

# **Municipality of Skagway**

Single Audit Reports  
Year Ended December 31, 2021

DRAFT

# **Municipality of Skagway**

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Single Audit Reports  
Year Ended December 31, 2021

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# Municipality of Skagway

## Contents

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	Page
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	1-2
Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance	3-6
Schedule of Expenditures of Federal Awards	7-8
Notes to the Schedule of Expenditures of Federal Awards	9
Independent Auditor's Report on Compliance for Each Major State Program; Report on Internal Control Over Compliance; and Report on Schedule of State Financial Assistance Required by the <i>State of Alaska Audit Guide and Compliance Supplement for State Single Audits</i>	10-13
Schedule of State Financial Assistance	14
Notes to the Schedule of State Financial Assistance	15
Schedule of Findings and Questioned Costs	16-19
<b>MUNICIPALITY OF SKAGWAY'S SINGLE AUDIT RESPONSES (UNAUDITED)</b>	
Corrective Action Plan	22-23



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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, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Municipality of Skagway, Alaska, (the "Borough"), as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements, and have issued our report thereon dated XXXX, 2022. Our report includes a reference to other auditors who audited the financial statements of Skagway School District (the "District"), as described in our report on the Borough's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those other auditors.

### **Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Borough'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 the Borough's internal control. Accordingly, we do not express an opinion on the effectiveness of the Borough'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2021-001 that we consider to be a significant deficiency.

### **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Borough'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*.

### **The Borough's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the Borough's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Borough's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

### **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.

Anchorage, Alaska  
XXXX, 2022



## **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**

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

We have audited Municipality of Skagway, Alaska’s (the “Borough”) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Borough’s major federal programs for the year ended December 31, 2021. The Borough’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, the Borough 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 December 31, 2021.

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

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 the Borough and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Borough’s compliance with the compliance requirements referred to above.

### *Other Matters - Federal Expenditures Not Included in the Compliance Audit*

The Borough's basic financial statements include the operations of the Skagway School District (the "District"), a discretely presented component unit, which expended \$129,206 in federal awards which is not included in the Borough's schedule of expenditures of federal awards during the year ended December 31, 2021. Our compliance audit, described in the Opinion on Each Major Federal Program, does not include the operations of the District because other auditors were engaged to perform the audit of the District; however, they did not meet the threshold for an audit in accordance with the Uniform Guidance.

### *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 the Borough's federal programs.

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

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Borough'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 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 the Borough's compliance with the requirements of each major 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 the Borough's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Borough'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 the Borough'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.

### ***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2021-002. Our opinion on each major federal program is not modified with respect to these matters.

*Government Auditing Standards* requires the auditor to perform limited procedures on the Borough's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The Borough's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The Borough is responsible for preparing a corrective action plan to address each audit finding included in our auditor's report. The Borough's corrective action plan was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

### **Report on Internal Control Over Compliance**

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 and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be a significant deficiency.

*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 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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2021-002 to be a significant deficiency.

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.



*Government Auditing Standards* requires the auditor to perform limited procedures on the Borough's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The Borough's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The Borough is responsible for preparing a corrective action plan to address each audit finding included in our auditor's report. Municipality of Skagway's corrective action plan was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

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 Borough as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements. We issued our report thereon, dated XXXX, 2022, 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.

Anchorage, Alaska

XXXX, 2022

**Municipality of Skagway**  
**Schedule of Expenditures of Federal Awards**  
*Year Ended December 31, 2021*

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Federal Assistance Listing Number	Award Number	Pass-Through Entity Identifying Number	Provided to Subre- cipients	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	10.665	N/A	N/A	\$ -	\$ 72,216
<b>Department of Interior</b>					
Passed through the State of Alaska Department of Commerce, Community, and Economic Development Payments in Lieu of Taxes	15.226	N/A	N/A	-	210,375
<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	H80CS08232-14		-	69,370
Consolidated Health Centers	93.224	H80CS08232-15		-	356,420
FY2020 Expanding Capacity for Coronavirus Testing (ECT)	93.224	H8ECS38966-01		-	103,578
American Rescue Plan Act Funding for Health Centers	93.224	H8FCS41723-01		-	229,121
Health Center Cares Act Funding	93.224	H8DCS35378-01		-	266,068
Total Assistance Listing 93.224				-	1,024,557
Grants for New and Expanded Services under the Health Center Program					
Affordable Health Care Act (ACA)	93.527	H80CS08232-14		-	258,760
Affordable Health Care Act (ACA)	93.527	H80CS08232-15		-	938,954
Total Assistance Listing 93.527				-	1,197,714
<b>Total Health Center Program Cluster and Department of Health and Human Services</b>				-	2,222,271

