



Report to Audit Committee

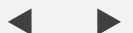
MUNICIPALITY OF ANCHORAGE

Audit Wrap Up:
Year Ended December 31, 2020

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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 Audit Committee and, if appropriate, management of the Municipality and is not intended and should not be used by anyone other than these specified parties.



Welcome

November 22, 2021

Audit Committee

Municipality of Anchorage, Alaska

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 January 12, 2021 we presented an overview of our plan for the audit of the financial statements of Municipality of Anchorage, the Municipality, as of and for the year ended December 31, 2020, including a summary of our overall objectives for the audit, and the nature, scope, and timing of the planned audit work.

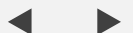
This communication is intended to elaborate on the significant findings from our audit, including our views on the qualitative aspects of the Municipality's accounting practices and policies, management's judgments and estimates, financial statement disclosures, and other required matters.

We are pleased to be of service to the Municipality and look forward to meeting with you on 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,

BDO USA, LLP

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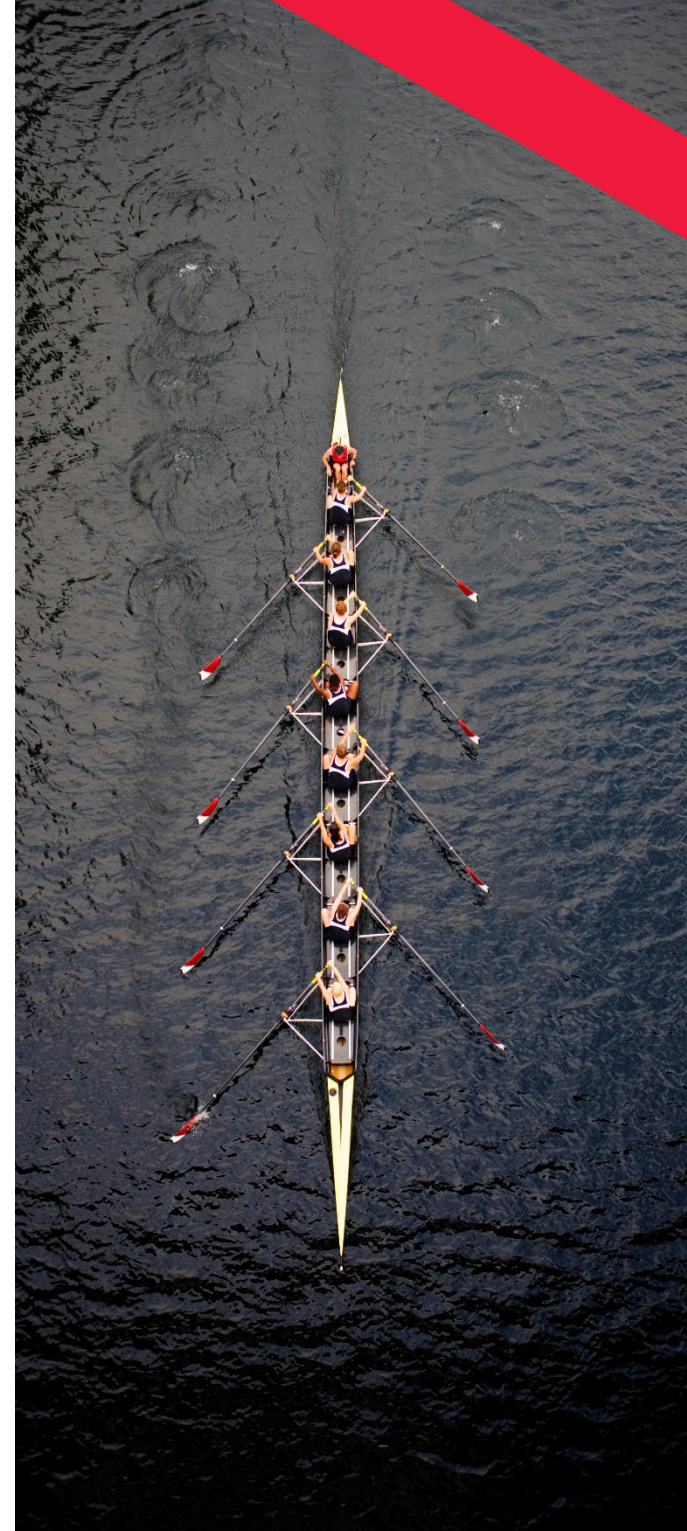


Executive Summary

Status of Our Audit

We have completed our audit of the financial statements as of and for the year ended December 31, 2020. Our audit was conducted in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States. This audit of the financial statements does not relieve management or Audit Committee 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 issued an unmodified opinion on the financial statements and released our report on September 30, 2021.
- ▶ We issued an unmodified opinion on compliance related to major programs under the Uniform Guidance and *State of Alaska Single Audit Guide and Compliance Supplement* and released our report on October 29, 2021.
- ▶ Our responsibility for other information in documents containing the Municipality's audited financial statements (e.g. management's discussion and analysis, 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 Municipality 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 the Municipality personnel throughout the course of our work.



Results of the Audit

ACCOUNTING PRACTICES, POLICIES, ESTIMATES

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

The Municipality'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 Municipality's financial statements.
- ▶ There were no changes in significant accounting policies and practices during 2020.

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 Government's significant accounting estimates, including a description of management's processes and significant assumptions used in development of the estimates, are disclosed in the financial statements.

