

CITY OF SEWARD, ALASKA

Compliance Reports

Year Ended December 31, 2021

*Altman, Rogers
& Co.* CERTIFIED
PUBLIC
ACCOUNTANTS

CITY OF SEWARD, ALASKA

Compliance Reports

Year Ended December 31, 2021

City of Seward, Alaska

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**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***

Independent Auditor's Report

Honorable Mayor and City Council
City of Seward, 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 City of Seward, Alaska, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City of Seward's basic financial statements and have issued our report thereon dated September 14, 2022. Our report includes a reference to other auditors who audited the financial statements of the Providence Seward Medical and Care Center, as described in our report of City of Seward's basic financial statements. This report does not include the results of the auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by these auditors.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Seward'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 City of Seward's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Seward'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.

Honorable Mayor and City Council
City of Seward, Alaska

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 a certain deficiency in internal control, described in the accompanying federal schedule of findings and questioned costs as Finding 2021-001, that we consider to be a material weakness.

Report on Compliance and Other Matters

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

City of Seward's Response to Finding

City of Seward's response to the finding identified in our audit is described in the accompanying federal schedule of findings and questioned costs and corrective action plan. City of Seward's response was not subjected to the 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 City of Seward'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
September 14, 2022

Report on Compliance For Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

Independent Auditor's Report

Honorable Mayor and City Council
City of Seward, Alaska

Report on Compliance For Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Seward's 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 City of Seward, Alaska's major federal programs for the year ended December 31, 2021. City of Seward, Alaska's major federal programs are identified in the summary of auditor's results section of the accompanying federal schedule of findings and questioned costs.

City of Seward's basic financial statements include the operations of Providence Seward Medical Center, which expended \$2,155,185 in federal awards which are included in the City of Seward's schedule of expenditures of federal awards as passed through to Providence Seward Medical Center for the year ended December 31, 2021. Our audit was limited to the requirements to the City of Seward as the pass-through entity and did not include the operations of Providence Seward Medical Center, who engaged other auditors to perform an audit of compliance over the program received from the City of Seward as a subrecipient.

In our opinion, City of Seward, Alaska 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 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 (Government Auditing Standards); 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 City of Seward, Alaska 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 City of Seward, Alaska's compliance with the 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 City of Seward, Alaska'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 City of Seward, Alaska'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 generally accepted auditing standards, *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 City of Seward, Alaska's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *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 City of Seward, Alaska'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 City of Seward, Alaska'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 City of Seward, Alaska'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 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 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 were not 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.

Honorable Mayor and City Council
City of Seward, Alaska

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 City of Seward, Alaska, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise City of Seward's basic financial statements. We issued our report thereon dated September 14, 2022, which contained unmodified opinions on those financial statements. Our audit was performed 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.

Altman, Rogers & Co.

Anchorage, Alaska
September 29, 2022

City of Seward, Alaska
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2021

Federal Grantor	Assistance Listing Number	Grant Number or Pass Through Grantor's Award Number	Program / Award Amount	Passed Through to Subrecipients	Federal Expenditures
U.S. Department of Justice:					
Passed through the Municipality of Anchorage - Alaska Internet Crimes Against Children Task Force	16.543	4000045	\$ 5,000	-	5,000
U.S. Department of the Interior:					
Passed through the State of Alaska, Department of Natural Resources - Seward Historical Tour	15.904	HPF-20005	24,000	-	24,000
U.S. Department of Agriculture:					
Passed through the State of Alaska, Department Natural Resources - Division of Forestry 2021 Assistance to Firefighters Grant	10.664	None	4,979	-	4,979
U.S. Department of Health and Human Services:					
Direct:					
Health Center Program Cluster:					
Grants for New and Expanded Services under the Health Center Program	93.527	7 H80CS26600	1,264,539	-	82,190
Grants for New and Expanded Services under the Health Center Program	93.527	8 H80CS26600	1,290,549	-	1,195,372
Grants for New and Expanded Services under the Health Center Program	93.224	7 H80CS26600	271,713	-	66,736
Grants for New and Expanded Services under the Health Center Program	93.224	8 H80CS26600	333,786	-	290,687
COVID-19 - American Rescue Plan Act (ARPA) Total Health Center Program Cluster	93.224	1 H8FCS41405	829,250 <u>3,989,837</u>	- -	472,057 <u>2,107,042</u>
COVID-19 - Provider Relief Fund	93.498	None	2,155,185	2,155,185	2,155,185
Total Department of Health and Human Services			<u>6,145,022</u>	<u>2,155,185</u>	<u>4,262,227</u>
Total Expenditures of Federal Awards			\$ <u>6,179,001</u>	<u>2,155,185</u>	<u>4,296,206</u>
Reconciliation to Intergovernmental Revenues in the Statement of Revenues, Expenditures, and Changes in Fund Balance:					
Total Federal financial assistance per above schedule					
					4,296,206
Total State financial assistance					
					2,590,007
Less state cruise ship tax expenditures					
					(253,441)
Intergovernmental contracts not included on the SEFA or SSFA					
					473,706
Provider Relief Funds reported on the SEFA that are not reported as Intergovernmental Revenues in the Healthcare Facilities Enterprise Fund					
					(2,155,185)
CPV Funding reported as Capital Contributions in the Enterprise Funds					
					(388,239)
PERS supplement on-behalf recorded in the enterprise funds prior to adjustment to match the measurement of the net pension and OPEB assets and liabilities as required by GASB Statements 68 and 75.					
					<u>(143,111)</u>
Total Intergovernmental Revenues in the Statement of Revenues, Expenditures and Changes in Fund Balance (Exhibit D-1).					\$ <u>4,419,943</u>

