



City and Borough of Sitka, Alaska

Federal and State Single Audit Reports
Year Ended June 30, 2020

City and Borough of Sitka, Alaska

Federal and State Single Audit Reports
Year Ended June 30, 2020

City and Borough of Sitka, Alaska

Table of Contents

	<u>Page</u>
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	1-2
Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance	3-5
Independent Auditor's Report on Compliance for Each Major State Program; Report on Internal Control Over Compliance; and Report on the Schedule of State Financial Assistance Required by the <i>State of Alaska Audit Guide and Compliance Supplement for State Single Audits</i>	6-8
Schedule of Expenditures of Federal Awards	9-10
Schedule of State Financial Assistance	11
Notes to the Schedule of Expenditures of Federal Awards and the Schedule of State Financial Assistance	12-13
Schedule of Findings and Questioned Costs	14-15



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Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Honorable Mayor and Borough Assembly
City and Borough of Sitka, Alaska

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City and Borough of Sitka, Alaska, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise City and Borough of Sitka's basic financial statements and have issued our report thereon dated February 26, 2021. Our report includes a reference to other auditors who audited the financial statements of Sitka Community Hospital and Sitka School District, as described in our report on City and Borough of Sitka's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City and Borough of Sitka's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City and Borough of Sitka's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City and Borough of Sitka's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BDO USA, LLP

Anchorage, Alaska
February 26, 2021



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3601 C Street, Suite 600
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Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

Honorable Mayor and Borough Assembly
City and Borough of Sitka, Alaska

Report on Compliance for Each Major Federal Program

We have audited City and Borough of Sitka's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of City and Borough of Sitka's major federal programs for the year ended June 30, 2020. City and Borough of Sitka's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

City and Borough of Sitka's basic financial statements include the operations of its component unit, the Sitka School District which received \$2,522,285 of federal awards which is not included in the Schedule of Expenditures of Federal Awards for the year ended June 30, 2020. Our audit, described below, did not include the operations of Sitka School District because it was subjected to a separate audit in accordance with the Uniform Guidance.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of City and Borough of Sitka's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City and Borough of Sitka's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of City and Borough of Sitka's compliance.

Opinion on Each Major Federal Program

In our opinion, City and Borough of Sitka complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control Over Compliance

Management of City and Borough of Sitka is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered City and Borough of Sitka's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City and Borough of Sitka's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City and Borough of Sitka as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise City and Borough of Sitka's basic financial statements. We issued our report thereon dated February 26, 2021 which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

BDO USA, LLP

Anchorage, Alaska
February 26, 2021



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Independent Auditor’s Report on Compliance for Each Major State Program; Report on Internal Control Over Compliance; and Report on the Schedule of State Financial Assistance Required by the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*

Honorable Mayor and Borough Assembly
City and Borough of Sitka, Alaska

Report on Compliance for Each Major State Program

We have audited City and Borough of Sitka’s compliance with the types of compliance requirements described in the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits* that could have a direct and material effect on each of City and Borough of Sitka’s major state programs for the year ended June 30, 2020. City and Borough of Sitka’s major state programs are identified in the accompanying Schedule of State Financial Assistance.

City and Borough of Sitka’s basic financial statements include the operations of its component unit, the Sitka School District which received \$15,464,842 of state awards which is not included in the Schedule of State Financial Assistance for the year ended June 30, 2020. Our audit, described below, did not include the operations of Sitka School District because it was subjected to a separate audit in accordance with the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*.

Management’s Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of City and Borough of Sitka’s major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*. Those standards and the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about City and Borough of Sitka’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination of City and Borough of Sitka's compliance.

Opinion on Each Major State Program

In our opinion, City and Borough of Sitka complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2020.

Report on Internal Control Over Compliance

Management of City and Borough of Sitka is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered City and Borough of Sitka's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City and Borough of Sitka's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of State Financial Assistance Required by the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City and Borough of Sitka as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise City and Borough of Sitka's basic financial statements. We issued our report thereon dated February 26, 2021 which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of State Financial Assistance is presented for purposes of additional analysis as required by the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits* and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of State Financial Assistance is fairly stated in all material respects, in relation to the basic financial statements as a whole.

BDO USA, LLP

Anchorage, Alaska
February 26, 2021

City and Borough of Sitka, Alaska
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2020

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
Department of Agriculture				
Forest Service Schools and Roads Cluster: Schools and Roads - Grants to States	10.665		\$ -	\$ 458,071
Passed through Alaska Department of Fish and Game National Fish and Wildlife Foundation	10.683	63685	-	8,034
Total Department of Agriculture			-	466,105
Department of the Homeland Security				
Passed through the State of Alaska Department of Military and Veterans Affairs:				
Homeland Security Grant Program	97.067	20SHSP-GY17	-	128,745
Homeland Security Grant Program	97.067	20SHSP-GY18	-	60,264
Homeland Security Grant Program	97.067	20SHSP-GY19	-	26,751
Total CFDA 97.067			-	215,760
Electronic Baggage Screening Program	97.117		-	42,917
Total Department of Homeland Security			-	258,677
Department of the Interior				
Payments in Lieu of Taxes	15.226		-	796,501
NFWF-USFWS Conservation Partnership	15.663		-	5,818
Passed through the State of Alaska Department of Natural Resources				
Historic Preservation Fund Grants-In-Aid	15.904	18023	-	21,736
Passed through the U.S. Fish and Wildlife Service				
Fish and Wildlife Management Assistance	15.608	F18AC00848	-	28,913
Total Department of the Interior			-	852,968
Department of Justice				
Bullet Proof Vest Partnership Program	16.607		-	2,578
Violence Against Women Discretionary Grants for Indian Tribal Governments	16.587		-	217,623
Total Department of Justice			-	220,201