Significant Accounting Estimates

Allowance for Uncollectible Accounts - based on prior collection experience and historical trends

Net Pension/OPEB Liabilities - Based on actuarial calculations prepared by licensed actuaries for each plan

Incurred but Not Reported (IBNR) Self-Insurance Liabilities - based on past claims experience modified for current trends and information, as determined by a third-party actuary

Landfill Closure and Post Closure Obligations - based on the expected remaining useful life of the municipal landfill, trends in inflation, and remaining landfill capacity

Environmental Remediation Liabilities - based on various remediation action cost estimates and the probability of each course of action taking place

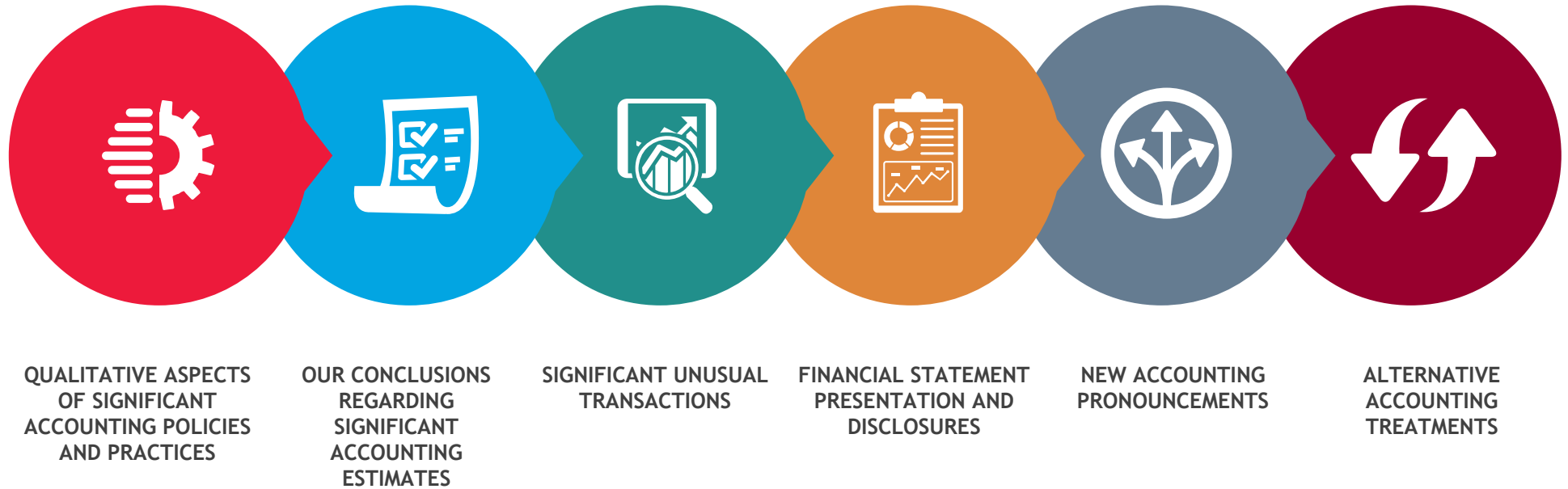
Asset Impairments - based on the restoration cost approach, which is used for impairments that result from physical damage. Under this approach, the amount of impairment is derived from the estimated costs to restore the utility of the capital asset

- ▶ Management did not make any significant changes to the processes or significant assumptions used to develop the significant accounting estimates in 2020.

Results of the Audit

QUALITY OF FINANCIAL REPORTING

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



Results of the Audit

CORRECTED AND UNCORRECTED MISSTATEMENTS

There was 1 corrected misstatement, other than those that were clearly trivial, related to accounts and/or disclosures that we brought to the attention of management. This entry recorded an additional \$8.6 million in FEMA revenue. In addition, several adjustments to the reporting on the schedule of state financial assistance related to the following: (1) the Community Assistance Program (\$375,000) and Shared Fisheries Business Tax Program (\$7,103) were incorrectly combined with the Shared Marijuana Establishment Registration Fees; and (2) improper presentation of Aviation Motor Fuel Program (\$24,413) and Fish Business Shared Taxes Program (\$112,116) as Liquor Licensing funds. Please refer to the Schedule of Corrected Misstatements.

There were 6 uncorrected misstatements, other than those that were clearly trivial, related to accounts and/or disclosures that we presented to management. These relate to presentation of net position on governmental activities, capital and depreciation adjustments at the water and wastewater funds, and adjustments to FEMA revenue on the State Grants Special Revenue Fund. Please refer to the Schedule of Uncorrected Misstatements. We concur with management's assessment that the effects of not recording such adjustments are, both individually and in aggregate, immaterial to the consolidated financial statements taken as a whole, considering both qualitative and quantitative factors. None of the proposed adjustments could potentially cause future-period financial statements to be materially misstated.





Internal Control Over Financial Reporting

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Municipality'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 Municipality's internal control. Accordingly, we do not express an opinion on the effectiveness of the Municipality'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 Audit Committee all material weaknesses and significant deficiencies that have been identified in the Municipality'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 Audit Committee.
Material Weakness	A deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the Government 's financial statements will not be prevented, or detected and corrected on a timely basis.