## Municipality of Skagway

### Schedule of Expenditures of Federal Awards, continued Year Ended December 31, 2021

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Federal Assistance Listing Number	Award Number	Pass-Through Entity Identifying Number	Provided to Subre- cipients	Total Federal Expenditures
<b>Department of Homeland Security</b>					
Passed through the State of Alaska Department of Military and Veteran Affairs Division of Homeland Security and Emergency Management					
Homeland Security Grant Program	97.067	EMW-2018-SS-00045-S01	20SHSP-GY18	\$ -	\$ 128,653
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	N/A	DR-4585-AK	-	59,326
<b>Total Department of Homeland Security</b>				-	187,979
<b>Department of Treasury</b>					
Passed through the State of Alaska Department of Commerce, Community and Economic Development					
Coronavirus Relief Fund - COVID-19	21.019	N/A	20-CRF-135	-	174,013
Coronavirus State and Local Fiscal Recovery Funds - COVID-19	21.027	N/A	CPV REPLACEMENT	-	48,168
Passed through the State of Alaska Department of Education and Early Development					
Coronavirus State and Local Fiscal Recovery Funds - COVID-19	21.027	N/A	EASY22-057	-	171
Total Assistance Listing 21.027				-	48,339
<b>Total Department of Treasury</b>				-	222,352
<b>Total Expenditures of Federal Awards</b>				\$ -	\$ 2,915,193

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

# Municipality of Skagway

## Notes to the Schedule of Expenditures of Federal Awards December 31, 2021

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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, Alaska under programs of the federal government for the year ended December 31, 2021. 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, Alaska, 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, Alaska has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

### 4. Assistance Listing Number 97.036

Municipality of Skagway, Alaska reported the Disaster Grants - Public Assistance (Presidentially Declared Disasters) expenditures of \$59,326 on the Schedule for the year ended December 31, 2021, which were associated with prior year expenditures.



**Independent Auditor’s Report on Compliance for Each Major State Program;  
Report on Internal Control Over Compliance; and Report on 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**

***Opinion on Each Major State Program***

We have audited Municipality of Skagway, Alaska’s (the “Borough”) compliance with the types of compliance requirements identified as subject to audit 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 the Borough’s major state programs for the year ended December 31, 2021. The Borough’s major state programs are identified on the Schedule of State Financial Assistance.

In our opinion, the Borough complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its other major state programs for the year ended December 31, 2021.

***Basis for Opinion on Each Major State Program***

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 *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*. Our responsibilities under those standards and the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits* are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Borough and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major state program. Our audit does not provide a legal determination of the Borough’s compliance with the compliance requirements referred to above.

***Other Matters - State Expenditures Not Included in the Compliance Audit***

The Borough’s basic financial statements include the operations of the Skagway School District (the “District”), a discretely presented component unit, which expended \$1,682,188 in state awards which is not included in the Borough’s schedule of state financial assistance during the year ended December 31, 2021. Our compliance audit, described in the Opinion on Each Major State Program, does not include the operations of the District because other auditors were engaged to perform the audit of the District.

### ***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 the Borough's state programs.

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

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Borough'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 *State of Alaska Audit Guide and Compliance Supplement for State Single Audits* 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 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 the Borough's compliance with the requirements of each major state program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*, 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 the Borough's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Borough'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 *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 the Borough'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.

### ***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits* and which are described in the accompanying schedule of findings and questioned costs as item 2021-003. Our opinion on each major state program is not modified with respect to these matters.

*Government Auditing Standards* requires the auditor to perform limited procedures on the Borough's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The Borough's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The Borough is responsible for preparing a corrective action plan to address each audit finding included in our auditor's report. The Borough's corrective action plan was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

### **Report on Internal Control Over Compliance**

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 and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be a significant deficiency.

*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 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 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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2021-003 to be a significant deficiency.

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.

*Government Auditing Standards* requires the auditor to perform limited procedures on the Borough's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The Borough's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The Borough is responsible for preparing a corrective action plan to address each audit finding included in our auditor's report. Municipality of Skagway's corrective action plan was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

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 Borough as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements. We issued our report thereon, dated XXXX, 2022, 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.