See accompanying notes to the Schedule.

City of Seward, Alaska

Notes to the Schedule of Expenditures of Federal Awards

Year Ended December 31, 2021

(1) Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal award activity of City of Seward, 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 City of Seward, it is not intended to and does not present the basic financial statements of City of Seward.

(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.

(3) Indirect Cost Rate

City of Seward has elected not to use the 10% de minimis indirect cost rate allowed under the *Uniform Guidance*.

(4) Provider Relief Funds

The CARES Act authorizes funding to hospitals and other healthcare providers to be distributed through the Public Health and Social Services Emergency Fund (Provider Relief Fund). Payments from the Provider Relief Fund are to be used to prevent, prepare for, and respond to the Coronavirus pandemic, and shall reimburse the recipient for health care related expenses or lost revenues attributable to the Coronavirus pandemic and are not required to be repaid, provided the recipients attest to and comply with the terms and conditions of the funding. For the year ended December 31, 2021, the Healthcare Facilities Enterprise Fund received payments of approximately \$277,000 from the Provider Relief Fund and has reported revenues of \$1,478,000.

(5) Passed Through Awards

The City of Seward passed \$2,155,185 of federal funds through to Providence Seward Medical Center during the year ended December 31, 2021. These funds were COVID-19 Provider Relief Funds, ALN 93.498.

City of Seward, Alaska

Federal Schedule of Findings and Questioned Costs

Year Ended December 31, 2021

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

Is a going concern emphasis-of-matter paragraph included in the audit report? Yes No

Internal control over financial reporting:
Material weakness(es) identified? Yes No
Significant deficiency(ies) identified? Yes None reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs (2 CFR 200.516 (a)(1)):
Material weakness(es) identified? Yes No
Significant deficiency(es) identified? Yes None reported

Any material noncompliance with the provisions of laws, regulations, contracts, or grant agreements related to a major program (2 CFR 200.516 (a)(2))? Yes No

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

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance, (2 CFR 200.516 (a)(3) or (4))? Yes No

Identification of major programs:

<u>Assistance Listing Number(s)</u>	<u>Name of Federal Program or Cluster</u>
93.224/93.527	Health Center Program Cluster
93.498	Provider Relief Fund

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

Auditee qualified as low-risk auditee? Yes No

Federal Schedule of Findings and Questioned Costs, Continued

Section II - Financial Statement Findings

Finding 2021-001
Material Weakness

Lack of Internal Controls over Utility Billings

Criteria: Internal controls should be in place to ensure proper and accurate financial reporting in accordance with Generally Accepted Accounting Principles (GAAP).

Condition and Context: During our testing of internal controls over the utility billing system, we noted four instances where customers were classified as the incorrect account type, three instances where a customer was charged more than one equivalent residential unit for water and sewer service without adequate documentation, and two instances where a customer was not charged for water and sewer service although they were using those services.

Cause: The City does not have adequate processes and controls in place to ensure that all utility accounts are billed the correct rate and for the correct service.