Internal Control Over Financial Reporting

In conjunction with our audit, we noted the following:

▶ The following significant deficiency was identified:

Significant Deficiencies	Comments
Completeness of Schedule of Expenditures of Federal Awards and Schedule of State Financial Assistance	Significant adjustments were necessary to correct both the SEFA and SSFA to properly recognize revenue related to federal and state expenditures incurred under the Disaster Grants – Public Assistance (FEMA) programs. The Municipality did not establish sufficient internal controls to ensure the SEFA and SSFA were reviewed for completeness and reconciled to underlying federal and state-funded expenditures prior to the start of audit fieldwork.

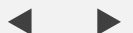
▶ We have communicated to management of the Municipality control deficiencies that were identified as a result of our audit that we did not consider to be material weaknesses or significant deficiencies.

Control Deficiency	Comments
User access reviews for SAP	Formal manual reviews of user access rights within SAP were not appropriately documented.
Developer access rights in SAP	Developers have certain access rights and roles within SAP that should be revisited.
Developer administration access within SAP	Developers have administrative access to schedule batch jobs and modify batch jobs within SAP.
TeleDriver on-boarding/off-boarding controls	No formal on-boarding or off-boarding controls exist within TeleDriver. Access is approved and disabled via verbal request and approval. No supporting documentation is retained.
TeleDriver password control	TeleDriver application does not enforce password parameters, including minimum length, complexity, expiration, history, or account lockout.
TeleDriver admin SOD access	Instances of inappropriate or unsubstantiated administrative access rights within TeleDriver were identified.

Internal Control Over Financial Reporting

In conjunction with our audit, we noted the following:

Control Deficiency	Comments
AFD Telestaff UAR	Formal access reviews for AFD TeleStaff nonself-service users were not performed.
AFD TeleStaff password control	Password requirements, including minimum length, complexity, password age, history, or account lockout were not configured in AFD TeleStaff application.
APD TeleStaff UAR	User access reviews for APD TeleStaff administrators and super users were performed annually by documentation was not retained. In addition, user access reviews for APD nonself-service users were not performed.
Net Position presentation	Management did not establish sufficient internal controls to ensure net position was accurately presented by classification. "Net investment in capital assets" was understated and "net position - restricted for acquisition and construction" was overstated by \$13,411,626.





Additional Required Communications

Other Required Communications

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

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 Audit Committee as part of our Audit Planning communications.
Obtain information from Audit Committee 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 Municipality's financial reporting that we were made aware of as a result of our inquiry of Audit Committee.
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.
-Information Systems (IS) Auditors	Internal BDO specialists supplemented the core engagement team in reviewing the Municipality's IS programs and applications for risk assessment purposes related to internal controls over financial reporting.
-Pension and OPEB Actuaries	Internal BDO specialists supplemented the core engagement team in evaluating the suitability of the actuarial assumptions used for financial reporting purposes by the Public Employee Retirement System and Anchorage Police and Fire Retirement System pension plans, as well as the Police and Fire Retiree Medical Group and Gentile Group OPEB plans.

Other Required Communications

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

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 generally accepted accounting principles.
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 Government'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 Municipality:

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 Municipality'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 Audit Committee 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 Municipality:

Requirement	Discussion Point
Other matters significant to the oversight of the Government'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 Municipality'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 January 12, 2021 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 Municipality with respect to independence as agreed to by the Municipality. Please refer to that letter for further information.





Appendix

MUNICIPALITY OF ANCHORAGE



Office of the Chief Fiscal Officer

Phone: (907) 343-6610

Travis C. Frisk, CFO

September 30, 2021

BDO USA, LLP
3601 C Street Suite 600
Anchorage, Alaska

Ladies and gentlemen:

We are providing this letter in connection with your audit(s) of the financial statements of the Municipality of Anchorage, Alaska which comprise the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information as of December 31, 2020, and the respective changes in financial position and, where applicable, cash flows for the year then ended, and the related notes to the financial statements, for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. We confirm that we are responsible for the preparation and fair presentation in the financial statements of financial position, changes in net position, and cash flows in conformity with accounting principles generally accepted in the United States of America.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, as of the date of this representation letter, as entered on the first page, the following representations made to you during your audit(s):

- (1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated January 6, 2021, for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America.
- (2) We have fulfilled our responsibility, as set out in the terms of the aforementioned audit engagement letter, for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
- (3) The financial statements include all properly classified funds and other financial information of the primary government and all component units required to be included in the financial reporting entity by accounting principles generally accepted in the United States of America. All funds required to be presented as major funds are identified and presented as such.
- (4) We have made available to you:

- (a) All financial records, and related data, including the names of all related parties and all relationships and transactions with related parties, as agreed upon in the terms of the aforementioned audit engagement letter.
 - (b) All additional information that you have requested from us for the purpose of the audit.
 - (c) Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
 - (d) Minutes of the meetings of the Anchorage Assembly that were held from January 1, 2020 to the date of this letter, or summaries of actions of recent meetings for which minutes have not yet been prepared.
- (5) There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in financial reporting practices.
- (6) There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements. The financial statement misstatements relating to accounts and disclosures identified and discussed with us in the course of the audit that are included in the attached schedule of corrected misstatements, which we have initialed and dated, have been corrected. We have evaluated the propriety of the corrected misstatements based on a review of both the applicable authoritative literature and the underlying supporting evidence from our files and confirm our responsibility for the decision to correct them.
- (7) The financial statement misstatements relating to accounts and disclosures identified and discussed with us in the course of the audit are included in the attached schedule of uncorrected misstatements, which we have initialed and dated, have not been corrected. In our opinion, the effects of not correcting such identified financial statement misstatements are, both individually and in the aggregate, immaterial to the financial statements of the Government taken as a whole.
- (8) You have identified and discussed with us in the course of the audit the deficiencies in our internal control over financial reporting included in the attached schedule of identified control deficiencies, which we have initialed and dated.
- (9) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud or noncompliance. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud or noncompliance. We have no knowledge of any:
- (a) Fraud or suspected fraud involving management or involving employees who have significant roles in internal control, whether or not perceived to have a material effect on the financial statements.
 - (b) Fraud or suspected fraud involving others where the fraud could have a material effect on the financial statements.

