



# Municipality of Skagway

Single Audit Reports  
Six Month Period Ended December 31, 2020

# **Municipality of Skagway**

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Single Audit Reports  
Six Month Period Ended December 31, 2020

# Municipality of Skagway

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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, 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 period ended December 31, 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 December 27, 2021. Our report includes a reference to other auditors who audited the financial statements of Skagway School District, as described in our report on the Borough's financial statements. This report includes our consideration of the results of the other auditors' testing of internal control over financial reporting and compliance and other matters that are reported on separately by those other auditors. However, this report, insofar as it relates to the results of the other auditors, is based solely on the reports of the other auditors.

### **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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Municipality of Skagway's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 a 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 or significant deficiencies may exist that have not been identified.

## 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*.

## 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  
December 27, 2021



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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**

#### ***Opinion on Compliance for Each Major Federal Program***

We have audited Municipality of Skagway's (the Municipality) 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 period ended December 31, 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.

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 federal programs for the period ended December 31, 2020.

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 period ended December 31, 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.

#### ***Basis for Opinion***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Municipality of Skagway and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit does not provide a legal determination of Municipality of Skagway's compliance with the types of compliance requirements referred to above.

## ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Municipality of Skagway's federal programs.

## ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the types of compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Municipality of Skagway's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the types of compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Municipality of Skagway's compliance with the requirements of the federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Municipality of Skagway's compliance with the types of compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Municipality of Skagway's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Municipality of Skagway's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

## **Report on 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 the requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that have not been identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 Municipality of Skagway as of and for the period ended December 31, 2020, and the related notes to the financial statements, which collectively comprise Municipality of Skagway's basic financial statements. We issued our report thereon date December 27, 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 as a whole. 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  
December 27, 2021



**Municipality of Skagway**  
**Schedule of Expenditures of Federal Awards**  
*Six Month Period Ended December 31, 2020*

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Pass-Through Entity Identifying Number	Federal Assistance Listing Number	Provided to Subrecipients	Total Federal Expenditures
<b>Department of Agriculture</b>				
<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	10.665	\$ -	\$ 85,389
<b>Department of Transportation</b>				
<i>Highway Planning and Construction Cluster</i>				
Federal Highway Administration Western Federal Lands Highway Division Highway Planning and Construction		20.205	-	3,838
<b>Department of Health and Human Service</b>				
<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		93.224	-	217,041
Coronavirus Supplemental Funding for Health Clinics		93.224	-	11,211
Expanding Capacity for Coronavirus Testing		93.224		18,691
Health Center Cares Act Funding		93.224	-	20,931
Total Assistance Listing 93.224			-	267,874
Grants for New and Expanded Services under the Health Center Program				
Affordable Health Care Act (ACA)		93.527	-	816,139
Total Health Center Program Cluster			-	1,084,013
Provider Relief Fund		93.498	-	121,219
<b>Total Department Health and Human Services</b>			-	1,205,232
<b>Department of Treasury</b>				
Passed through the State of Alaska Department of Commerce, Community and Economic Development				
COVID-19 - Coronavirus Relief Fund	20-CRF-135	21.019	-	5,881,904
<b>Total Expenditures of Federal Awards</b>			\$ -	\$ 7,176,363

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

# Municipality of Skagway, Alaska

## Notes to the Schedule of Expenditures of Federal Awards Six Month Period Ended December 31, 2020

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### 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 period ended December 31, 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.

# Municipality of Skagway, Alaska

## Schedule of Findings and Questioned Costs Six Month Period Ended December 31, 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? \_\_\_\_\_ yes   X   no

Significant deficiency(ies) identified? \_\_\_\_\_ yes   X   (none reported)

Noncompliance material to financial statements noted? \_\_\_\_\_ yes   X   no

**Federal Awards**

Internal control over major federal programs:

Material weakness(es) identified? \_\_\_\_\_ yes   X   no

Significant deficiency(ies) identified? \_\_\_\_\_ yes   X   (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:

Federal Assistance Listing Number	Name of Federal Program or Cluster	Agency
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? \_\_\_\_\_ yes   X   no

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

There were no findings related to the financial statements which are required to be reported in accordance with the standards applicable to financial audits contained in *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) of the Uniform Guidance) that are required to be reported.

**Municipality of Skagway Response to Single Audit (Unaudited)**



# Municipality of Skagway

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## Municipality of Skagway, Alaska

### Schedule of Prior Year Audit Findings

*Six Month Period Ended December 31, 2020*

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#### Financial Statement Findings

Finding 2020-001

Material Weakness - Reporting of Restricted Fund Balance

Finding:

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.

Status

Finding has been resolved.

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