



Municipality of Skagway

Single Audit Reports
Year Ended June 30, 2020

Municipality of Skagway

Single Audit Reports
Year Ended June 30, 2020

Municipality of Skagway

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Tel: 907-278-8878
Fax: 907-278-5779
www.bdo.com

3601 C Street, Suite 600
Anchorage, AK 99503

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, Members of the
Borough Assembly, and Borough Manager
Municipality of Skagway, 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, each major fund, and the aggregate remaining fund information of the Municipality of Skagway, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Municipality of Skagway's basic financial statements, and have issued our report thereon dated March 31, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Municipality of Skagway'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 financial statements, but not for the purpose of expressing an opinion on the effectiveness of Municipality of Skagway's internal control. Accordingly, we do not express an opinion on the effectiveness of Municipality of Skagway'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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying *Schedule of Findings and Questioned Costs* as item 2020-001 that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Municipality of Skagway'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*.

Municipality of Skagway's Response to Findings

Municipality of Skagway's response to the findings identified in our audit is described in the accompanying *Schedule of Findings and Questioned Costs*. Municipality of Skagway's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BDO USA, LLP

Anchorage, Alaska
March 31, 2021



Tel: 907-278-8878
Fax: 907-278-5779
www.bdo.com

3601 C Street, Suite 600
Anchorage, AK 99503

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

Honorable Mayor, Members of the
Borough Assembly, and Borough Manager
Municipality of Skagway, Alaska

Report on Compliance for Each Major Federal Program

We have audited Municipality of Skagway'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 Municipality of Skagway's major federal programs for the year ended June 30, 2020. Municipality of Skagway's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Municipality of Skagway's basic financial statements include the operations of the Municipality of Skagway School District, which expended \$44,926 in federal awards which is not included in Municipality of Skagway's schedule of expenditures of federal awards during the year ended June 30, 2020. Our audit, described below, did not include the operations of Municipality of Skagway School District because other auditors were engaged to perform the audit of the School District; however, they did not meet the threshold for an 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 Municipality of Skagway'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 Municipality of Skagway'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 Municipality of Skagway's compliance.

Opinion on Each Major Federal Program

In our opinion, Municipality of Skagway complied, in all material respects, with the 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 Municipality of Skagway 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 Municipality of Skagway'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 Municipality of Skagway'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, each major fund, and the aggregate remaining fund information of the Municipality of Skagway as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Municipality of Skagway's basic financial statements. We issued our report thereon dated March 31, 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
March 31, 2021

Municipality of Skagway
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2020

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Award Number	Pass-Through Entity Identifying Number	Federal CFDA Number	Provided to Subrecipients	Total Federal Expenditures
Department of Agriculture					
<i>Forest Service School and Roads Cluster</i>					
Passed through the State of Alaska Department of Commerce, Community, and Economic Development Schools and roads - Grants to States	N/A	N/A	10.665	\$ -	\$ 16,860
Department of Interior					
Passed through the State of Alaska Department of Commerce, Community, and Economic Development Payments in Lieu of Taxes	N/A	N/A	15.226	-	198,607
Department of Transportation					
<i>Highway Planning and Construction Cluster</i>					
Federal Highway Administration Western Federal Lands Highway Division Highway Planning and Construction	DTFH70-13-E-00031		20.205	-	12,488
Department of Health and Human Service					
<i>Health Center Program Cluster</i>					
Health Center Program (Community Health Centers, Migrant health Centers, Health Care for the Homeless, and Public Housing Primary Care)					
Consolidated Health Centers	H80CS08232-13-00		93.224	-	271,549
Coronavirus Supplemental Funding for Health Clinics	H8CCS33992-01		93.224	-	11,927
Health Center Cares Act Funding	H8DCS35378-01		93.224	-	76,095
Total CFDA 93.224				-	359,571
Grants for New and Expanded Services under the Health Center Program Affordable Health Care Act (ACA)	H80CS08232-13-00		93.527	-	1,073,863
Total Health Center Program Cluster and Department of Health and Human Services				-	1,433,434