- (c) Allegations of fraud or suspected fraud affecting the Government received in communications from employees, former employees, regulatory agencies, law firms, predecessor accounting firms, or others.
 - (d) Instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts or grant agreements, or abuse, whose effects should be considered when preparing the financial statements.
- (10) We have no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.
- (11) The following, where applicable and material, have been properly recorded or disclosed in the financial statements:
- (a) The identity of all related parties and all related party relationships and transactions of which we are aware, including revenues, expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties
 - (b) Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances and line-of-credit or similar arrangements.
 - (c) Guarantees, whether written or oral, under which the Government is contingently liable.
 - (d) Significant estimates and material concentrations known to management that are required to be disclosed in accordance with accounting principles generally accepted in the United States of America. In that regard, all accounting estimates that could be material to the financial statements, including key factors and significant assumptions underlying those estimates, have been identified, and we believe the estimates are reasonable in the circumstances. The methods, significant assumptions, and the data used in making the accounting estimates and the related disclosures are appropriate to achieve recognition, measurement, and disclosure that is in accordance with accounting principles generally accepted in the United States of America.
 - (e) The effects of all known actual or possible litigation, claims, and other liabilities or gain or loss contingencies that are required to be accrued or disclosed by accounting principles generally accepted in the United States of America, including:
 - Pending or anticipated tax refunds, other potential or pending claims, lawsuits by or against any branch of government or others;
 - Written or oral guarantees, endorsements, or unused letters of credit;
 - Unusual guarantees; or
 - Labor claims or negotiations.

Accounting principles generally accepted in the United States of America require loss contingencies to be accrued if it is probable an asset has been impaired or a liability incurred at the statement of financial position date and the amount of loss can be reasonably estimated. Such contingencies must be disclosed, but may not be accrued, if the loss is reasonably possible (but not probable) or the loss is probable but the amount of loss cannot be reasonably estimated.

- (f) Commitments, such as:
- Major capital asset purchase agreements;
 - More-than-one-year employment arrangements or contracts with suppliers or customers, or one-year-or-longer term leases;
 - Deferred compensation, bonuses, pensions plans, or severance pay; or
 - Pending sale or merger of all or a portion of the business or of an interest therein or acquisition of all or a portion of the business, assets or securities of another entity;
- (g) Joint ventures or other participations, the detailed transactions of which are not carried on our books.

(12) There are no:

- (a) Violations or possible violations of budget ordinances, laws or regulations and provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects could be material to the financial statements whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.
- (b) Unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with accounting principles generally accepted in the United States of America.
- (c) Side agreements or other arrangements (either written or oral) that have not been disclosed to you.
- (d) Restrictions of net position that were not properly authorized and approved, or reclassifications of net position that have not been properly reflected in the financial statements.
- (13) Receivables recorded in the financial statements represent valid claims against debtors for transactions arising on or before the statement of financial position date and have been appropriately reduced to their estimated net realizable value.

- (14) The Government has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral (, except as disclosed in the financial statements).
- (15) We have appropriately disclosed the Government's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available and have determined that net position is properly recognized under the policy.
- (16) We have complied with all aspects of contractual agreements, including debt covenants, that would have a material effect on the financial statements in the event of noncompliance. We have also complied with the SEC disclosure rules for reporting annual financial information and material events to repositories in accordance with SEC Rule N.240, 15c2-12.
- (17) No discussions have taken place with your firm's personnel regarding employment with the Government.
- (18) We are responsible for compliance with laws, regulations and provisions of contracts and grant agreements applicable to us and we have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts.
- (19) Components of net position (net investment in capital assets, restricted and unrestricted) and classifications of fund balance (nonspendable, restricted, committed, assigned and unassigned) are properly classified and, if applicable, approved.
- (20) Revenues are appropriately classified in the statement of activities within program revenues, contributions, and general revenues. Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
- (21) In regards to the assistance provided in preparing and submitting the required Form SF-SAC Data Collection Form, services performed by you, we have: (1) assumed all management responsibilities, (2) designated an individual (within senior management) with suitable skill, knowledge, or experience to oversee the services, (3) evaluated the adequacy and results of the services performed, and (4) accepted responsibility for the results of the services.
- (22) We acknowledge our responsibility for presenting the supplementary information in accordance with accounting principles generally accepted in the United State of America and we believe it is fairly presented. The methods of measurement and presentation of the supplementary information have not changed from the prior period and we have disclosed to you any significant assumptions underlying the measurement and presentation of the supplementary information.
- (23) Required supplementary information is measured and presented in accordance with prescribed guidelines.
- (24) We agree with the findings of specialists in evaluating the pension and other postretirement liabilities or assets, landfill closure and postclosure care cost estimate, and incurred but

not reported insurance liabilities, and have adequately considered the qualifications of the specialist in determining the amounts and disclosures used in the financial statements and underlying accounting records. We did not give or cause any instructions to be given to specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on the independence or objectivity of the specialists.


