

CITY OF SEWARD, ALASKA

Letter to the Governing Board

Year Ended December 31, 2019

Altman, Rogers
& Co. | CERTIFIED
PUBLIC
ACCOUNTANTS

CITY OF SEWARD, ALASKA

Letter to the Governing Board

Year Ended December 31, 2019

October 9, 2020

Honorable Mayor and City Council
City of Seward
Seward, Alaska

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of City of Seward, Alaska, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise City of Seward's basic financial statements. We did not audit the financial statements of the Providence Seward Medical and Care Center (PSMCC) which represent 26%, (194%) and 99% respectively, of the assets and deferred outflows of resources, net position and revenues of the Healthcare Facilities Enterprise Fund, and 4%, (3%), and 54% respectively, of the assets and deferred outflows of resources, net position and revenues of the business-type activities. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the financial statements of the PSMCC, is based solely on the report of the other auditors. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, the Uniform Guidance, and the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated March 5, 2020. Professional standards also require that we communicate to you the following information related to our audit.

Significant Accounting Policies and Transactions

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City of Seward are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2019. We noted no transactions entered into by the City of Seward during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the City's financial statements were:

Governmental Activities Opinion Unit

Management's estimate of the useful lives and depreciation is based upon the expected life of an asset. We evaluated the key factors and assumptions used to develop the useful lives and depreciation expense in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the City's proportionate share of the collective net pension and other postemployment benefits (OPEB) liabilities and related deferred outflows and inflows of resources are based on information furnished by the State of Alaska and actuarial reports generated during the audit of the Public Employees' Retirement System. The amortization of these deferrals is based on guidance provided by the Governmental Accounting Standards Board. We evaluated the key factors and assumptions used to develop the estimates of the City's proportionate share of the collective net pension and OPEB liabilities and deferred outflows and inflows of resources and related amortization in determining that it is reasonable in relation to the financial statements as a whole.

All Opinion Units

Management's estimate of the allowance account on accounts receivable is based on historical collections and collectability of customer balances. We evaluated the key factors and assumptions used to develop the allowance account in determining that it is reasonable in relation to the financial statements taken as a whole.

Financial Statement Disclosures

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 9, 2020.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. During the course of our audit we noted the following misstatements that have been corrected by management:

- \$13,466 to correct beginning fund balance in the Capital Acquisition Capital Project Fund
- \$228,110 to adjust interest expense and accrued interest across multiple Enterprise Funds
- \$536,328 to adjust capital assets balances and depreciation expense across multiple Enterprise Funds and the governmental activities
- \$136,259 to adjust the grant revenue and grants receivable in the SCHC Special Revenue Fund

- \$432,665 to adjust cash and due to/from in the General Fund
- \$360,485 to adjust interfund charges and accrued compensation in the Compensated Annual Leave Internal Service Fund
- \$624,518 to adjust pension and OPEB liabilities to actual balances across multiple Enterprise Funds
- \$88,476 to adjust multiple taxes receivable balances and associated revenues in the General Fund
- \$301,635 to adjust inventory to actual in the Electric Enterprise Fund

Summarized below are misstatements that management has determined to be immaterial, both individually and in the aggregate, to the financial statements as a whole. These misstatements were not corrected by management:

- \$37,361 understatement of depreciation expense in the Electric Enterprise Fund

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the governmental unit’s financial statements or a determination of the type of auditors’ opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Internal Control

See the December 31, 2019 Federal and State Single Audit Report for the definition and description of deficiencies, significant deficiencies, material weaknesses and any reported findings.

Accounting Assistance

As part of our engagement, we assisted management in the drafting of the basic financial statements of the City from the City’s accounting records; however, management of the City was involved in the drafting process and retains responsibility for the basic financial statements.

Supplementary Information Accompanying the Financial Statements

We applied certain limited procedures to the Management Discussion and Analysis (MD&A), Budgetary Comparison Schedule - General Fund, and Schedules of the City’s Proportionate Share of the Net Pension and OPEB Liabilities and Contributions for the Public Employees’ Retirement System and International Brotherhood of Electrical Workers Plan, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the “Additional Supplementary Information”, which includes the combining and individual fund financial statements and schedules, Schedule of Expenditures of Federal Awards, and the Schedule of State Financial Assistance, which accompany the financial statements but are not RSI. With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Major Issues Discussed with Management Prior to Retention

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Restriction on Use

This information is intended solely for the use of City Council and management of the City of Seward and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

Altman, Rogers & Co.

Anchorage, Alaska