



City of Unalaska Discussion with Those Charged with Governance

Audit results for the year ending June 30, 2020

October 12, 2021



Introduction

To the City Council

We are pleased to have the opportunity to meet with you on October 12, 2021 to discuss the results of our audit of the financial statements of the City of Unalaska (the City) as of and for the year ended June 30, 2020. Our audit was conducted in accordance with the terms established in the audit engagement letter dated August 31, 2020.

We are providing this document in advance of our meeting to enable you to consider our findings and hence enhance the quality of our discussions. We will be pleased to elaborate on the matters covered in this document when we meet.

Summary: Audit results required communications and other matters

		Response
Audit results	Auditors' report	We have issued unmodified opinions on the basic financial statements of the City.
	Significant unusual transactions	No significant unusual transactions identified during the audit.
	Financial presentation and disclosure omissions	No matters to communicate.
	Group audit engagement considerations	Reliance placed on the School District audit performed by Altman, Rogers & Co.
	Changes to our risk assessment and planned audit strategy	No matters to report.
	Subsequent events	No matters to report.
	Illegal acts or fraud	No actual or suspected fraud involving group or component management, employees with significant roles in internal control, or where fraud results in a material misstatement in the financial statements were identified during the audit.
	Noncompliance with laws and regulations	No matters to report.
	Significant difficulties encountered during the audit	No matters to report.
	Significant findings or issues discussed, or the subject of correspondence, with management	No matters to report.
	Management's consultation with other accountants	No matters to report.
	Difficult or contentious matters for which the auditor consulted	No matters to report.
	Disagreements with management	No matters to report.
	Other significant matters	No matters to report.
Written communications	Engagement letter, management representation letter(s)	

Corrected audit misstatements

Description of misstatement	Debit	Credit
<p>As part of the reconciliation and tie out process, KPMG identified that the restricted cash amounts for Ports and Harbor did not reconcile to the bank statements from the trial balance.</p>		
<p>Properly state restricted cash accounts at June 30, 2020 and adjust Ports GO Bond balances for payments made to restricted cash in May and June 2020.</p>		
<p>Restricted assets</p> <p>Long term debt due within one year</p> <p> Long term debt due in more than one year</p> <p> Other revenue</p>	<p>\$149,725</p> <p>5,833</p>	<p>\$125,833</p> <p>29,725</p>

Financial presentation and disclosure omissions

Corrected

Matter	Omission
None	

Uncorrected

Matter	Omission
None	

Significant accounting policies and practices

Description of significant accounting policies and practices

- Tax Revenue Recognition
- Closure and post-closure care liability
- Debt
- Capital assets
- Investments

Audit findings

Qualitative aspects

- Accounting policies were determined to be materially in accordance with generally accepted accounting principles

Significant accounting estimates

Description of significant accounting estimates

- PERS Pension and OPEB Liabilities: Allocation of liabilities to governmental activities and proprietary funds based on each reporting units prorated share of contributions. State of Alaska method of allocating defined benefit liabilities is based on estimated future contributions.

Management's process used to develop the estimates

- Discount rate
- Expected rate of return on investments
- Mortality table
- Health care cost trend rate

Conclusions

- Recalculated management's allocation and agreed amounts, assumptions, and other totals to the City's accounting records and State of Alaska audited reports
- KPMG actuary reviewed plan assumptions
- KPMG GASB specialist reviewed City allocation and disclosures
- We found no significant issues with management's allocation
- We found the actuarial assumptions used to be reasonable
- We found the presentation and disclosures to be in conformity with U.S. generally accepted accounting principles

Federal Single Audit

General

- Required when federal expenditures are \$750,000 or more
- Requires testing of compliance with terms and conditions and controls over compliance
- Reporting of findings, if any

Major program

CFDA 21.019:

- Coronavirus Relief Fund

Expenditures

Federal Expenditures – \$4,817,875

- COVID-19 – Coronavirus Relief Fund – \$3,673,487

Compliance requirements

- Allowable costs and activities
- Period of performance
- Reporting

State Single Audit

General

- Required when state expenditures are \$750,000 or more
- Requires testing of compliance with terms and conditions
- Reporting of findings, if any

Major Programs

- PERS Contributions
- Community Assistance Program
- Debt Reimbursement Program
- Fisheries Tax

Expenditures

State Expenditures	\$9,870,490
— Total major program expenditures	\$9,787,202

Compliance Requirements

- Public purpose
- Civil rights
- Minimum wages
- Workers compensation
- Political activity
- Audit requirements

Upcoming effective accounting standards

Effective for years 2021 and 2022

GASB No. 84, Fiduciary Activities

GASB No. 87, Leases

Questions?

For additional information and audit committee resources, including National Audit Committee Peer Exchange series, a Quarterly webcast, and suggested publications, visit the KPMG Audit Committee Institute (ACI) at www.kpmg.com/ACI

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