

CITY OF SAINT PAUL, ALASKA

Letter to the City Council

Year Ended December 31, 2022

Altman, Rogers
& Co. | CERTIFIED
PUBLIC
ACCOUNTANTS

CITY OF SAINT PAUL, ALASKA

Letter to the City Council

Year Ended December 31, 2022

September 5, 2023

Honorable Mayor and Members of the City Council
City of Saint Paul, Alaska
Saint Paul, Alaska

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Saint Paul, Alaska (the City) for the year ended December 31, 2022. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards *Government Auditing Standards* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated January 13, 2023. Professional standards also require that we communicate to you the following information related to our audit.

Significant Accounting Policies and Transactions

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note I to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2022. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

Government-wide Opinion Units:

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

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

All Opinion Units:

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

Financial Statement Disclosures

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole. The following were entries corrected by management:

- \$60,322 to true up the fuel inventory in the Bulk Fuel Enterprise Fund.
- \$3,070,329 to adjust the Bulk Fuel loan and line of credit that was initially booked as revenue instead of a liability and expense.
- \$74,651 to adjust PERS on Behalf balance to agree to State of Alaska confirmed balance.
- \$67,424 to correct difference in due to/due from balance.
- \$142,213 to correct insurance expense and accounts payable across various funds.
- \$91,180 to correct diesel inventory in the Bulk Fuel Farm Enterprise Fund.

The following were uncorrected misstatements that management has considered immaterial:

- \$37,146 understatement in Accounts payable, found during our search for unrecorded liability testing.
- \$10,315 understatement of accrued payroll and payroll expense, accrued payroll was only accrued for 8 days instead of the entire period.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 5, 2023.

Management Consultations with Other Independent Accountants

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

Internal Control Matters

See the December 31, 2022 audited financial statements Compliance Reports for definitions and descriptions of deficiencies, significant deficiencies, material weaknesses, and any reported findings.

Accounting Assistance

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

Other Matters

We applied certain limited procedures to the General Fund Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual, Public Employees' Retirement System: Schedule of the City's Information on the Net Pension and OPEB liability and Schedule of City Contributions, and Notes to Required Supplemental Information, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on Combining and Individual Fund Financial Statement, Schedule of Expenditures of Federal Awards and Notes to Schedule of Expenditures of Federal Awards which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were not engaged to report on, which accompany the financial statements but are not RSI. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Restriction on Use

This information is intended solely for the use of the members of the governing board and management of the City of Saint Paul, Alaska and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

Altman, Rogers & Co.

Anchorage, Alaska