

# AUDIT WRAP-UP

Year Ended June 30, 2015



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., the city council) and, if appropriate, management of the City and is not intended and should not be used by anyone other than these specified parties.

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Tel: 907-278-8827  
Fax: 907-278-5779  
www.bdo.com

3601 C Street, Suite 600  
Anchorage, AK 99503

February 25, 2016

Honorable Mayor and  
Members of the City Council  
City of Sand Point, 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. Our audit planning communication dated July 21, 2015 outlined our plan for the audit of the financial statements of the City of Sand Point (the City) as of and for the year ended June 30, 2015. That document included 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 City'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 City. Feel free to contact us to discuss our audit findings, as well as other matters that may be of interest to you, and to answer any questions you might have.

Respectfully,

*BDO USA, LLP*

Anchorage, Alaska

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# Discussion Outline

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# Status of Our Audit

We have completed our audit of the financial statements as of and for the year ended June 30, 2015. Our audit was conducted in accordance with auditing standards generally accepted in the United States of America. 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 have released our report on February 25, 2016.
- All records and information requested by BDO were freely available for our inspection.
- 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 City personnel throughout the course of our work.

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# Results of Our Audit

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

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

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

- A summary of recently issued accounting pronouncements is included in Note 14 to the City's financial statements.
- In 2015 the City adopted the provisions of GASB 68, *Accounting and Financial Reporting for Pensions*. This statement requires the City to recognize its proportional share of the net pension liability related to PERS participation in each of its full accrual financial statements (government-wide statements and enterprise funds). Additionally, the statement requires that opening net position be restated to reflect the adoption of this new statement.
- There were no changes in significant accounting policies and practices during 2015.

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. Overall, the City has few significant accounting estimates. The most significant estimates are disclosed below:

### Significant accounting estimates include:

**Collectability of Outstanding Accounts Receivables** - Receivables from granting agencies are considered by management to be 100% collectible. Customer accounts receivable (Water, sewer, harbor, etc.) are reviewed by management periodically to determine a reasonable amount of allowance, based on known factors, past history, and age of the outstanding amount.

**Landfill Closure Liability** - Accounting rules prescribe that the City record the ultimate cost of closure and monitoring as the landfill is being filled. The liability recorded is based on an initial third-party closure estimate updated annually for management estimates of capacity used during the year adjusted for inflation.

**Net Pension Liability (and related deferred accounts)** - The Pension Liability is estimated based on actuarial and other actual contribution data provided to the City by the PERS Plan Administrator.

- In connection with the adoption of GASB 68, there has been significant (statewide) dispute regarding the existence of a "special funding situation." The State of Alaska Department of Law determined that the current on-behalf statutes do not create a legal obligation to the State of Alaska; therefore, a special funding situation does not exist. Cities across the state are in disagreement with this position and believe that the noted statutes do represent a legal obligation to the state and therefore, a special funding situation does exist. The City has elected to report the liability assuming a special funding situation, which results in a lower liability. The City has recognized a liability in the amount of \$1,232,488. Absent the special funding situation, the City's liability would be \$2,399,631. Please note that a change in the current legislation could result in

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# Results of Our Audit

the removal of the special funding, in which case, the City would need to record the additional liability as calculated in the next measurement cycle. In addition, the liability record reflects ONLY the pension portion of the unfunded PERS liability. The healthcare component liability will be coming online in 2017.

- In 2015, the City renewed its landfill permit. In connection with the permit application, management was required to submit an estimate of the landfill closure liability. Amounts recorded for the landfill liability has been based on an external engineering report prepared several years ago. In 2015, in submitting the application, the original estimate was revised upwards to account for inflation. As a result, the estimate recorded in the financial statements has also been revised upwards. We would encourage management to consider obtaining an updated engineering review on the landfill to ensure that the closure estimate is in line with the actual usage and life of the landfill.
- We did not identify any significant or unusual transactions, or any transactions for which there was a lack of authoritative guidance.

## CORRECTED AND UNCORRECTED MISSTATEMENTS

There were 8 adjusting entries recorded to the trial balance given to us to perform the audit. Of these, the following were considered significant:

- Record GASB 68 restatement and current year transactions
- Record Grant Revenue and A/R and capital contribution
- Record PERS on-behalf
- Adjust cross-fund advance accounts

There were also two reclassification journal entries. Reclassification entries have no effect on fund balance.

