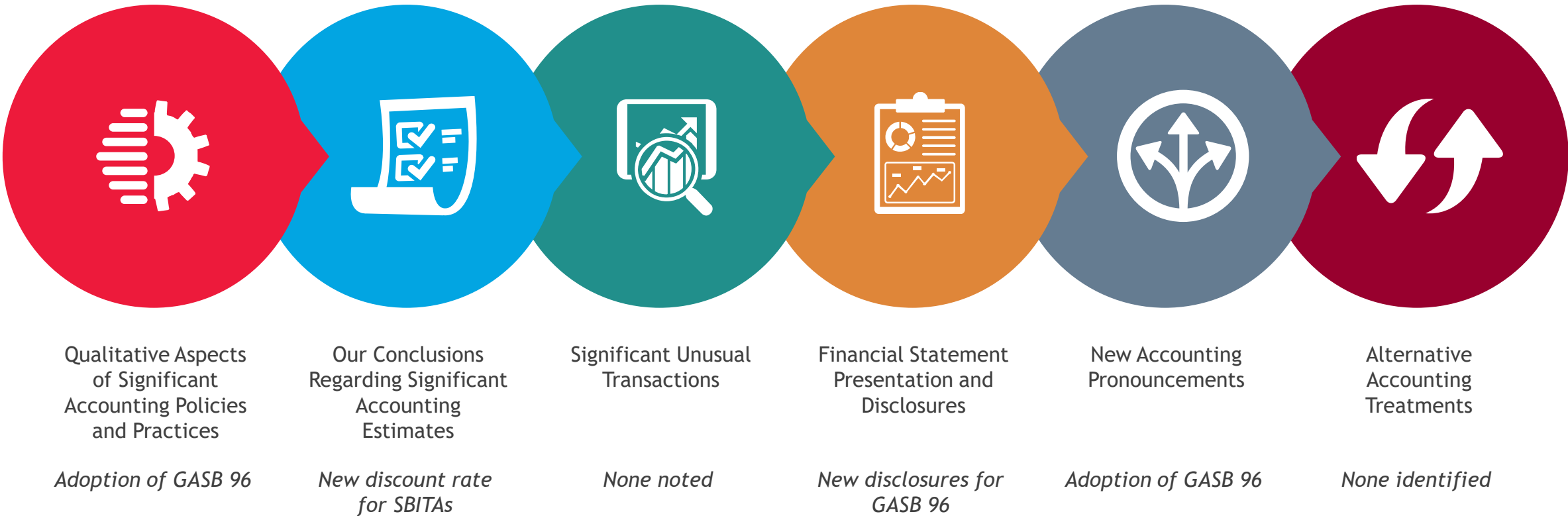
Insurance Claims Reserve - The Borough is self-insured for unemployment claims. No reserve has been recorded.

Discount Rate - The Borough determines discount rates based on lessee or lessor relationship and length of agreement for calculations related to leases receivable and payable (GASB 87) and SBITA’s (GASB 96).

Results of the Audit

QUALITATIVE ASPECTS OF SITKA'S FINANCIAL REPORTING

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



Results of the Audit

CORRECTED AND UNCORRECTED MISSTATEMENTS

There were no corrected misstatements, other than those that were clearly trivial, related to accounts and/or disclosures that we brought to the attention of management. We assisted with recording entries related to pension and other postemployment benefits, as well as adjustments to initial entries for GASB 96, as nonaudit services.

There were no 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, 2023, were as follows:

- The Borough elected to apply ARPA funding to general government expenditures to replace lost government sector revenue
- Our final conclusion regarding risks identified reflected significant risks over management override of controls, segregation of duties, and improper revenue recognition for grants. Other items identified as significant risks in the planning document communicated to the assembly on October 19, 2023 while still risks we considered, were concluded to be moderate risks for the purposes of the audit.
- Federal major programs
 - 21.027 Coronavirus State and Local Fiscal Recovery Funds
 - 20.205 Highway Planning and Construction
 - 21.032 Local Assistance Tribal Consistency Fund





Internal Control Over Financial Reporting

Internal Control Over Financial Reporting

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

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

- ▶ 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	Segregation of Duties: The Finance Director has administrative access to the financial accounting system. In addition, the Finance Director, Controller, Accountant, and Senior Accountant have the ability to enter, post and approve their own journal entries within the financial accounting system. Sitka should continue to perform audit trail reporting and monitoring to ensure controls over this access and authority.
GASB 96 Implementation	Initial implementation of GASB 96 identified multiple agreements as SBITA's which were ultimately excluded, as well as an agreement which were initially excluded but were ultimately identified as SBITA's. The Borough should ensure that significant accounting principles, or the status of new agreements are evaluated as early as possible to avoid delays in financial reporting.