City and Borough of Sitka, Alaska
Schedule of Expenditures of Federal Awards, continued
Year Ended June 30, 2020

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subre- cipients	Total Federal Expenditures
Environmental Protection Agency				
Passed through State of Alaska Department of Environmental Conservation:				
Drinking Water State Revolving Fund Cluster:				
Capitalization Grants for Drinking Water State Revolving Funds	66.468	783111	\$ -	\$ 39,287
Capitalization Grants for Drinking Water State Revolving Funds	66.468	783531	-	266,768
Capitalization Grants for Drinking Water State Revolving Funds	66.468	783481	-	4,679
Total Drinking Water State Revolving Fund Cluster			-	310,734
Clean Water State Revolving Fund Cluster -				
Capitalization Grants for Clean Water State Revolving Funds	66.458	783121	-	31,604
Capitalization Grants for Clean Water State Revolving Funds	66.458	783221	-	70,976
Total Clean Water State Revolving Fund Cluster			-	102,580
Total Environmental Protection Agency			-	413,314
Department of Transportation				
Highway Planning and Construction Cluster	20.205		-	585,322
Airport Improvement Program	20.106		-	220,218
Total Department of Transportation			-	805,540
Total Expenditures of Federal Awards			\$ -	\$ 3,016,805

See accompanying notes to the Schedule of Expenditures of Federal Awards.

City and Borough of Sitka, Alaska

Schedule of State Financial Assistance

Year Ended June 30, 2020

State Grant Title	Grant Number	Total Grant Award	Passed Through to Subre- cipients	State Share of Expenditures
Department of Commerce, Community and Economic Development				
Eagle Way and Old Harbor Mountain Road Upgrades	13-DC-481	1,500,000	\$ -	\$ 153,974
* Nelson Logging Road Upgrade and Ownership Transfer	13-DC-517	2,343,000	-	350,235
* Community Assistance Program	2020	497,524	-	497,524
Marijuana License Fees	2020	3,000	-	3,000
Shared Fisheries Business Tax	2020	11,575	-	11,575
Total Department of Commerce, Community and Economic Development			-	1,016,308
Alaska State Library Association				
2020 Library Assistance Grant	PLA-20-751-01	7,000	-	7,000
Department of Education and Early Development				
* Debt Reimbursement Program	FY20	908,918	-	908,918
Department of Administration				
* State PERS Relief	2020	746,831	-	746,831
Auto Tax	2020	76,607	-	76,607
Total Department of Administration			-	823,438
Department of Revenue				
Liquor License Revenue Sharing	2020	25,575	-	25,275
* Fisheries Raw Fish Tax	2020	621,756	-	621,756
* Commercial Passenger Vessel	2020	615,545	-	615,545
Total Department of Revenue			-	1,262,576
Department of Transportation and Public Facilities				
* Sitka Transient Float Replacement Program	19-HG-001	5,000,000	-	4,000,000
Total State Financial Assistance			\$ -	\$ 8,018,240

See accompanying notes to the Schedule of State Financial Assistance.

* Indicates a State Major Program

City and Borough of Sitka, Alaska

Notes to the Schedule of Expenditures of Federal Awards and the Schedule of State Financial Assistance Year Ended June 30, 2020

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards and Schedule of State Financial Assistance (the “Schedules”) includes the federal and state grant activity of City and Borough of Sitka, Alaska under programs of the federal and state government for the year ended June 30, 2020. The information in these schedules is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*. Because the Schedules present only a selected portion of the operations of the City and Borough of Sitka, they are not intended to and do not present the financial position, changes in net position or cash flows of City and Borough of Sitka.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedules are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedule, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

3. Indirect Cost Rate

The City and Borough of Sitka has elected to not use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

4. PERS On-Behalf

The City and Borough of Sitka has recorded \$746,831 in PERS on-behalf payments in the Schedule of State Financial Assistance. This represents the PERS relief payment appropriated and transferred into the plan during FY2020.

In the governmental fund financial statements, on-behalf revenue and expenditures have been recognized in the year appropriated and transferred to the plan. However, in the full accrual financial statements, GASB 68 provisions prescribe that on-behalf pension contributions in a special funding situation may only be recognized during the measurement period in which the plan recognizes the contributions, effectively creating a one-year timing difference between the cash contribution and revenue and expense recognition by the City and Borough.

As a result of these perspective and timing differences, amounts reported in the financial statements do not agree to the amounts reported on the Schedule of State Financial Assistance.

City and Borough of Sitka, Alaska

Notes to the Schedule of Expenditures of Federal Awards and the Schedule of State Financial Assistance, continued *Year Ended June 30, 2020*

5. Commercial Passenger Vessel Tax - State Assistance

Cash receipts for commercial passenger vessel tax have been recorded as revenue in the Commercial Passenger Excise Tax Special Revenue Fund on an accrual basis. Any unspent portion of these funds is reported as restricted fund balance in the fund financial statements. At June 30, 2020, the cumulative unspent vessel tax receipts were \$1,120,594. Total vessel tax funds expended in 2020 were \$103,790 and expenditures reported on the Schedule of State Financial Assistance were \$615,545.

City and Borough of Sitka, Alaska

Schedule of Findings and Questioned Costs, continued Year Ended June 30, 2020

Section II - Financial Statement Findings Required to be Reported in Accordance with *Government Auditing Standards*

There were no findings required to be reported in accordance with *Government Auditing Standards*.

Section III - Federal Award Findings and Questioned Costs

There were no findings and questioned costs for federal awards (as defined in section 2 CFR 200.516(a)) that are required to be reported.

Section IV - State Award Findings and Questioned Costs

There were no findings and questioned costs for State of Alaska awards (as defined in the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*) that are required to be reported.