- (25) Provisions have been made for any material loss that is probable from environmental remediation liabilities associated with identified contaminated sites. We believe such estimate is reasonable based on available information and that the liabilities and related loss contingencies and the expected outcome of uncertainties have been adequately described in the financial statements.
- (26) We believe that the actuarial assumptions and methods used to measure pension and/or other postretirement liabilities and costs for financial accounting and disclosure purposes are appropriate in the circumstances.
- (27) We are unable to determine the possibility of a withdrawal liability in a multiemployer benefit plan.
- (28) We do not plan to make frequent amendments to the Government's pension or other postretirement benefit plans.
- (29) There have been no known or suspected breaches of sensitive information (e.g., personnel files) caused by cyber-attack or other means, or other cybersecurity incidents, where the breach or other incident could have a material effect on the financial statements
- (30) In connection with any electronic presentation of the financial statements and your audit report thereon on our web site, we acknowledge that:
 - We are responsible for the preparation, presentation, and content of the financial statements in the electronic format.
 - If your audit report is presented on our web site, the full financial statements upon which you reported and to which you appended your signed report will be presented.
 - We will clearly indicate in the electronic presentation on our web site the financial information that is subject to your audit report. We will clearly differentiate any information that may also be presented by us on or in connection with our web site that was contained in the published version of the financial statements and other supplementary information, but which is not part of the audited financial statements or other financial information covered by your audit report.
 - We have assessed the security over financial statement information and the audit report presented on our web site and are satisfied that procedures in place are adequate to ensure the integrity of the information provided. We understand the risk of potential misrepresentation inherent in publishing financial information on our web site through internal failure or external manipulation.
 - If the electronic financial statements are generally made available to the public on our web site, we will include a notification to the reader that such financial statements

are presented for convenience and information purposes only, and while reasonable efforts have been made to ensure the integrity of such information, they should not be relied on. A copy of the printed financial statements will be provided on request.

To the best of our knowledge and belief, no events, including instances of noncompliance, have occurred subsequent to the statement of net position date and through the date of this representation letter, as entered on the first page, that would require adjustment to the aforementioned financial statements. We have identified and disclosed in the notes to the financial statements all subsequent events requiring disclosure.

- (31) To the extent of our normal procedures and controls related to our financial close process at any of our locations were adversely impacted by the COVID-19 outbreak, we took appropriate actions and safeguards to reasonably ensure the fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America.
- (32) Other than as disclosed in Note 23 of the financial statements, no other impacts from the COVID-19 outbreak are necessary to be reflected in those financial statements.
- (33) Disclosures included in the financial statements regarding the relevant significant business, financial, and reporting impacts of the COVID-19 outbreak accurately reflect management's full consideration of such impacts.
- (34) Other than as disclosed in Note 23 of the financial statements, no other impacts from enactment of the CARES Act are necessary to be reflected in those financial statements.
- (35) Disclosures included in the financial statements regarding the relevant significant financial reporting impacts from enactment of the CARES Act accurately reflect management's full consideration of such impacts.

Very truly yours,



Travis C. Frisk, Chief Fiscal Officer



Mollie Morrison, Controller

Municipality of Anchorage, Alaska
 Schedule of Corrected Misstatements
 For the Year Ended December 31, 2020

MCM 9/30/2021

Opinion Unit	Item #	Account Name and Adjustment Description	Debit	Credit	Impact on Net Position/Fund Balance
Governmental Activities	1	Intergovernmental Receivables Intergovernmental Revenues	\$ 8,593,443	\$ -	\$ -
		To record an intergovernmental receivable for reimbursements due from FEMA for eligible incurred costs, and recognize revenue for amounts earned during the fiscal period.		8,593,443	8,593,443
State Grants Special Revenue Fund	1	Intergovernmental Receivables Deferred Inflows of Resources - unavailable intergovernmental revenues	8,593,443	8,593,443	
		To record an intergovernmental receivable for reimbursements due from FEMA for eligible incurred costs, and recognize deferred inflows of resources for amounts not received within the Municipality's availability period for revenue recognition in the governmental funds.			

Municipality of Anchorage, Alaska
 Schedule of Corrected Disclosures
 For the Year Ended December 31, 2020

Item #	Adjustment Description
2	State financial assistance received for the Community Assistance Program (\$375,000) and Shared Fisheries Business Tax Program (\$7,103) were incorrectly combined with the Shared Marijuana Establishment Registration Fees on the Schedule of State Financial Assistance (SSFA).
3	The SSFA improperly presented state financial assistance received through the Aviation Motor Fuel Program (\$24,413) and Fish Business Shared Taxes Program (\$112,116) as Liquor Licensing funds.