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 Sitka'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 requirements of an applicable financial reporting framework.
Significant findings and issues arising during the audit in connection with the 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 the 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.
If applicable, other matters significant to the oversight of the 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 the 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 August 4, 2023, describes our responsibilities in accordance with professional standards and certain regulatory authorities with regard to independence and the performance of our services. This letter also stipulates the responsibilities of the Sitka with respect to independence as agreed to by the Sitka. Please refer to that letter for further information.





Appendix



CITY AND BOROUGH OF SITKA

A COAST GUARD CITY

100 Lincoln Street | Sitka, Alaska 99835

www.cityofsitka.com

January 16, 2024

BDO USA, P.C.
3601 C Street, Suite 600
Anchorage, AK 99503

Ladies and gentlemen:

We are providing this letter in connection with your audits of the financial statements of the City and Borough of Sitka, Alaska (the City and 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, 2023, 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 audits:

- (1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated August 4, 2023, 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 and state awards (including amendments, if any, and any other correspondence with federal and state agencies or pass-through entities relevant to federal and state 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, 2022 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, schedule of expenditures of federal awards (SEFA), schedule of state financial assistance (SSFA) or schedule of passenger facility charges collected and expended. The financial statement misstatements relating to accounts and disclosures identified and discussed with us in the course of the audit that are included in the attached schedule of corrected misstatements which we have initialed and dated, 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.
- (7) There are no financial statement misstatements relating to accounts and disclosures identified and discussed with us in the course of the audit that have not been corrected.
- (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.

Control Deficiencies Other Than Material Weaknesses or Significant Deficiencies
Segregation of Duties: The Finance Director has administrative access to the financial accounting system. In addition, the Finance Director, Controller, Accountant, and Senior Accountant have the ability to enter, post and approve their own journal entries within the financial accounting system. Sitka should continue to perform audit trail reporting and monitoring to ensure controls over this access and authority.

Implementation of GASB Statement no. 96: Initial implementation of GASB 96 identified multiple agreements as SBITA's which were ultimately excluded, as well as an agreement which were initially excluded but were ultimately identified as SBITA's. The Borough should ensure that significant accounting principles, or the status of new agreements are evaluated as early as possible to avoid delays in financial reporting.

- (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 City and Borough 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) 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 City and Borough 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.

(12) 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.
- (13) 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.
- (14) 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 been pledged as collateral.
- (15) We have appropriately disclosed the City and Borough'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.
- (16) 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.
- (17) No discussions have taken place with your firm's personnel regarding employment with the City and Borough.
- (18) 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.
- (19) 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.
- (20) 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.
- (21) In regards to the preparation and submission of the required Form SF-SAC Data Collection Form and preparation of the GASB 68, 75, 87, and 96 entries and related footnote disclosures for the year ended June 30, 2023, services 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.

- (22) 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.
- (23) Required supplementary information is measured and presented in accordance with prescribed guidelines.
- (24) We agree with the findings of specialists in evaluating the landfill post closure cost estimate, 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.
- (25) In regard to the Net Pension and OPEB Liability (Asset):
 - (a) We agree with the findings of specialists in evaluating the Net Pension and OPEB Liability (Asset), 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.
 - (b) We believe that the actuarial assumptions and methods used to measure pension and/or other postretirement liabilities and costs for financial accounting and disclosure purposes are appropriate in the circumstances.
- (26) We have not completed the process of evaluating the impact that will result from adopting Governmental Accounting Standards Board (GASB) Statement No's 99 - 101, as discussed in Note 16. The City and Borough is therefore unable to disclose the impact that adopting GASB Statement No's 99 - 101 will have on its financial position and the results of operations when such statement is adopted.
- (27) With respect to federal and state 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), and the *State of Alaska Audit Guide and Compliance Supplement for the State Single Audits* (State of Alaska Audit Guide) including

requirements relating to the preparation of the schedule of expenditures of federal awards (SEFA) and schedule of state financial assistance (SSFA).

