



REPORT TO BOROUGH ASSEMBLY

ALEUTIANS EAST BOROUGH

AUDIT WRAP UP:
YEAR ENDED JUNE 30,
2023



Contents

QUICK ACCESS TO THE
FULL REPORT

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The following communication was prepared as part of our audit, has consequential limitations, and is intended solely for the information and use of those charged with governance (e.g., Board of Directors and Audit Committee) and, if appropriate, management of the Entity, and is not intended and should not be used by anyone other than these specified parties.

Welcome

February 8, 2023

Honorable Mayor and Members of the Borough Assembly
Aleutians East Borough

Professional standards require us to communicate with you regarding matters related to the audit, that are, in our professional judgment, significant and relevant to your responsibilities in overseeing the financial reporting process. On September 5, 2023 we presented an overview of our plan for the audit of the financial statements of Aleutians East Borough the Borough as of and for the year ended June 30, 2023, including a summary of our overall objectives for the audit, and the nature, scope, and timing of the planned audit work.

This communication is intended to elaborate on the significant findings from our audit, including our views on the qualitative aspects of the Borough's accounting practices and policies, management's judgments and estimates, financial statement disclosures, and other required matters.

We are pleased to be of service to the Borough and look forward to meeting with you to discuss our audit findings, as well as other matters that may be of interest to you, and to answer any questions you might have.

Respectfully,

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Executive Summary

Status of Our Audit

We have substantially completed our audit of the financial statements as of and for the year ended June 30, 2023. Our audit was conducted in accordance with auditing standards generally accepted in the United States of America. This audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

- ▶ The objective of our audit was to obtain reasonable - not absolute - assurance about whether the financial statements are free from material misstatements.
- ▶ The scope of the work performed was substantially the same as that described to you in our earlier Audit Planning communications.
- ▶ We expect to issue an unmodified opinion on the financial statements and release our report on February 9, 2024.
- ▶ We expect to issue an modified opinion on the Borough's Federal Single Audit report, including the Schedule of Expenditures of Federal Awards (SEFA) and an unmodified opinion over the Boroughs State Single Audit report and Schedule of State Financial Assistance (SSFA).
- ▶ In planning and performing our audit of the SEFA and SSFA, we considered the Borough's internal control over compliance with requirements that could have a direct and material effect on its major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with GAS , Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and State of Alaska Single Audit Guide, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance.
- ▶ Our responsibility for other information in documents containing the Borough's audited financial statements (e.g., budgetary comparisons, schedules of pension and OPEB amounts) does not extend beyond the financial information identified in the audit report, and we are not required to perform procedures to corroborate such other information. However, in accordance with professional standards, we have read the information included by the Borough and considered whether such information, or the manner of its presentation, was materially inconsistent with its presentation in the financial statements. Our responsibility also includes calling to management's attention any information that we believe is a material misstatement of fact. We have not identified any material inconsistencies or concluded there are any material misstatements of facts in the other information that management has chosen not to correct.
- ▶ All records and information requested by BDO were freely available for our inspection.
- ▶ Management's cooperation was excellent. We received full access to all information that we requested while performing our audit, and we acknowledge the full cooperation extended to us by all levels of Borough personnel throughout the course of our work



Results of the Audit

ACCOUNTING PRACTICES, POLICIES, AND ESTIMATES

The following summarizes the more significant required communications related to our audit concerning the Borough’s accounting practices, policies, and estimates:

The Borough’s significant accounting practices and policies are those included in Note 1 to the financial statements. These accounting practices and policies are appropriate, comply with generally accepted accounting principles and industry practice, were consistently applied, and are adequately described within Note 1 to the financial statements.

- ▶ A summary of recently issued accounting pronouncements is included in Note 1 to the Borough’s financial statements.
- ▶ The Borough adopted *GASB Statement No. 96 - Subscription-Based Information Technology Arrangements* - Effective for the year-ended June 30, 2023. This statement addresses accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users. The Borough did discovery of all active leases and used materiality policies to determine whether they applied to GASB 96, and determined that this standard did not have a significant impact on the Boroughs operations.
- ▶ There were no other changes in significant accounting policies and practices during 2023.

Significant estimates are those that require management’s most difficult, subjective, or complex judgments, often as a result of the need to make estimates about the effects of matters that are inherently uncertain. The Borough’s significant accounting estimates, including a description of management’s processes and significant assumptions used in development of the estimates, are disclosed in Note 1 of the financial statements.