We note that the GASB 68 related entries were derived from information provided by the State of Alaska after audit fieldwork was completed. Management could not have recorded these entries prior to release of the information from the State.

There were no uncorrected misstatements related to accounts and/or disclosures that we presented to management. To our knowledge, there are no other uncorrected misstatements.

All journal entries recorded were provided to management in the representation letter.

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# Results of Our Audit

## QUALITY OF THE CITY'S FINANCIAL REPORTING

- Qualitative aspects of significant accounting policies and practices
  - We concur with the City's interpretation and application of generally accepted accounting principles and practices derived from the standards set by the Governmental Accounting Standards Board (GASB).
- Our conclusions regarding critical accounting estimates
  - The nature of the City's operations reduces the need for numerous significant estimates within the accounting records. See comment about estimates above. We believe the City's estimates are reasonable in the circumstances. The City may wish to consider obtaining an independent estimate with respect to the landfill closure.
- Financial statement presentation
  - To our knowledge all necessary disclosures have been included in the footnotes to the financial statements.
- New accounting pronouncements
  - As noted on the previous page, in 2015 the City adopted GASB Statement 68. We concur with the City's decision to adopt this statement.
- Alternative accounting treatments
  - We did not identify any accounting treatments that did not comply with generally accepted accounting principles and standards set by GASB.

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# Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City’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 City’s internal control. Accordingly, we do not express an opinion on the effectiveness of the City’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 City’s internal controls over financial reporting. The definitions of control deficiency, significant deficiency and material weakness follow:

Category	Definition
Deficiency in 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.
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 City’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 reported no material weaknesses.

# Other Required Communications

Following is a summary of those required items, along with specific discussion points as they pertain to the City:

Requirement	Discussion Points
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 as part of our Audit Planning Process.
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; risk of material misstatements, including fraud risks; or tips or complaints regarding the City’s financial reporting that we were made aware of as a result of our inquiry of those charged with governance.
If applicable, nature and extent of specialized skills or knowledge needed related to significant risks	There were no specialized skills or knowledge needed, outside of the core engagement team, to perform the planned audit procedures or evaluate audit results related to significant risks.
Consultations with other accountants	We are not aware of any consultations about accounting or auditing matters between management and other independent public accountants. Nor are we aware of opinions obtained by management from other independent public accountants on the application of generally accepted accounting principles.
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 City’s financial statements or to our auditor’s report.
Significant difficulties encountered during the audit	There were no significant difficulties encountered during the audit. The audit finalization and delivery was delayed due to the late arrival of information relating to the PERS liability. This delay has affected virtually every participating employer in the Plan.
Representations requested from management	Please refer to the attached management representation letter.

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# Independence Communication

Our engagement letter to you dated May 28, 2015 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 City with respect to independence as agreed to by the City. Please refer to that letter for further information.

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## Other Information

### UPCOMING CHANGES

#### *New GASB Statements*

There are several new accounting pronouncements with effective dates over the next two to three years. These include Fair Value Measurement rules as well as new accounting rules related to Other Post-Employment Benefits, among others, which will have an effect on financial reporting over the next few years. We strongly encourage management to familiarize themselves with these upcoming changes in order to properly adopt the new provisions on their effective dates.

#### *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (2 CFR Section 200) aka - Super Circular*

In 2013 the federal Office of Management and Budget adopted new requirements associated with the administration of federal grants. Grant awards issued after December 2014 are subject to the new rules, with many additional provisions coming online during the City's fiscal year 2016. The audit provisions of the new guidance will be in effect with your June 30, 2016 audit. Management should continue to stay abreast of these changes and ensure continued compliance with the regulatory rules.

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# Get to Know BDO

**BDO COMMITS SIGNIFICANT RESOURCES TO KEEP OUR PROFESSIONALS AND OUR CLIENTS UP TO DATE ON CURRENT AND EVOLVING TECHNICAL, GOVERNANCE, INDUSTRY AND REPORTING DEVELOPMENTS. VISIT [HTTP://WWW.BDO.COM](http://www.bdo.com) FOR ALL OF OUR OFFERINGS:**

Our clients' time is valuable, as management must meet all compliance requirements while maintaining lean and efficient teams. This is why our culture guides us to view ourselves as trusted advisors, not merely accountants serving compliance needs. By leveraging the shared knowledge of our top professionals across the country and globe, we develop succinct thought leadership and training programs to help clients stay abreast of emerging trends and requirements.