Municipality of Skagway
Schedule of Expenditures of Federal Awards, continued
Year Ended June 30, 2020

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Award Number	Pass-Through Entity Identifying Number	Federal CFDA Number	Provided to Subrecipients	Total Federal Expenditures
Department of Homeland Security					
Passed through the State of Alaska Department of Military and Veteran Affairs Division of Homeland Security and Emergency Management					
Hazard Mitigation Grant	DR-4244	4244.0002	97.039	\$ -	\$ 23,985
Homeland Security Grant Program	EMW-2018-SS-00045-S01	20SHSP-GY18	97.067	-	72,948
Total Department of Homeland Security				-	96,933
Department of Environmental Conservation					
<i>Clean Water State Revolving Fund Cluster</i>					
Passed through the State of Alaska Department of Environmental Conservation					
Capitalization Grants for Clean Water State Revolving Funds					
Revolving Funds - Loan Balance Sewer Treatment Plant		N/A	66.458	-	12,216
Department of Treasury					
Passed through the State of Alaska Department of Commerce, Community and Economic Development					
*Coronavirus Relief Fund		20-CRF-135	21.019	-	1,419,116
Total Expenditures of Federal Awards				\$ -	\$3,189,654

See accompanying notes to Schedule of Expenditures of Federal Awards.

Municipality of Skagway, Alaska

Notes to the Schedule of Expenditures of Federal Awards Year Ended June 30, 2020

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Municipality of Skagway under programs of the federal government for the year ended June 30, 2020. The information in this Schedule 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). Because the Schedule presents only a selected portion of the operations of Municipality of Skagway, it is not intended to and does not present the net position, changes in net position or cash flows of Municipality of Skagway.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule 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 represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

3. Indirect Cost Rate

Municipality of Skagway has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.



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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, Members of the
Borough Assembly, and Borough Manager
Municipality of Skagway, Alaska

Report on Compliance for Each Major State Program

We have audited Municipality of Skagway'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 Municipality of Skagway's major state programs for the year ended June 30, 2020. Municipality of Skagway's major state programs are identified in the accompanying Schedule of State Financial Assistance.

Municipality of Skagway's basic financial statements include the operations of the Municipality of Skagway School District which expended \$1,257,663 in state awards which is not included Municipality of Skagway's schedule of state financial assistance during the year ended June 30, 2020. Our audit, described below, did not include the operations of Municipality of Skagway School District because other auditors were engaged to perform 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 state statutes, regulations, and the terms and conditions of its state awards applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Municipality of Skagway'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 audit requirements of 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 Municipality of Skagway'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 Municipality of Skagway's compliance.

Opinion on Each Major State Program

In our opinion, Municipality of Skagway 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 Municipality of Skagway 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 Municipality of Skagway'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 Municipality of Skagway'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, each major fund, and the aggregate remaining fund information of the Municipality of Skagway as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Municipality of Skagway's basic financial statements. We issued our report thereon dated March 31, 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
March 31, 2021

Municipality of Skagway
Schedule of State Financial Assistance
Year Ended June 30, 2020

State Agency/Program Title	Award Number	Total Grant Award	Passed Through to Subre- cipients	State Share of Expenditures
Department of Revenue				
*Shared Taxes, Commercial passenger Vessel Excise Tax Allocation		\$ 5,083,250	\$ -	\$ 2,972,325
Department of Commerce, Community and Economic Development				
*Community Assistance Program	N/A	331,197	-	331,197
Revenue Sharing-Liquor Share Tax/License	N/A	17,200	-	17,200
City Dock Improvements	12-DC-617	10,000,000	-	4,875
Shared Fisheries Business Tax Program	N/A	367	-	367
Float Extension so Serve Cruise Passenger Vessels	15-DC-147	18,000,000	-	900
Port of Skagway Gateway Project	14-DC-135	1,500,000	-	750
Total Department of Commerce, Community and Economic Development		-	-	355,289
Department of Administration				
*PERS Relief Funding	N/A	260,797	-	260,797
Department of Transportation and Public Facilities				
Harbor Deferred Maintenance Appropriation	N/A	13,961	-	13,961
Department of Education and Early Development				
Public Library Assistance Grant	PLA-20-772-01	7,000	-	7,000
Total State Financial Assistance		-	\$ -	\$ 3,609,372

* Denotes a major program

See accompanying notes to Schedule of State Financial Assistance.