Significant Accounting Estimates

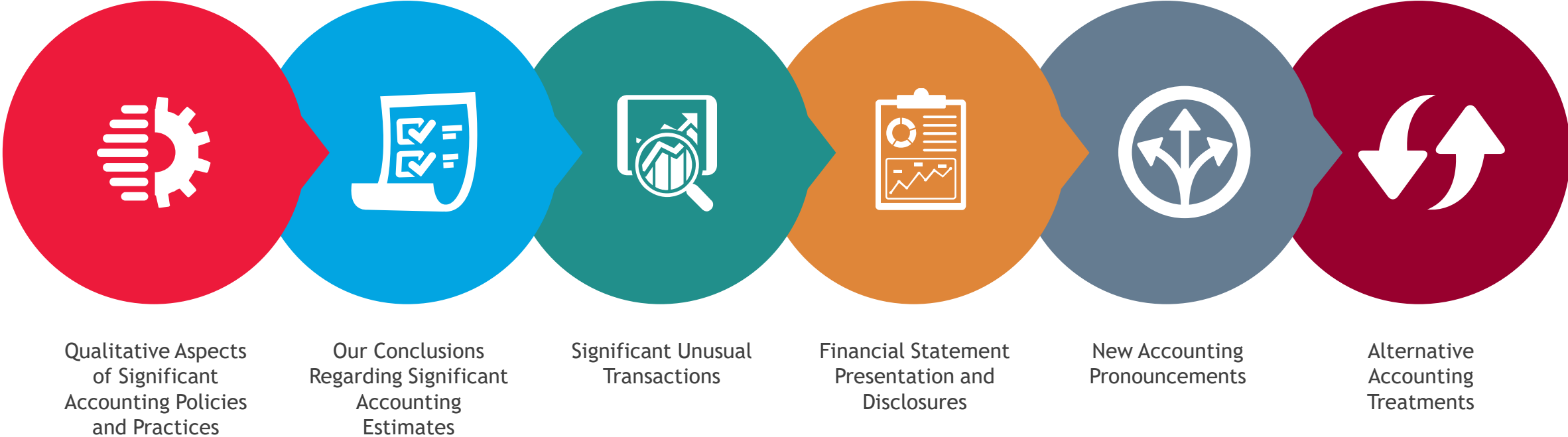
| |
|--------------------------------------|
| Allowance for Uncollectable Accounts |
| Net Pension / OPEB Liabilities |
| Discount rate - Leases |

- ▶ Management did not make any significant changes to the processes or significant assumptions used to develop the significant accounting estimates in 2023. The methods used to account for significant or unusual transactions, and related disclosures, are considered appropriate.

Results of the Audit

QUALITY OF THE BOROUGH'S FINANCIAL REPORTING

A discussion will be held regarding the quality of the Borough's financial reporting, which include:



Results of the Audit

CORRECTED AND UNCORRECTED MISSTATEMENTS

Please refer to the schedule of corrected misstatements for adjustments other than those that were clearly trivial, related to accounts and/or disclosures that we brought to the attention of management.

There were no uncorrected misstatements, other than those that were clearly trivial, related to accounts and/or disclosures that we presented to management.





Internal Control Over Financial Reporting

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 our auditing procedures for the purpose of expressing our opinion(s) 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.

Our consideration of internal control was for the limited purpose described above and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

We are required to communicate, in writing, to those charged with governance all material weaknesses and significant deficiencies that have been identified in the Borough’s internal control over financial reporting. The definitions of control deficiency, significant deficiency and material weakness follow:

| Category | Definition |
|------------------------|---|
| Control Deficiency | 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. |
| Significant Deficiency | A deficiency or 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. |
| Material Weakness | A deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the Borough ’s financial statements will not be prevented, or detected and corrected, on a timely basis. |

In conjunction with our audit of the financial statements, we noted no material weaknesses.

Internal Control Over Financial Reporting

In conjunction with our audit, we noted the following:

▶ The following significant deficiencies were identified:

| Significant Deficiencies | Comments |
|--|---|
| Finding 2023-001 Segregation of Duties - Internal Control over Financial Reporting - Significant Deficiency | We noted that while management began taking steps in 2022 to improve segregation of duties between initiation and review/approval of cash disbursements prior to posting, the finance director has the ability to initiate and approve ACH transactions without secondary approval. |
| Finding 2023-002 General Ledger Reconciliation and External Financial Reporting - Significant Deficiency | During the audit a significant adjustment was required to properly record PERS benefits expense and accounts receivable from state sources in the financial statements and general ledger. |

▶ We have communicated to management of the Borough control deficiencies that were identified as a result of our audit that we did not consider to be material weaknesses or significant deficiencies.



Additional Required Communications

Other Required Communications

Following is a summary of other required items, along with specific discussion points as they pertain to the Borough:

| Requirement | Discussion Point |
|--|--|
| Significant changes to planned audit strategy or significant risks initially identified | There were no significant changes to the planned audit strategy or significant risks initially identified and previously communicated to those charged with governance as part of our Audit Planning communications. |
| Obtain information from those charged with governance relevant to the audit | There were no matters noted relevant to the audit, including, but not limited to: violations or possible violations of laws or regulations; risks of material misstatement, including fraud risks; or tips or complaints regarding the Borough's financial reporting that we were made aware of as a result of our inquiry of those charged with governance. |
| Nature and extent of specialized skills or knowledge needed related to significant risks | There were no specialized skills or knowledge needed, outside of the core engagement team, to perform the planned audit procedures or evaluate audit results related to significant risks. |