Municipality of Anchorage, Alaska
Schedule of Uncorrected Misstatements
Year Ended December 31, 2020

Opinion Unit	Item#	Account Name and Adjustment Description	Debit	Credit	Impact on Net Position
Governmental Activities	1	Net Position - restricted for acquisition and construction	\$ 13,411,626	\$ -	\$ (13,411,626)
		Net Position - net investment in capital assets		13,411,626	13,411,626
		To correct the presentation of net position for the amount of unspent bond proceeds on hand as of 12/31/2020. The portion of debt attributable to unspent bond proceeds should not be included in the calculation of investment in capital assets, net of related debt. Instead, the portion of the debt should be included in the same net position component as the unspent proceeds.			
Current year cumulative uncorrected misstatements					\$ -
Cumulative effect of prior period uncorrected misstatements brought forward from last period					-
Cumulative uncorrected misstatements adjusted for prior period impact - Governmental Activities					\$ -

MCM 9/30/2021

Opinion Unit	Item#	Account Name and Adjustment Description	Debit	Credit	Impact on Net Position
Water Utility Fund	2	Operating Expense	\$ 16,542	\$ -	\$ (16,542)
		Capital Assets	845,274		
		Accounts Payable		861,816	
		To correct an understatement of operating expense, capital assets and accounts payable due to unrecorded invoices received subsequent to year-end and not posted in the correct fiscal year.			
Water Utility Fund	3	Net Position	156,840		
		Depreciation Expense		156,840	156,840
		To correct an overstatement of depreciation expense in the current year for prior period uncorrected misstatement.			
Current year cumulative uncorrected misstatements					\$ 140,298
Cumulative effect of prior period uncorrected misstatements brought forward from last period					(156,840)
Cumulative uncorrected misstatements adjusted for prior period impact - Water Utility Fund					\$ (16,542)

MCM 9/30/2021

Opinion Unit	Item#	Account Name and Adjustment Description	Debit	Credit	Impact on Net Position
Wastewater Utility Fund	4	Operating Expense	\$ 14,289	\$ -	\$ (14,289)
		Capital Assets	245,262		
		Accounts Payable		259,551	
		To correct an understatement of operating expense, capital assets and accounts payable due to unrecorded invoices received subsequent to year-end and not posted in the correct fiscal year.			
Wastewater Utility Fund	5	Net Position	151,340		
		Depreciation Expense		151,340	151,340
		To correct an overstatement of depreciation expense in the current year for prior period uncorrected misstatement.			
Current year cumulative uncorrected misstatements					\$ 137,051
Cumulative effect of prior period uncorrected misstatements brought forward from last period					(151,340)
Cumulative uncorrected misstatements adjusted for prior period impact - Wastewater Utility Fund					\$ (14,289)

MCM 9/30/2021

Opinion Unit	Item#	Account Name and Adjustment Description	Debit	Credit	Impact on Net Position
State Grants Special Revenue Fund	6	Deferred Inflows of Resources - Unavailable Intergovernmental Revenues	\$ 1,265,539	\$ -	\$ 1,265,539
		Intergovernmental Revenues		1,265,539	
		To correct an understatement of intergovernmental revenue and an overstatement of deferred inflows of resources for FEMA reimbursements received after year-end but within the availability period for revenue recognition at the governmental fund level.			
Current year cumulative uncorrected misstatements					\$ 1,265,539
Cumulative effect of prior period uncorrected misstatements brought forward from last period					-
Cumulative uncorrected misstatements adjusted for prior period impact - State Grants Special Revenue Fund					\$ 1,265,539

MCM 9/30/2021

Municipality of Anchorage, Alaska
 Schedule of Identified Control Deficiencies
 For the Year Ended December 31, 2020

Significant Deficiencies			<i>MCM</i> 9/30/2021
Item #	Title	Description	
1	Completeness of Schedule of Expenditures of Federal Awards and Schedule of State Financial Assistance	Significant adjustments were necessary to correct both the SEFA and SSFA to properly recognize revenue related to federal and state expenditures incurred under the Disaster Grants - Public Assistance (FEMA) programs. The Municipality did not establish sufficient internal controls to ensure the SEFA and SSFA were reviewed for completeness and reconciled to underlying federal and state-funded expenditures prior to the start of audit fieldwork.	

Control Deficiencies Other Than Material Weaknesses or Significant Deficiencies			<i>MCM</i> 9/30/2021
Item #	Title	Description	
2	User access reviews for SAP	Formal manual reviews of user access rights within SAP were not performed.	
3	Developer access rights in SAP	Developers have certain access rights and roles within SAP that should be revisited.	
4	Developer administration access within SAP	Developers have administrative access to schedule batch jobs and modify batch jobs within SAP.	
5	TeleDriver on-boarding/off-boarding controls	No formal on-boarding or off-boarding controls exist within TeleDriver. Access is approved and disabled via verbal request and approval. No supporting documentation is retained.	
6	TeleDriver password control	TeleDriver application does not enforce password parameters, including minimum length, complexity, expiration, history, or account lockout.	
7	TeleDriver admin SOD access	Instances of inappropriate or unsubstantiated administrative access rights within TeleDriver were identified.	
8	AFD Telestaff UAR	Formal access reviews for AFD TeleStaff non-self service users were not performed.	
9	AFD TeleStaff password control	Password requirements, including minimum length, complexity, password age, history, or account lockout were not configured in AFD TeleStaff application.	
10	APD TeleStaff UAR	User access reviews for APD TeleStaff administrators and super users were performed annually by documentation was not retained. In addition, user access reviews for APD non-self service users were not performed.	
11	Net Position presentation	Management did not establish sufficient internal controls to ensure net position was accurately presented by classification. "Net investment in capital assets" was understated and "net position - restricted for acquisition and construction" was overstated by \$13,411,626.	