Our thought leadership consists of quarterly email updates, publications, surveys, practice aids, and tools that span a broad spectrum of topics that impact financial reporting, as well as corporate governance. Our focus is not to simply announce changes in technical guidance, regulations or emerging business trends, but rather expound on how such changes may impact our clients' businesses. Some examples of our thought leadership offerings include the following:

- ▶ **Board Reflections** — Resources that include BDO's proprietary studies, publications, practice aids, and educational programs to keep board members of both public and private companies up to date on emerging issues and trends to assist in fulfilling their corporate oversight responsibilities. Such resources contain customized information for the various committees of the board. For example, refer to our Effective Audit Committees in the Ever Changing Marketplace practical guide and related tools. Visit our Insights page on <http://www.bdo.com>.
- ▶ **Significant Accounting and Reporting Matters Guide** — Quarterly digest of final and proposed financial accounting standards designed to help audit committees, boards and financial executives keep up to date on the latest corporate governance and financial reporting developments.
- ▶ **Client Advisories** — Concise documents that provide timely commentary, analysis and insights on events and trends of interest to management and boards of directors.
- ▶ **Tax Newsletters and Alerts** — Updates with respect to federal, state, local, expatriate, and international developments, along with other specific tax planning and strategy considerations including specific practice areas such as compensation and benefits, private client and individual filer services, transfer pricing, Foreign Account Tax Compliance Act, etc.
- ▶ **Technical Research Tools** — BDO uses Accounting Research Manager™ (ARM) as a primary source of insightful interpretations on GAAP, GAAS and Securities and Exchange Commission rules. ARM is updated daily and is considered to be one of the timeliest and most comprehensive online databases of analytical interpretations of accounting, auditing and SEC matters. Access to ARM, and a number of other research tools, provides each professional the technical research capability to respond immediately to client-specific technical issues.

# Get to Know BDO

- ▶ **BDO Knows Flash Reports** – Provide briefs about select technical and regulatory developments and emerging issues are made immediately available to BDO professionals and to clients.
- ▶ **BDO Knows Financial Reporting Letters** – Provide more in-depth discussions and practical guidance on technical guidance affecting both public and private entities.
- ▶ **Industry Newsletters, Alerts, Reports, Proprietary Studies and Surveys** – A variety of publications depicting specific industry issues, emerging trends and developments.
- ▶ **BDO Knowledge Webinar Series** – An educational series designed to assist those charged with governance (e.g., Audit Committees) and financial executives in keeping up to date on the latest corporate governance, risk management and financial reporting developments. The program is multi-faceted and consists of complimentary CPE webinars and archived self-study courses, covering both broad and specific topics of interest, publications and links to various BDO and external resources. Additionally, consider our monthly tax series that provide insights and perspectives on the tax issues most important to our clients and their businesses. Visit our Event/Webinar page for a current listing of programming on <http://www.bdo.com>

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# Exhibit A

- Representation Letter is attached

# City of Sand Point



February 25, 2016

BDO USA, LLP  
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 of Sand Point, Alaska (the City), which comprise the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information as of June 30, 2015 and for the period then ended for the purpose of expressing an opinion as to whether the financial statements present fairly, in all material respects, the financial position, changes in financial position, and, where applicable, cash flows of the City 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, the following representations made to you during your audit:

- (1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated May 28, 2015, for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America. We have included all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
- (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 assets and liabilities under the entity's control.
- (4) We have made available to you all:

- (a) Financial records and related data, and all audit or relevant monitoring reports, if any, received from funding sources, as agreed upon in the terms of the aforementioned audit engagement letter.
  - (b) Minutes of the meetings of directors and committees of directors that were held from June 30, 2014 to the date of this letter, or summaries of actions of recent meetings for which minutes have not yet been prepared.
- (5) There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in financial reporting practices.
- (6) There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements or schedule of state financial assistance. All financial statement misstatements relating to accounts and disclosures identified and discussed with us in the course of the audit (as listed in attachment A - "Schedule of Audit Adjustments") 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) In regards to the assistance in drafting financial statements and the schedule of state assistance 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.
- (8) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud. 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. 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 Organization received in communications from employees, former employees, regulatory agencies, law firms, predecessor accounting firms, or other professionals.
- (9) We have taken timely and appropriate steps to remedy fraud, illegal acts, violations of provisions of contracts or grant agreements, or abuse that you have reported to us.
- (10) We have a process to track the status of audit findings and recommendations.
- (11) We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives, and whether related recommendations have been implemented.