Anchorage, Alaska  
XXXX, 2022



**Municipality of Skagway**  
**Schedule of State Financial Assistance**  
*Year Ended December 31, 2021*

State Agency/Program Title	Award Number	Total Grant Award	Passed Through to Subrecipients	State Share of Expenditures
<b>Department of Revenue</b>				
*Shared Taxes, Commercial Passenger Vessel Excise Tax Allocation	FY 21	\$5,433,271	\$ -	\$ 5,433,271
<b>Department of Commerce, Community and Economic Development</b>				
*Community Assistance Program	FY 21	321,091	-	321,091
Revenue Sharing-Liquor Share Tax/License	FY 21	6,200	-	6,200
City Dock Improvements	12-DC-617	10,000,000	-	33,612
Shared Fisheries Business Tax Program	FY 21	475	-	475
Float Extension to Serve Cruise Passenger Vessels	15-DC-147	1,800,000	-	17,298
*Responding and Mitigating Risk of COVID-19	20-CPV-03	1,912,411	-	1,784,299
<b>Total Department of Commerce, Community and Economic Development</b>			-	2,162,975
<b>Department of Administration</b>				
*PERS Relief Funding	FY 21	347,255	-	347,255
<b>Department of Transportation and Public Facilities</b>				
Harbor Deferred Maintenance Appropriation	FY 21	9,308	-	9,308
<b>Department of Environmental Conservation</b>				
*State Street Sanitary Sewer Upgrades - Loan Forgiveness	ACWF 785031	4,075,025	-	300,000
<b>Department of Military and Veterans Affairs</b>				
Disaster - Public Assistance Presidentially Declared	DR-4585-AK	6,592	-	6,592
<b>Department of Education and Early Development</b>				
Public Library Assistance Grant	PLA-21-772-01	7,000	-	2,532
Public Library Assistance Grant	PLA-22-772-01	7,000	-	3,602
<b>Total Department of Education and Early Development</b>			-	6,134
<b>Total State Financial Assistance</b>			\$ -	\$ 8,265,535

*See accompanying notes to Schedule of State Financial Assistance.*

# Municipality of Skagway, Alaska

## Notes to the Schedule of State Financial Assistance Year Ended December 31, 2021

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### 1. Major Program Notation

\* denotes a major program

### 2. Basis of Presentation

The accompanying schedule of state financial assistance (the "Schedule") includes the state award activity of Municipality of Skagway, Alaska under programs of the state government for the year ended December 31, 2021. The information in this Schedule is presented in accordance with the requirements of *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, Alaska, it is not intended to and does not present the net position, changes in net position or cash flows of Municipality of Skagway, Alaska.

### 3. Summary of Significant Accounting Policies

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

### 4. Disaster Grants - Public Assistance

Municipality of Skagway, Alaska reported the Disaster Grants - Public Assistance (Presidentially Declared Disasters) expenditures of \$6,592 on the Schedule for the year ended December 31, 2021, which were associated with prior year expenditures.



# Municipality of Skagway, Alaska

## Schedule of Findings and Questioned Costs, continued Year Ended December 31, 2021

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

**Finding 2021-001      General Ledger Reconciliation and External Financial Reporting - Internal Control Over Financial Reporting - Significant Deficiency**

*Criteria*                      *Government Accounting Standards* states management is responsible for establishing and maintaining effective internal control to help ensure that appropriate goals and objectives are met; using resources efficiently; economically, effectively, and equitably, and safeguarding resources; following laws and regulations; and ensuring that financial information is reliable and properly reported. Internal controls over financial reporting should allow management to prevent or detect and correct misstatements on a timely basis.

*Condition*                    The Borough's books weren't closed timely. The Borough changed its accounting software in fiscal year 2021. The Borough's staff had to spend considerable time to reconcile the information between both accounting systems to ensure the information brought over from the old system agrees to the new system. Specifically, adjustments were required as a result of the Borough's staff review to properly state capital assets, due to/from, transfers, accounts receivable and revenue.

*Cause*                         The Borough switched accounting software during the fiscal year, which caused challenges with closing the books and records.

*Effect or Potential Effect*      There was a delay in the issuance of the financial statements.

*Recommendation*        The Borough should consider supplemental assistance for staff with any future software conversions.

*Views of Responsible Officials*      Management concurs with the finding. Management has implemented new processes to ensure timely reconciliations and closing of the books.

# Municipality of Skagway, Alaska

## Schedule of Findings and Questioned Costs, continued Year Ended December 31, 2021

### Section III - Federal Award Findings and Questioned Costs

**Finding 2021-002 Significant Deficiency in Internal Control over Compliance, Noncompliance - Reporting**

*Identification of the federal program*

Agency Department of Health and Human Service

ALN 93.224 / 93.527

Program Health Center Program Cluster

Award Number H80CS08232, H8ECS38966, H8FCS41723, H8DCS35378

Award Year 05/01/2020 through 04/30/2021, 05/01/2021 through 04/30/2022, 04/01/2021 through 03/31/2023, and 04/01/2020 through 03/31/2022

*Criteria or specific requirement* The Borough is required to submit the single audit report and Form SF-SAC within nine months of the fiscal year end or by any Office of Management and Budget extended deadlines.

*Condition* The Form SF-SAC for the fiscal year ended December 31, 2021 was not filed on time.

*Cause* The audit was not completed in time to file the form, due to a delay in closing the books and records.

*Effect or Potential Effect* The Borough was not able to file the Form SF-SAC by the required time.