Other Required Communications

Following is a summary of other required items, along with specific discussion points as they pertain to the Borough:

| Requirement | Discussion Point |
|---|--|
| Consultations with other accountants | We are not aware of any consultations about accounting or auditing matters between management and other independent public accountants. Nor are we aware of opinions obtained by management from other independent public accountants on the application of requirements of an applicable financial reporting framework. |
| If applicable, significant matters identified by component auditors | During the component auditor's procedures, there were no significant matters identified that were deemed necessary to bring to group management's attention. |
| Significant findings and issues arising during the audit in connection with the Borough's related parties | We have evaluated whether the identified related party relationships and transactions have been appropriately identified, accounted for, and disclosed and whether the effects of the related party relationships and transactions, based on the audit evidence obtained, prevent the financial statements from achieving fair presentation. |
| Significant findings or issues arising during the audit that were discussed, or were the subject of correspondence, with management | There were no significant findings or issues arising during the audit that were discussed, or were the subject of correspondence, with management. |

Other Required Communications

Following is a summary of other required items, along with specific discussion points as they pertain to the Borough:

| Requirement | Discussion Point |
|---|--|
| Disagreements with management | There were no disagreements with management about matters, whether or not satisfactorily resolved, that individually or in aggregate could be significant to the Borough's financial statements or to our auditor's report. |
| Significant difficulties encountered during the audit | There were no significant difficulties encountered during the audit. |
| Matters that are difficult or contentious for which the auditor consulted outside the engagement team | There were no difficult or contentious matters that we consulted with others outside the engagement team that we reasonably determined to be relevant to those charged with governance regarding their oversight of the financial reporting process. |

Other Required Communications

Following is a summary of other required items, along with specific discussion points as they pertain to the Borough:

| Requirement | Discussion Point |
|---|---|
| If applicable, other matters significant to the oversight of the Borough's financial reporting process, including complaints or concerns regarding accounting or auditing matters | There are no other matters that we consider significant to the oversight of the Borough's financial reporting process that have not been previously communicated. |
| Representations requested from management | Please refer to the management representation letter. |

Independence

Our engagement letter to you dated March 1, 2023, describes our responsibilities in accordance with professional standards and certain regulatory authorities with regard to independence and the performance of our services. This letter also stipulates the responsibilities of the Borough with respect to independence as agreed to by the Borough. Please refer to that letter for further information.





Appendix

ALEUTIANS EAST BOROUGH**AJ**

Year End: June 30, 2023


Adjusting Journal Entries

Date: 7/1/2022 To 6/30/2023

| Number | Date | Name | Account No | Reference | Debit | Credit | |
|--------|-----------|--|-------------------|-----------|------------|-------------|--|
| AJE #1 | 6/30/2023 | Helicopter Fixed | 22-072 22 | | 21,484.06 | | |
| AJE #1 | 6/30/2023 | SUPPLIES | 22-845-300-475 22 | | | -21,484.06 | |
| | | Cap Asset Addition for Helicopter fund for Yamaaha Outboards | | | | | |
| AJE #2 | 6/30/2023 | Deferred Outflows | 22-090 22 | | | -1,180.00 | |
| AJE #2 | 6/30/2023 | Deferred Outflows- | 22-097 22 | | 837.00 | | |
| AJE #2 | 6/30/2023 | Net OPEB Asset | 22-098 22 | | | -14,575.00 | |
| AJE #2 | 6/30/2023 | Net Pension Liability | 22-180 22 | | | -12,940.00 | |
| AJE #2 | 6/30/2023 | Deferred Inflows- | 22-185 22 | | 20,828.00 | | |
| AJE #2 | 6/30/2023 | Deferred Inflows | 22-188 22 | | 24,539.00 | | |
| AJE #2 | 6/30/2023 | OPEB On-Behalf Revenue | 22-398 22 | | 2,785.00 | | |
| AJE #2 | 6/30/2023 | PERS On-Behalf Revenue | 22-399 22 | | | -266.00 | |
| AJE #2 | 6/30/2023 | OPEB Expense | 22-845-300-398 22 | | | -9,875.00 | |
| AJE #2 | 6/30/2023 | Pension Expense | 22-845-300-399 22 | | | -10,153.00 | |
| | | GASB 68 & 75 Annual Entry | | | | | |
| AJE #3 | 6/30/2023 | PERS PAYABLE | 01-113 01 | | | -187,096.00 | |
| AJE #3 | 6/30/2023 | Due To/From Other | 01-171 01 | | 17,961.00 | | |
| AJE #3 | 6/30/2023 | Due To/From Other | 22-171 22 | | | -17,961.00 | |
| AJE #3 | 6/30/2023 | PERS Expense | 01-900-000-799 01 | | 169,135.00 | | |
| AJE #3 | 6/30/2023 | FRINGE BENEFITS | 22-802-200-350 22 | | 9,729.00 | | |
| AJE #3 | 6/30/2023 | FRINGE BENEFITS | 22-845-300-350 22 | | 8,232.00 | | |
| | | Entry to record PERS benefits expense previously accrued in PERS payable account and allocate p | | | | | |

2/5/2024

10:13 AM



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