- (b) We have, in accordance with the Uniform Guidance and State of Alaska Audit Guide, identified and disclosed to you in the schedule of expenditures of federal awards (SEFA) and the schedule of state financial assistance (SSFA), expenditures made during the audit period for all government programs and related activities provided by federal and state agencies in the form of federal and state 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 SSFA and related notes in accordance with the requirements of the Uniform Guidance and State of Alaska Audit Guide, and we believe the SEFA and SSFA, including its form and content, are fairly presented in accordance with the Uniform Guidance and State of Alaska Audit Guide. The methods of measurement or presentation of the SEFA and SSFA 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 and SSFA.
- (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 and SSFA in any document that contains the SEFA and SSFA, and that indicates you have reported on such information.
- (f) If the SEFA and SSFA are not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the SEFA and SSFA no later than the date we issue the SEFA and SSFA 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 and state statutes, regulations, and the terms and conditions of federal and state awards related to each of our federal and state programs and have identified and disclosed to you the requirements of federal and state statutes, regulations, and the terms and conditions considered to have a direct and material effect on each federal and state program.
- (h) We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance for federal and state programs that provides reasonable assurance that we are managing our federal and state awards in compliance with federal and state statutes, regulations, and the terms and conditions that could have a material effect on our federal and state 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 and state award contracts and grant agreements (including amendments, if any) and any other correspondence with federal and state agencies or pass-through entities relating to each major federal and state program and related activities that have taken place with federal and state agencies or pass-through entities.
- (j) We have received no requests from a federal or state 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 and State of Alaska Audit Guide*, relating to federal and state awards and have identified and disclosed to you all amounts questioned and all known noncompliance with the direct and material requirements of federal and state 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 and state 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 and state 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 and the State of Alaska Audit Guide.
- (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 and state 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 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 schedule of expenditures of federal awards (SEFA) and the schedule of state financial assistance (SSFA).

- (r) 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 and state agency or pass-through entity, as applicable.
 - (s) We have charged costs to federal and state awards in accordance with applicable cost principles.
 - (t) 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.
 - (u) 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.
 - (v) We are responsible for and have ensured the reporting package does not contain protected personally identifiable information.
- (28) We have complied, in all material respects, with the compliance requirements applicable to the Passenger Facility Charges Program as outlined in the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration.
- (29) 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.
- (30) 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.

(31) 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.

(32) 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

Digitally signed by John Leach
Date: 2024.01.13 13:17:15 -09'00'

John Leach, Municipal Administrator

M. Haley

Digitally signed by Melissa Haley
Date: 2024.01.12 18:57:57 -09'00'