MUNICIPALITY OF ANCHORAGE

Office of the Chief Fiscal Officer



Phone: (907) 343-6610

Travis Frisk, CFO

October 29, 2021

BDO USA, LLP
3601 C Street, Suite 600
Anchorage, AK 99502

Ladies and gentlemen:

We are providing this letter in connection with your audits of the schedule of expenditures of federal awards (“SEFA”) and the schedule of state financial assistance (“SSFA”) (collectively “the schedules”) of the Municipality of Anchorage, Alaska (the “Government”) for the year ended December 31, 2020, and the related notes, for the purpose of expressing an opinion as to whether the schedules are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America, in relation to the basic financial statements as a whole.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, as of the date of this representation letter, as entered on the first page, the following representations made to you during your audit:

- (1) We have fulfilled our responsibilities, as set out in the terms of the audit contract/ engagement letter for the preparation and fair presentation of the schedules in accordance with accounting principles generally accepted in the United States of America.
- (2) We have fulfilled our responsibility, as set out in the terms of the aforementioned audit contract/ engagement letter, for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the schedules that are free from material misstatement, whether due to fraud or error.
- (3) We have made available to you:
 - (a) All financial records, and related and federal/state awards (including amendments, if any, and any other correspondence with federal and state agencies or pass-through entities relevant to federal or state programs and related activities), including the names of all related parties and all relationships and transactions with related parties, as agreed upon in the terms of the aforementioned audit contract/ engagement letter.

- (b) All additional information that you have requested from us for the purpose of the audit.
 - (c) Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
- (4) There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in financial reporting practices.
- (5) There are no material transactions that have not been properly recorded in the accounting records underlying the schedules. We have recognized and reported all expenditures on the SEFA and SSFA incurred on federal and state awards that were obligated on or before December 31, 2020.
- (6) Expenditures that were incurred prior to the year ended December 31, 2020 and are reported on the SEFA and SSFA have been properly reported and disclosed.
- (7) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud or noncompliance. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud or noncompliance. We have no knowledge of any:
- (a) Fraud or suspected fraud involving management or involving employees who have significant roles in internal control, whether or not perceived to have a material effect on the schedules.
 - (b) Fraud or suspected fraud involving others where the fraud could have a material effect on the schedules.
 - (c) Allegations of fraud or suspected fraud affecting the Government received in communications from employees, former employees, regulatory agencies, law firms, predecessor accounting firms, or others.
 - (d) Instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts or grant agreements, or abuse, whose effects should be considered when preparing the schedules.
- (8) We have provided information on guarantees, whether written or oral, under which the Government is contingently liable, and such guarantees have been properly recorded or disclosed.
- (9) The effects of all known actual or possible litigation, claims, and other liabilities or gain or loss contingencies have been accounted for and disclosed in accordance with accounting principles generally accepted in the United States of America.
- (10) There are no:
- (a) Violations or possible violations of budget ordinances, laws or regulations and provisions of contracts and grant agreements, tax or debt limits, and any related debt

covenants whose effects could be material to the schedules whose effects should be considered for disclosure in the schedules or as a basis for recording a loss contingency.

- (b) Unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed on the schedules in accordance with Federal or State requirements.
- (11) We have complied with all aspects of contractual agreements that would have a material effect on the schedules in the event of noncompliance.
- (12) No discussions have taken place with your firm's personnel regarding employment with the Government.
- (13) We are responsible for compliance with laws, regulations and provisions of contracts and grant agreements applicable to us and we have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of schedule amounts.
- (14) With respect to federal and state award programs:
 - (a) We are responsible for understanding and complying with, and have complied with, the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), including requirements relating to the preparation of the schedule of expenditures of federal awards (SEFA). We are responsible for understanding and complying with, and have complied with, the requirements of the *State of Alaska Single Audit Guide and Compliance Supplement* (State Single Audit), including requirements relating to the preparation of the Schedule of State Financial Assistance (SSFA).
 - (b) We have, in accordance with the Uniform Guidance and State Single Audit, identified and disclosed to you in the schedule of expenditures of federal awards (SEFA) and schedule of state financial assistance (SSFA), expenditures made during the audit period for all government programs and related activities provided by federal and state agencies in the form of federal and state awards, grants, federal and state cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other direct assistance.
 - (c) We acknowledge our responsibility for the preparation of the SEFA and SSFA and related notes in accordance with the requirements of the Uniform Guidance and State Single Audit, and we believe the SEFA and SSFA, including its form and content, is fairly presented in accordance with the Uniform Guidance and State Single Audit. The methods of measurement or presentation of the SEFA and SSFA have not changed from those used in the prior period, and we have disclosed to you any significant assumptions and interpretations underlying the measurement or presentation of the SEFA or SSFA below.