- (12) We have no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or net asset balances.
- (13) The following, where applicable and material, have been properly recorded or disclosed in the financial statements:
- (a) The identity of 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) All derivative instruments and any embedded derivative instruments that require bifurcation.
  - (d) Guarantees, whether written or oral, under which the City is contingently liable.
  - (e) Significant estimates and material concentrations known to management which are required to be disclosed. 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.
  - (f) The effects of all known actual or possible litigation, claims, assessments, and other liabilities or gain or loss contingencies that are required to be accrued or disclosed.
  - (g) Commitments, such as:
    - Major fixed 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
  - (h) Joint ventures or other participations, the detailed transactions of which are not carried on our books.
  - (i) Environmental clean-up obligations.
  - (j) For closure and post-closure care costs associated with operation of the municipal solid waste landfill.
  - (k) Participation in a public entity risk pool.

- (14) There are no:
- (a) Violations or possible violations of budget ordinances, laws, and regulations (including those pertaining to adopting, approving, and amending budgets), and provisions of contracts and grant agreements (including the failure to file reports required by regulatory bodies (e.g., EPA, OCC, FDIC, DOL, Medicare, U.S. Customs Service, HIPAA, IRS, Dept. of Commerce, state and municipal authorities) when the effects of failing to file 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.
  - (c) Components of net position (net investment in capital assets; restricted; and unrestricted) and equity amounts are properly classified and, if applicable, approved.
- (15) Receivables recorded in the financial statements represent valid claims against debtors for sales or other charges arising on or before the statement of financial position date and have been appropriately reduced to their estimated net realizable value.
- (16) The City 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.
- (17) We have complied with all aspects of contractual agreements, including debt covenants, which would have a material effect on the financial statements in the event of noncompliance.
- (18) No discussions have taken place with your firm's personnel regarding employment with the City.
- (19) We are responsible for compliance with laws, regulations and provisions of contracts and grant agreements applicable to us and we have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts.
- (20) We have followed all applicable laws and regulations in adopting, approving, and amending budgets.
- (21) The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.
- (22) The financial statements properly classify all funds and activities.
- (23) All funds that meet the quantitative criteria in GASBS Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
- (24) 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.

- (25) Revenues are appropriately classified in the statement of activities within program revenues and general revenues.
- (26) Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
- (27) Deposits and investment securities and derivative instruments are properly classified as to risk and are properly disclosed.
- (28) Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated.
- (29) We have appropriately disclosed the City's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for the purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.
- (30) With regard to the Net Pension Liability:
  - (a) We are aware of the State of Alaska Department of Law interpretation regarding special funding situation. We do not agree with the State's position and believe that the on-behalf provisions in the Alaska statutes create a special funding situation as defined by GASB.
  - (b) We agree with the findings of specialists in evaluating the Net Pension Liability 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.
  - (c) 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.
- (31) With respect to federal and state award programs:
  - (a) We specifically represent that we did not spend in excess of \$500,000 in federal financial assistance and therefore, we did not meet the threshold for a federal single audit.
  - (b) We are responsible for understanding and complying with, and have complied with, the requirements of the State of Alaska Audit Guide and Compliance Supplement for State Single Audits including requirements relating to the preparation of the Schedule of State Financial Assistance (SSFA).
  - (c) We have identified and disclosed to you all of our government programs and related activities subject to the State of Alaska Audit Guide and Compliance Supplement for State Single Audits, and included in the SSFA expenditures made during the audit period for all awards provided by federal and state agencies in the form of grants, federal or state cost-reimbursement contracts, loans, loan guarantees, property (including donated

surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other direct assistance.