Melissa Haley, Finance Director

City and Borough of Sitka

Year End: June 30, 2023

Adjusting Journal Entries

Date: 7/1/2022 To 6/30/2023

Number	Date	Name	Account No	Reference	Annotation	Debit	Credit
AJE 1	6/30/2023	Deferred Outflow Pension	200.000.000.1825.000 200	FF1.02		24,708.00	
AJE 1	6/30/2023	Net Pension Liability	200.000.000.2500.900 200	FF1.02			-808,125.00
AJE 1	6/30/2023	Deferred Inflow Pension	200.000.000.2700.300 200	FF1.02		1,277,586.00	
AJE 1	6/30/2023	PERS Relief	200.300.310.3101.017 200	FF1.02			-7,153.00
AJE 1	6/30/2023	PERS on Behalf	200.600.601.5120.011 200	FF1.02			-487,016.00
AJE 1	6/30/2023	Deferred Outflow Pension	210.000.000.1825.000 210	FF1.02		8,591.00	
AJE 1	6/30/2023	Net Pension Liability	210.000.000.2500.900 210	FF1.02			-108,049.00
AJE 1	6/30/2023	Deferred Inflow Pension	210.000.000.2700.300 210	FF1.02		119,203.00	
AJE 1	6/30/2023	PERS Relief	210.300.310.3101.017 210	FF1.02			-726.00
AJE 1	6/30/2023	PERS on Behalf	210.600.610.5120.011 210	FF1.02			-19,019.00
AJE 1	6/30/2023	Deferred Outflow Pension	220.000.000.1825.000 220	FF1.02			-10,946.00
AJE 1	6/30/2023	Net Pension Liability	220.000.000.2500.900 220	FF1.02			-126,021.00
AJE 1	6/30/2023	Deferred Inflow Pension	220.000.000.2700.300 220	FF1.02		343,686.00	
AJE 1	6/30/2023	PERS Relief	220.300.310.3101.017 220	FF1.02			-1,761.00
AJE 1	6/30/2023	PERS on Behalf	220.600.601.5120.011 220	FF1.02			-204,958.00
AJE 1	6/30/2023	Deferred Outflow Pension	230.000.000.1825.000 230	FF1.02			-2,097.00
AJE 1	6/30/2023	Net Pension Liability	230.000.000.2500.900 230	FF1.02			-28,041.00
AJE 1	6/30/2023	Deferred Inflow Pension	230.000.000.2700.300 230	FF1.02		73,172.00	
AJE 1	6/30/2023	PERS Relief	230.300.310.3101.017 230	FF1.02			-377.00
AJE 1	6/30/2023	PERS on Behalf	230.600.622.5120.011 230	FF1.02			-42,657.00
AJE 1	6/30/2023	Deferred Outflow Pension	240.000.000.1825.000 240	FF1.02		25,623.00	
AJE 1	6/30/2023	Net Pension Liability	240.000.000.2500.900 240	FF1.02			-267,030.00
AJE 1	6/30/2023	Deferred Inflow Pension	240.000.000.2700.300 240	FF1.02		251,748.00	
AJE 1	6/30/2023	PERS Relief	240.300.310.3101.017 240	FF1.02			-1,602.00
AJE 1	6/30/2023	PERS on Behalf	240.600.601.5120.011 240	FF1.02			-8,739.00
AJE 1	6/30/2023	Deferred Outflow Pension	300.000.000.1825.000 300	FF1.02		20,749.00	
AJE 1	6/30/2023	Net Pension Liability	300.000.000.2500.900 300	FF1.02			-193,087.00
AJE 1	6/30/2023	Deferred Inflow Pension	300.000.000.2700.300 300	FF1.02		160,348.00	
AJE 1	6/30/2023	PERS Relief	300.300.310.3101.017 300	FF1.02			-1,061.00
AJE 1	6/30/2023	PERS on Behalf	300.600.630.5120.011 300	FF1.02		13,051.00	
AJE 1	6/30/2023	Deferred Outflow Pension	310.000.000.1825.000 310	FF1.02		2,210.00	
AJE 1	6/30/2023	Net Pension Liability	310.000.000.2500.900 310	FF1.02			-46,391.00
AJE 1	6/30/2023	Deferred Inflow Pension	310.000.000.2700.300 310	FF1.02		65,620.00	
AJE 1	6/30/2023	PERS Relief	310.300.310.3101.017 310	FF1.02			-376.00
AJE 1	6/30/2023	PERS on Behalf	310.600.630.5120.011 310	FF1.02			-21,063.00
AJE 1	6/30/2023	Deferred Outflow Pension	320.000.000.1825.000 320	FF1.02		8,649.00	
AJE 1	6/30/2023	Net Pension Liability	320.000.000.2500.900 320	FF1.02			-110,712.00
AJE 1	6/30/2023	Deferred Inflow Pension	320.000.000.2700.300 320	FF1.02		123,659.00	
AJE 1	6/30/2023	PERS Relief	320.300.310.3101.017 320	FF1.02			-750.00
AJE 1	6/30/2023	PERS on Behalf	320.600.601.5120.011 320	FF1.02			-20,846.00