Effect: A number of utility customers are being billed incorrectly. In some instances, customers are being overbilled, in other instances customers are being under billed. The amounts noted are immaterial in nature but indicate a lack of internal controls over utility billings.

Repeat Finding: Repeat of Finding 2020-003

Recommendation: We recommend the City strengthen its processes and controls related to individual utility account balances and charges

Management's Response: Management agrees with this finding. See Corrective Action Plan.

Section III - Federal Award Findings

The City of Seward did not have any findings that relate to Federal awards.

Report on Compliance For Each Major State Program and Report on Internal Control over Compliance Required by the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*

Independent Auditor's Report

Honorable Mayor and City Council
City of Seward, Alaska

Report on Compliance For Each Major State Program

Opinion on Compliance for Each Major State Program

We have audited City of Seward's 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 City of Seward's major state programs for the year ended December 31, 2021. City of Seward's major state programs are identified in the accompanying Schedule of State Financial Assistance.

In our opinion, City of Seward 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 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 (Government Auditing Standards); and the audit requirements in the *State of Alaska Audit Guide*. Our responsibilities under those standards and the *State of Alaska Audit Guide* are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of City of Seward, Alaska 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 City of Seward, Alaska's compliance with the 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 City of Seward, Alaska'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 City of Seward, Alaska'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 requirements 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 City of Seward, Alaska'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, 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 City of Seward, Alaska'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 City of Seward, Alaska'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 requirements, but not for the purpose of expressing an opinion on the effectiveness of City of Seward, Alaska'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 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 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 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 State of Alaska. Accordingly, this report is not suitable for any other purpose.

Honorable Mayor and City Council
City of Seward, Alaska

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 City of Seward, Alaska, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise City of Seward's basic financial statements. We issued our report thereon dated September 14, 2022, which contained unmodified opinions on those financial statements. Our audit was performed 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.

Altman, Rogers & Co.

Anchorage, Alaska
September 29, 2022

City of Seward, Alaska
Schedule of State Financial Assistance
Year Ended December 31, 2021

Grantor	Pass Through Grantor's Award Number	Program / Award Amount	State Share of Expenditures
Department of Commerce, Community and Economic Development:			
* Designated Legislative Grant - Jesse Lee Home	19-RR-004	\$ 1,073,441	1,049,133
* Designated Legislative Grant - Responding to and Mitigating the risk of COVID-19 outbreak in the State	20-CPV-06	388,239	388,239
Marijuana tax sharing	None	300	300
Fisheries Resource Landing Tax	None	3,151	3,151
Community Assistance Program	None	85,793	85,793
Total Department of Commerce, Community and Economic Development		1,550,924	1,526,616
Department of Administration:			
* PERS Relief		455,867	455,867
Department of Revenue:			
* Fisheries Business Tax	None	344,528	344,528
Commercial Passenger Vessel Tax 2017	None	522,255	124,411
Passed through Kenai Peninsula Borough:			
Commercial Passenger Vessel Tax 2018	None	522,255	129,030
Total Department of Revenue		1,389,038	597,969
Department of Education and Early Development:			
Public Library Assistance	PLA22-Sewar	7,000	7,000
Department of Public Safety - Alaska Police Standards Council (APSC)			
APSC Training	None	1,560	1,560
Verbal De-escalation Training	None	995	995
Total Department of Public Safety		2,555	2,555
Total State Financial Assistance		\$ 3,405,384	2,590,007

See accompanying notes to the Schedule.

City of Seward, Alaska

Notes to the Schedule of State Financial Assistance

Year Ended December 31, 2021

(1) Basis of Presentation

The accompanying Schedule of State Financial Assistance (the "Schedule") includes the state award activity of City of Seward, Alaska, under programs of the State of Alaska for the year ended December 31, 2021. 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 City of Seward, it is not intended to and does not present the basic financial statements of City of Seward.

(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 State Single audit, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(3) Subrecipients

The City did not pass any state funds through to subrecipients during the year ended December 31, 2021.

(4) Commercial Passenger Vessel Tax - State Assistance

Cash receipts for commercial passenger vessel taxes have been recorded as revenue in the Harbor Enterprise Fund on an accrual basis. Any unspent portion of these funds, is reported as restricted net position in the fund financial statements. At December 31, 2021, the cumulative unspent vessel tax receipts were \$2,036,464. Total vessel tax funds expended in 2021 and reported on the schedule of state financial assistance were \$253,441.