*Questioned costs* None

*Context* The Form SF-SAC is due nine months after the fiscal year end. The form for the fiscal year ended December 31, 2021 was filed late.

*Identification as a repeat finding* No

*Recommendation* We recommend the Borough implement internal control procedures to ensure timely closing of books and records to ensure timely submission of the Form SF-SAC in the future.

*Views of Responsible Officials* Management concurs with the findings. Management has implemented new processes to ensure timely reconciliations and closing of the books.

## Municipality of Skagway, Alaska

### Schedule of Findings and Questioned Costs, continued Year Ended December 31, 2021

#### Section IV - State Award Findings and Questioned Costs

<b>Finding 2021-003</b>	<b>Significant Deficiency in Internal Control over Compliance, Noncompliance - Reporting</b>
<b>State Agency</b>	Department of Commerce, Community and Economic Development; Department of Revenue; Department of Environmental Conservation; Department of Administration
<b>Grant Name</b>	Community Assistance Program, Responding and Mitigating Risk of COVID-19, Shared Taxes Commercial Passenger Vessel Excise Tax Allocation, State Street Sanitary Sewer Upgrades - Loan Forgiveness, and PERS Relief Funding.
<b>Grant Number</b>	Award Year: 2021, 20-CPV-03, Award Year: 2021, ACWF 785031, and Award Year: 2021.
<b>Criteria</b>	2 AAC 45.010 (b) states an entity that expends a cumulative total of \$750,000 or more shall submit an audit report for the audit period by ...”the earlier of 30 days after the entity receives its audit report for the audit period; or nine months after the end of the audit period” or a later date agreed upon in writing in advance of the date in this section.
<b>Condition</b>	The audit report for the fiscal year ended December 31, 2021 was not filed on time.
<b>Questioned costs</b>	None
<b>Context</b>	The Borough’s audit in accordance with 2 AAC 45 was not completed within the required time period.
<b>Effect or Potential Effect</b>	The Borough is not in compliance with 2 AAC 45.010 (b)(1).
<b>Cause</b>	The audit was not completed in time to file the reporting package, due to a delay in closing the books and records.
<b>Repeat Finding</b>	No
<b>Recommendation</b>	We recommend management establish strong internal controls surrounding year-end general ledger and trial balance reconciliation to allow for timely submission of the annual audit and required single audit reports.
<b>Views of Responsible Officials</b>	Management concurs with the findings. Management has implemented new processes to ensure timely reconciliations and closing of the books.

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**Municipality of Skagway Single Audit Responses  
(Unaudited)**

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DRAFT





# Municipality of Skagway

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Name of Contact Person: Heather Rodig  
Borough Treasurer  
[h.rodig@skagway.org](mailto:h.rodig@skagway.org)  
907-983-9703

## **Finding 2021-001 – General Ledger Reconciliation and External Financial Reporting – Internal Control over Financial Reporting – Significant Deficiency**

### ***Corrective Action Plan***

The Municipality has been working with a new software company to provide a more automated accounting system since 2018. Due to COVID-19 delays and other issues outside of municipal control, the implementation did not begin until September 2021. With the new accounting system came a new account structure for the general ledger to allow for more flexibility with grant reporting and compliance. The transition to the new accounting system prolonged year-end reconciliations and final closing of the books.

Further delays were prompted by job vacancies and turnover, with all finance staff changing positions between December 2021 and March 2022. This required training for each new role as well as module specific training within the new accounting software. Additionally, the auditors required extra time to map old general ledger accounts to new ones in their work papers.

With extensive training and hands-on experience using the system, new processes have been implemented to ensure timely reconciliations and closing of the books. Checklists are in place to ensure complete and reliable reporting.

*Expected Completion Date:*  
Fiscal year 2022



# Municipality of Skagway

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## **Finding 2021-002 – Significant Deficiency in Internal Control over Compliance, Noncompliance - Reporting**

### **Corrective Action Plan**

Staff turnover combined with delays in the implementation of a new accounting software and general ledger restructure required additional time for closing the 2021 year.

With extensive training and hands-on experience using the system, new processes have been implemented to ensure timely reconciliations and closing of the books. Checklists are in place to ensure complete and reliable reporting.

*Expected Completion Date:*  
Fiscal year 2022

## **Finding 2021-003 – Significant Deficiency in Internal Control over Compliance, Noncompliance – Reporting**

### **Corrective Action Plan**

Staff turnover combined with delays in the implementation of a new accounting software and general ledger restructure required additional time for closing the 2021 year.

With extensive training and hands-on experience using the system, new processes have been implemented to ensure timely reconciliations and closing of the books. Checklists are in place to ensure complete and reliable reporting.

*Expected Completion Date:*  
Fiscal year 2022