GASB 68 PERS Entry



City and Borough of Sitka

Year End: June 30, 2023

Adjusting Journal Entries

Date: 7/1/2022 To 6/30/2023

Number	Date	Name	Account No	Reference	Annotation	Debit	Credit
AJE 2	6/30/2023	Net OPEB Asset	200.000.000.1420.000 200	FF1.GOV. 02			-699,580.00
AJE 2	6/30/2023	Deferred Outflow OPEB	200.000.000.1425.000 200	FF1.GOV. 02		72,463.00	
AJE 2	6/30/2023	Deferred Inflow OPEB	200.000.000.2450.300 200	FF1.GOV. 02		1,086,560.00	
AJE 2	6/30/2023	On behalf Revenue	200.300.310.3101.021 200	FF1.GOV. 02		149,231.00	
AJE 2	6/30/2023	OPEB Expense	200.600.601.5400.000 200	FF1.GOV. 02			-608,674.00
AJE 2	6/30/2023	Net OPEB Asset	210.000.000.1420.000 210	FF1.GOV. 02			-52,045.00
AJE 2	6/30/2023	Deferred Outflow OPEB	210.000.000.1425.000 210	FF1.GOV. 02		8,065.00	
AJE 2	6/30/2023	Deferred Inflow OPEB	210.000.000.2450.300 210	FF1.GOV. 02		100,165.00	
AJE 2	6/30/2023	On Behalf Revenue	210.300.310.3101.021 210	FF1.GOV. 02		15,138.00	
AJE 2	6/30/2023	OPEB Expense	210.600.601.5400.000 210	FF1.GOV. 02			-71,323.00
AJE 2	6/30/2023	Net OPEB Asset	220.000.000.1420.000 220	FF1.GOV. 02			-225,215.00
AJE 2	6/30/2023	Deferred Outflow OPEB	220.000.000.1425.000 220	FF1.GOV. 02		15,846.00	
AJE 2	6/30/2023	Deferred Inflow OPEB	220.000.000.2450.300 220	FF1.GOV. 02		295,698.00	
AJE 2	6/30/2023	On Behalf Revenue	220.300.310.3101.021 220	FF1.GOV. 02		36,746.00	
AJE 2	6/30/2023	OPEB Expense	220.600.601.5400.000 220	FF1.GOV. 02			-123,075.00
AJE 2	6/30/2023	Net OPEB Asset	230.000.000.1420.000 230	FF1.GOV. 02			-47,459.00
AJE 2	6/30/2023	Deferred Outflow OPEB	230.000.000.1425.000 230	FF1.GOV. 02		3,422.00	
AJE 2	6/30/2023	Deferred Inflow OPEB	230.000.000.2450.300 230	FF1.GOV. 02		62,910.00	
AJE 2	6/30/2023	On Behalf Revenue	230.300.310.3101.021 230	FF1.GOV. 02		7,868.00	
AJE 2	6/30/2023	OPEB Expense	230.600.601.5400.000 230	FF1.GOV. 02			-26,741.00
AJE 2	6/30/2023	Net OPEB Asset	240.000.000.1420.000 240	FF1.GOV. 02			-94,182.00
AJE 2	6/30/2023	Deferred Outflow OPEB	240.000.000.1425.000 240	FF1.GOV. 02		18,583.00	
AJE 2	6/30/2023	Deferred Inflow OPEB	240.000.000.2450.300 240	FF1.GOV. 02		210,097.00	
AJE 2	6/30/2023	On Behalf Revenue	240.300.310.3101.021 240	FF1.GOV. 02		33,416.00	
AJE 2	6/30/2023	OPEB Expense	240.600.601.5400.000 240	FF1.GOV. 02			-167,914.00
AJE 2	6/30/2023	Net OPEB Asset	300.000.000.1420.000 300	FF1.GOV. 02			-50,666.00
AJE 2	6/30/2023	Deferred Outflow OPEB	300.000.000.1425.000 300	FF1.GOV. 02		12,754.00	
AJE 2	6/30/2023	Deferred Inflow OPEB	300.000.000.2450.300 300	FF1.GOV. 02		132,963.00	
AJE 2	6/30/2023	On Behalf Revenue	300.300.310.3101.021 300	FF1.GOV. 02		22,139.00	
AJE 2	6/30/2023	OPEB Expense	300.600.630.5400.000 300	FF1.GOV. 02			-117,190.00
AJE 2	6/30/2023	Net OPEB Asset	310.000.000.1420.000 310	FF1.GOV. 02			-33,953.00
AJE 2	6/30/2023	Deferred Outflow OPEB	310.000.000.1425.000 310	FF1.GOV. 02		3,917.00	
AJE 2	6/30/2023	Deferred Inflow OPEB	310.000.000.2450.300 310	FF1.GOV. 02		55,627.00	
AJE 2	6/30/2023	On Behalf Revenue	310.300.310.3101.021 310	FF1.GOV. 02		7,847.00	
AJE 2	6/30/2023	OPEB Expense	310.600.601.5400.000 310	FF1.GOV. 02			-33,438.00
AJE 2	6/30/2023	Net OPEB Asset	320.000.000.1420.000 320	FF1.GOV. 02			-54,549.00
AJE 2	6/30/2023	Deferred Outflow OPEB	320.000.000.1425.000 320	FF1.GOV. 02		8,311.00	
AJE 2	6/30/2023	Deferred Inflow OPEB	320.000.000.2450.300 320	FF1.GOV. 02		103,961.00	
AJE 2	6/30/2023	On Behalf Revenue	320.300.310.3101.021 320	FF1.GOV. 02		15,653.00	
AJE 2	6/30/2023	OPEB Expense	320.600.601.5400.000 320	FF1.GOV. 02			-73,376.00