(5) PERS On-behalf

The City has recorded \$455,867 in PERS On-behalf payments in the schedule of state financial assistance. This represents the PERS relief payments appropriated and transferred into the plan during calendar year 2021 and relates to both pension and OPEB contributions.

In the governmental fund financial statements, on-behalf revenue and expenditures have been recognized in their proportional share of on-behalf payments within the calendar year under audit.

City of Seward, Alaska

Notes to the Schedule of State Financial Assistance, Continued

However, in the full accrual financial statements (the government-wide and enterprise fund financial statements), GASB 68 provisions prescribe that on-behalf pension contributions in a special funding situation may only be recognized during the measurement period in which the plan recognized the contributions. For the City of Seward, the PERS plan measurement period is July 1, 2020 through June 30, 2021, creating a six month timing difference between the cash contribution and revenue and expense recognition for the pension on-behalf by the City in those funds.

As a result of these perspective and timing differences, amounts reported on the financial statements do not agree to the amount reported on the schedule of state financial assistance.

(6) Major Programs

* denotes a major program for compliance audit purposes.

City of Seward, Alaska

State Schedule of Findings and Questioned Costs

Year Ended December 31, 2021

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

X Yes No

Significant deficiency(ies) identified?

Yes X None reported

Noncompliance material to financial statements?

Yes X No

State Awards

Internal control over major 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 program:

Unmodified

Dollar threshold used to distinguish a state major program:

\$ 150,000

Section II - Financial Statement Findings

See the Federal Schedule of Findings and Questioned Costs for all reported financial statement findings.

Section III - State Award Findings

The City of Seward did not have any findings that relate to State awards.

CITY OF SEWARD

P.O. Box 167
410 Adams Street
Seward, Alaska 99664-0167



- Main Office (907) 224-4050
- Police (907) 224-3338
- Harbor (907) 224-3138
- Fire (907) 224-3445
- City Clerk (907) 224-4046
- Community Development (907) 224-4049
- Utilities (907) 224-4050
- Fax (907) 224-4038

Summary of Prior Audit Findings

Year Ended December 31, 2021

Financial Statement Findings

Finding 2020-001

Material Weakness

Condition:

Lack of Internal Controls over Governmental Activities Capital Assets

During the audit we noted that the governmental activities capital asset schedule lacked significant additions as a result of capital expenditures in the governmental fund financial statements not properly being identified for capitalization on the City's capital asset schedule. During the audit we performed a search for unrecorded assets and noted a material understatement of capital assets and a corresponding overstatement of expenses reported in governmental activities.

Status:

This finding has been resolved.

Finding 2020-002

Material Weakness

Condition:

Lack of Internal Controls over Year End Close Procedures

A number of general ledger accounts were not properly reconciled at the start of the audit. As a result, the balances for capital assets, accrued interest, cash, debt, PERS on-behalf, and the Compensated Annual Leave Internal Service Fund charges required adjustments.

Status:

This finding has been resolved.

City of Seward

Summary of Prior Audit Findings, Continued

Finding 2020-003
Material Weakness

Lack of Internal Controls over Utility Billings

Condition and Context:

During our testing of internal controls over the utility billing system, we noted two instances where customers were classified as the incorrect account type, one instance where a customer was charged more than one equivalent residential unit for water and sewer service without adequate documentation, and one instance where a customer was not charged for water and sewer service although they were using those services.

Status:

This finding has not been resolved and is repeated as Finding 2021-001.

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Corrective Action Plan

Year Ended December 31, 2021

Financial Statement Findings

Finding 2021-001
Material Weakness

Lack of Internal Controls over Utility Billings

Name of Contact Person: Sully Jusino, Deputy Finance Director

Corrective Action Plan: The City is in the process of addressing weaknesses regarding utility billing. An external forensic audit was conducted for utility billing and several recommendations have been implemented. Additionally, a more detailed internal audit of utility billings is in process and reviews are ongoing. Finance has reviewed and updated processes to correct these errors and continues to be proactive on any other issues identified. With the hire of a new Finance Director, Accountant Tech III and a Utility Cashier, finance will be implementing a second count of cash as a second level of review. Furthermore, the City has hired an outside accounting firm that reviews month end utility close processes each month for appropriateness. The City also is undergoing an upgrade of their utility billing software which will increase reporting, transparency and accountability within the software.

Proposed Completion Date: December 31, 2022