- (d) We acknowledge our responsibility for presenting schedule of state financial assistance in accordance with the requirements of the State of Alaska Audit Guide and Compliance Supplement for State Single Audits, and we believe the SSFA, including its form and content, are fairly presented in accordance with the Circular and the State of Alaska Audit Guide and Compliance Supplement for State Single Audits. The methods of measurement and presentation of the 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 and presentation of the SSFA.
- (e) We are responsible for understanding and complying with, and have complied with in all material respects, the requirements of laws, regulations, and the provisions of contracts and grant agreements related to each of our federal and state programs and have identified and disclosed to you the requirements of laws, regulations and the provisions of contracts and grant agreements considered to have a direct and material effect on each federal and state program.
- (f) We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance requirements applicable to federal and state programs that provides a reasonable assurance that we are managing our federal and state awards in compliance with laws, regulations and the provisions of contracts and grant agreements 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 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 (including material weaknesses) in internal control over compliance as reported in the schedule of findings and questioned costs.
- (g) We have made available to you all 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.
- (h) We have received no requests from a federal or state agency to audit one or more specific programs as a major program.
- (i) We have complied, in all material respects, with the direct and material compliance requirements, including when applicable, those set forth in the State of Alaska Audit Guide and Compliance Supplement for State Single Audits 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 state awards, including the results of other audits or program reviews.
- (j) We have disclosed to you any communications from grantors 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.
- (k) We have disclosed to you the findings received and related corrective actions taken for previous audits, attestation engagements, and internal and external monitoring that

directly relate to the objectives of the compliance audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditor's report.

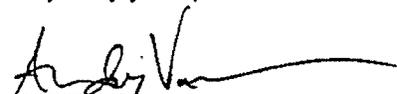
- (l) Amounts claimed or used for matching were determined in accordance with relevant guidelines in OMB Circular A-187, *Cost Principles for State, Local, and Tribal Governments*, and OMB's *Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments*.
  - (m) We have disclosed to you our interpretations of compliance requirements that have varying interpretations, if any.
  - (n) We have made available to you all documentation related to compliance with the direct and material requirements, including information related to federal and state program financial reports and claims for advances and reimbursements.
  - (o) We have disclosed to you the nature of any subsequent events that provide additional evidence about conditions that existed at the end of the reporting period affecting noncompliance during the reporting period.
  - (p) There are no known instances of noncompliance with direct and material compliance requirements that occurred subsequent to the period covered by the auditor's report.
  - (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 and the schedule of state financial assistance.
  - (r) The copies of federal and state program financial reports provided you are true copies of the reports submitted or electronically transmitted, to the respective federal or 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 also responsible for preparing and implementing a corrective action plan for each audit finding.
- (32) We acknowledge our responsibility for the presentation of the required supplementary information, and the required supplementary information is measured and presented in accordance with prescribed guidelines. The methods of measurement or presentation have not changed from those used in the prior period
- (33) We acknowledge our responsibility for the presentation of the schedule of state financial assistance and the combining and individual fund financial statements and schedules in accordance with the State of Alaska Audit Guide and Compliance Supplement for State Single Audits and accounting principles generally accepted in the United States of America, and we believe the schedule of state financial assistance and the combining and individual fund financial statements and schedules, including their form and content, are fairly presented in accordance with the State of Alaska Audit Guide and Compliance Supplement for State Single Audits and accounting principles generally accepted in the United States of America. The

methods of measurement and presentation have not changed from those used in the prior period and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.

- (34) We acknowledge our responsibility for the presentation of the other supplementary information, and the other supplementary information is measured and presented in accordance with prescribed guidelines. The methods of measurement or presentation have not changed from those used in the prior period
- (35) 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.
  - Our web site, which contains the electronic financial statements, will advise 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.

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, which would require adjustment to or disclosure in the aforementioned financial statements or in the schedule of findings and questioned costs.

Very truly yours,

  
\_\_\_\_\_  
Andy Varner, City Administrator

  
\_\_\_\_\_  
Krista Galvin, Finance Officer

**CITY OF SAND POINT**  
 Year End: June 30, 2015  
 Adjusting Journal Entries

Number	Name	Account No	Debit	Credit
AJE 1	SALES TAX RECEIVABLE	01-000-000-066 01	59,503	
AJE 1	4% SALES TAX	01-000-000-205 01		(59,503)

To record sales tax receivable and revenue

AJE 2	SB 46 PERS Relief	01-000-000-235 01		(320,748)
AJE 2	FRINGE	01-100-000-350 01	16,684	
AJE 2	FRINGE	01-200-000-350 01	104,731	
AJE 2	FRINGE	01-250-000-350 01		
AJE 2	FRINGE	01-300-010-350 01	74,608	
AJE 2	FRINGE	01-500-000-350 01	88,185	
AJE 2	FRINGE	01-800-000-350 01	36,539	
AJE 2	SB 46 PERS Relief	02-000-000-235 02		
AJE 2	FRINGE	02-200-000-350 02		
AJE 2	SB 46 PERS RELIEF	61-000-000-234 61		(20,464)
AJE 2	FRINGE	61-700-000-350 61	20,464	
AJE 2	350 FRINGE	62-000-000-350 62	131,423	
AJE 2	SB 46 PERS Relief	62-100-000-235 62		(131,423)
AJE 2	SB 46 PERS Relief	65-100-000-235 65		(41,954)
AJE 2	FRINGE	65-500-000-350 65	41,954	