GASB 75 Entry



City and Borough of Sitka

Year End: June 30, 2023

Adjusting Journal Entries

Date: 7/1/2022 To 6/30/2023

Number	Date	Name	Account No	Reference	Annotation	Debit	Credit
PBC 6	6/30/2023	Subscription Asset	200.000.000.1580.060 200	SS.07. 04			-203,353.83
PBC 6	6/30/2023	Accumulated Amortization SAAS	200.000.000.1680.060 200	SS.07. 04		57,558.36	
PBC 6	6/30/2023	Subscription Liability	200.000.000.2450.060 200	SS.07. 04		148,008.22	
PBC 6	6/30/2023	Contracted/Purchased Serv	200.600.601.5212.000 200	SS.07. 04		4,332.60	
PBC 6	6/30/2023	Contracted/Purchased Serv	200.600.603.5212.000 200	SS.07. 04		45,054.96	
PBC 6	6/30/2023	Contracted/Purchased Serv	200.600.606.5212.000 200	SS.07. 04		11,071.32	
PBC 6	6/30/2023	Subscription Interest Expense	200.650.000.5295.060 200	SS.07. 04			-5,113.27
PBC 6	6/30/2023	Amortization Expense-SAAS	200.650.000.6210.060 200	SS.07. 04			-57,558.36
PBC 6	6/30/2023	Prepaid Expenses	300.000.000.1200.010 300	SS.07. 04			-38,386.29
PBC 6	6/30/2023	Subscription Asset	300.000.000.1580.060 300	SS.07. 04			-742,278.68
PBC 6	6/30/2023	Accumulated Amortization SAAS	300.000.000.1680.060 300	SS.07. 04		171,094.44	
PBC 6	6/30/2023	Subscription Liability	300.000.000.2450.060 300	SS.07. 04		615,389.67	
PBC 6	6/30/2023	Repairs & Maintenance	300.600.630.5207.000 300	SS.07. 04		26,280.33	
PBC 6	6/30/2023	Contracted/Purchased Serv	300.600.630.5212.000 300	SS.07. 04		159,409.08	
PBC 6	6/30/2023	Subscription Interest Expense	300.650.000.5295.060 300	SS.07. 04			-20,414.11
PBC 6	6/30/2023	Amortization Expense-SAAS	300.650.000.6210.060 300	SS.07. 04			-171,094.44
		GASB 96 AJE					
		for FY2023					
						6,327,989.98	-6,327,989.98



At BDO, our purpose is helping people thrive, every day. Together, we are focused on delivering exceptional and sustainable outcomes – for our people, our clients and our communities. Across the U.S., and in over 160 countries through our global organization, BDO professionals provide assurance, tax and advisory services for a diverse range of clients.

BDO is the brand name for the BDO network and for each of the BDO Member Firms.

BDO USA, P.C., a Virginia professional corporation, is the U.S. member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms. www.bdo.com

Material discussed in this publication is meant to provide general information and should not be acted on without professional advice tailored to your needs.

© 2023 BDO USA, P.C.. All rights reserved.