Municipality of Skagway, Alaska

Notes to the Schedule of State Financial Assistance *Year Ended June 30, 2020*

1. Basis of Presentation

The accompanying Schedule of State Financial Assistance (the “Schedule”) includes the state award activity of Municipality of Skagway under programs State of Alaska for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the requirements of the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*. Because the Schedule presents only a selected portion of the operations of Municipality of Skagway, it is not intended to and does not present the financial position, changes in net position or cash flows of Municipality of Skagway.

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting.

Municipality of Skagway, Alaska

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

Section I - Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	<u> X </u> yes	<u> </u> no
Significant deficiency(ies) identified?	<u> </u> yes	<u> X </u> (none reported)
Noncompliance material to financial statements noted?	<u> </u> yes	<u> X </u> no

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified?	<u> </u> yes	<u> X </u> no
Significant deficiency(ies) identified?	<u> </u> yes	<u> X </u> (none reported)

Type of auditor's report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? yes X no

Identification of major federal programs:

<i>CFDA Number</i>	<i>Name of Federal Program or Cluster</i>	<i>Agency</i>
21.019	Coronavirus Relief Fund	Department of the Treasury

Dollar threshold used to distinguish between a Type A and Type B program: \$ 750,000

Auditee qualified as low-risk auditee? X yes no

State Financial Assistance

Internal control over major state programs:

Material weakness(es) identified?	<u> </u> yes	<u> X </u> no
Significant deficiency(ies) identified?	<u> </u> yes	<u> X </u> (none reported)

Type of auditor's report issued on compliance for major state programs: Unmodified

Dollar threshold used to distinguish a state major program: \$ 150,000

Municipality of Skagway, 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

Finding 2020-001	Material Weakness - Reporting of Restricted Fund Balance
Criteria:	Accounting principles require consistency of accounting between fund level and government-wide financial statements.
Condition:	In 2019, the Municipality reported deferred revenue in the amount of \$16.9 million in the Excise Tax Special Revenue, but then adjusted this amount into restricted net position for reporting in governmental activities on the Statement of Activities. This amount should correctly have been reported as restricted fund balance on the governmental funds balance sheet, as these monies do not contain a right of return but are restricted for specific purposes.
Cause:	There was a misinterpretation of accounting principles when the financial statements were presented in prior years.
Effect or Potential Effect:	The Municipality had these balances presented in the wrong account on the fund-level balance sheet. However, the monies were clearly identified and properly tracked in deferred revenue. This classification did not affect the spending of the money or the operating budget. This error did not have any impact to the expenditures in the fund itself. This is solely a presentation issue on the financial statements.
Recommendation:	We recommend the Municipality examine all funding streams in the future to ensure proper reporting of balances between fund balance and deferred revenue.
Views of Responsible Official and Planned Corrective Action:	Management concurs with the finding. See corrective action plan.

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) of the Uniform Guidance) that are required to be reported.

Section IV - State Award Findings and Questioned Costs

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



Municipality of Skagway

Gateway to the Klondike

P.O. Box 415

Skagway, Alaska 99840

Phone: (907) 983-2297 Fax: (907) 983-2151

www.skagway.org

Finding 2020-001 Material Weakness – Reporting of Restricted Fund Balance

Expected Completion Date - December 31, 2020

Corrective Action Plan –

The unspent Commercial Passenger Vessel (CPV) Excise Tax shared revenue appropriations from the State of Alaska have been corrected in the financial statements and are restated as restricted fund balance in the Excise Tax Special Revenue Fund. All current funding streams have been reviewed and are determined to be presented properly in the statements.

Contact Information:

Heather Rodig,
Borough Treasurer
907-983-2297