To record PERS on behalf revenue and expense

AJE 3	FUND BALANCE	61-000-000-195 61	49,154	
AJE 3	Deferred Outflow for Pension	61-000-000-901 61	4,035	
AJE 3	Net Pension Liability	61-000-000-903 61		(53,189)
AJE 3	FUND BALANCE	62-000-000-195 62	315,682	
AJE 3	Deferred Outflow for Pension	62-000-000-901 62	25,913	
AJE 3	Net Pension Liability	62-000-000-903 62		(341,595)
AJE 3	FUND BALANCE	65-000-000-195 65	100,776	
AJE 3	Deferred Outflow for Pension	65-000-000-901 65	8,272	
AJE 3	Net Pension Liability	65-000-000-903 65		(109,048)

Record restatement for GASB 68

AJE 4	Deferred Outflow for Pension	61-000-000-901 61	912	
AJE 4	Deferred Inflow for Pension	61-000-000-902 61		(5,663)
AJE 4	Net Pension Liability	61-000-000-903 61	4,177	
AJE 4	On-Behalf Revenue Pension	61-000-000-904 61	16,647	
AJE 4	Pension Expense	61-000-000-905 61		(16,073)
AJE 4	Deferred Outflow for Pension	62-000-000-901 62	5,860	
AJE 4	Deferred Inflow for Pension	62-000-000-902 62		(36,367)
AJE 4	Net Pension Liability	62-000-000-903 62	26,825	
AJE 4	On Behalf Revenue Pension	62-000-000-904 62	106,910	
AJE 4	Pension Expense	62-000-000-905 62		(103,228)
AJE 4	Deferred Outflow for Pension	65-000-000-901 65	1,871	
AJE 4	Deferred Inflow for Pension	65-000-000-902 65		(11,609)
AJE 4	Net Pension Liability	65-000-000-903 65	8,564	
AJE 4	On-Behalf Revenue Pension	65-000-000-904 65	34,128	
AJE 4	Pension Expense	65-000-000-905 65		(32,954)

To record pension liability for GASB 68 current year transactions

AJE 5	Accounts Receivable	10-000-000-036 10		(2,731)
AJE 5	CONTRACTUAL	10-200-091-301 10	2,731	

Write off A/R, older than 1 year

AJE 6	GENERAL FUNDWELLS	01-000-000-002 01	129,301	
AJE 6	AK MUNICI LEAGUE INVE	01-000-000-022 01	130,981	
AJE 6	ADVANCE TO OTHER FU	01-000-000-056 01		(260,281)
AJE 6	GENERAL FUNDWELLS	02-000-000-002 02		(4,799)
AJE 6	AK MUNICI LEAGUE INVE	02-000-000-022 02		(130,981)
AJE 6	ADVANCE FROM OTHER	02-000-000-058 02	135,779	
AJE 6	GENERAL FUNDWELLS	61-000-000-002 61		(124,502)
AJE 6	ADVANCE FROM OTHER	61-000-000-058 61	124,502	

To adjust advances across funds

AJE 7	ACCRUED LEAVE	62-000-000-049 62	9,961	
AJE 7	SALARIES	62-600-000-300 62		(9,961)

To correct accrued leave in the harbor fund

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AJE 8	LANDFILL POST CLOSUR	65-000-000-126 65		(10,067)
AJE 8	LANDFILL POST CLOSUR	65-500-000-480 65	10,067	

To adjust landfill closure liability based on new estimate from repermitting

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RJE 1	REVENUE--STATE OF AL	70-000-000-256 70		(51,628)
RJE 1	STATE OF ALASKA/SAN	70-000-000-262 70	51,628	

To combine SOA Sand Point Revenue

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RJE 2	CHECKING ACCOUNT/CASH	01-000-000-001 01		(17,954)
RJE 2	DUE TO/FROM OTHER FUNDS	01-000-000-055 01	17,954	
RJE 2	CHECKING ACCOUNT/CASH	62-000-000-001 62	17,954	
RJE 2	Due to/from	62-000-000-DTF 62		(17,954)

Reclass boat harbor negative cash

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