- (d) We have notified you of federal awards and funding increments that were received for awards received before December 26, 2014, and differentiated those awards from awards received on or after December 26, 2014, and subject to the audit requirements of the Uniform Guidance.
- (e) We will include the auditor's report on the SEFA and SSFA in any document that contains the SEFA and SSFA and that indicates you have reported on such information.
- (f) If the SEFA and SSFA are not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the SEFA and SSFA no later than the date we issue the SEFA and SSFA and the auditor's report thereon.
- (g) We are responsible for understanding and complying with, and have complied with in all material respects, the requirements of federal and state statutes, regulations, and the terms and conditions of federal and state awards related to each of our federal and state programs and have identified and disclosed to you the requirements of federal and state statutes, regulations, and the terms and conditions considered to have a direct and material effect on each federal and state program.
- (h) We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance for federal and state programs that provides reasonable assurance that we are managing our federal and state awards in compliance with federal and state statutes, regulations, and the terms and conditions that could have a material effect on our federal and state programs. We believe the internal control system is adequate and is functioning as intended. Also, subsequent to the date of the auditor's report as of which compliance was audited, no changes have occurred in internal control over compliance or other factors that might significantly affect internal control, including any corrective action we have taken regarding significant deficiencies and material weaknesses in internal control over compliance as reported in the schedule of findings and questioned costs.
- (i) We have made available to you all federal and state award contracts and grant agreements (including amendments, if any) and any other correspondence with federal and state agencies or pass-through entities relating to each major federal and state program and related activities that have taken place with federal and state agencies or pass-through entities.
- (j) We have received no requests from a federal or state agency to audit one or more specific programs as a major program.
- (k) We have complied, in all material respects, with the direct and material compliance requirements (except for noncompliance disclosed to you), including when applicable, those set forth in the OMB *Compliance Supplement*, relating to federal and state awards and have identified and disclosed to you all amounts questioned and all known noncompliance with the direct and material requirements of federal and state awards, including the results of other audits or program reviews. or confirmed that there were no amounts questioned and no known noncompliance with the direct and material compliance requirements of federal and state awards. We also know of no instances of noncompliance occurring subsequent to the end of the period audited.

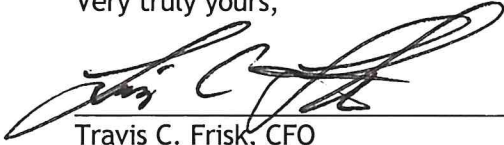
- (l) We have disclosed to you any communications from federal and state awarding agencies and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of the auditor's report.
- (m) Amounts claimed or used for matching were determined in accordance with relevant guidelines in the Uniform Guidance and State Single Audit.
- (n) We have disclosed to you our interpretations of compliance requirements that are subject to varying interpretations, if any.
- (o) We have made available to you all documentation related to compliance with the direct and material compliance requirements, including information related to federal and state program financial reports and claims for advances and reimbursements.
- (p) We have disclosed to you the nature of any subsequent events that provide additional evidence with respect to conditions that existed at the end of the reporting period that affect noncompliance during the reporting period.
- (q) Federal and state program financial reports and claims for advances and reimbursements are supported by the books and records from which the basic financial statements have been prepared, and are prepared on a basis consistent with the schedule of expenditures of federal awards and schedule of state financial assistance.
- (r) The copies of federal and state program financial reports provided to you are true copies of the reports submitted or electronically transmitted, to the respective federal and state agency or pass-through entity, as applicable.
- (s) We have monitored subrecipients, as necessary, to determine that they have expended subawards in compliance with applicable federal statutes, regulations and terms and conditions of the subaward and have met other pass-through entity requirements of the Uniform Guidance.
- (t) We have considered the results of subrecipients' audits and have made any necessary adjustments to our books and records.
- (u) We have issued management decisions for audit findings that relate to federal awards made to subrecipients and such management decisions have been issued within six months of acceptance of the audit report by the Federal Audit Clearinghouse. Additionally, we have followed-up ensuring that the subrecipient has taken timely and appropriate action on all deficiencies detected through audits, on-site reviews, and other means that pertain to the federal award provided to the subrecipient.
- (v) We have charged costs to federal and state awards in accordance with applicable cost principles.
- (w) We are responsible for, and have accurately completed, the appropriate sections of the Data Collection Form as required by the Uniform Guidance. The final version of the applicable audit reporting package, which includes your signed auditor's reports,

that we will submit to the Federal Audit Clearinghouse (FAC) will be identical to the final version of such documents that you provided to us.

- (x) We have identified and disclosed to you the findings received and related corrective actions taken for previous audits, attestation engagements, internal or external monitoring, and other studies directly related to the audit objectives of the compliance audit, including findings received and corrective actions taken from the end of the audit period covered by the compliance audit report to the date of the auditor's report.
 - (y) We are responsible for and have ensured the reporting package does not contain protected personally identifiable information.
- (15) There have been no known or suspected breaches of sensitive information (e.g., personnel files) caused by cyber-attack or other means, or other cybersecurity incidents, where the breach or other incident could have a material effect on the schedules.
- (16) In connection with any electronic presentation of the schedules and your audit report thereon on our web site, we acknowledge that:
- We are responsible for the preparation, presentation, and content of the schedules in the electronic format.
 - If your audit report is presented on our web site, the full schedules upon which you reported and to which you appended your signed report will be presented.
 - We will clearly indicate in the electronic presentation on our web site the schedules that are subject to your audit report. We will clearly differentiate any information that may also be presented by us on or in connection with our web site that was contained in the published version of the financial statements and other supplementary information, but which is not part of the audited financial statements or other financial information covered by your audit report.
 - We have assessed the security over schedule information and the audit report presented on our web site, and are satisfied that procedures in place are adequate to ensure the integrity of the information provided. We understand the risk of potential misrepresentation inherent in publishing financial information on our web site through internal failure or external manipulation.
 - If the electronic schedules are generally made available to the public on our web site, we will include a notification to the reader that such schedules are presented for convenience and information purposes only, and while reasonable efforts have been made to ensure the integrity of such information, they should not be relied on. A copy of the printed financial statements will be provided on request.

To the best of our knowledge and belief, no events, including instances of noncompliance, have occurred subsequent to the statement of financial position date and through the date of this representation letter, as entered on the first page, that would require adjustment to or disclosure in the aforementioned schedules or in the schedule of findings and questioned costs.


Very truly yours,



Travis C. Frisk, CFO



Mollie Morrison, Controller



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