

LAKE AND PENINSULA BOROUGH

Letter to the Governing Board

Year Ended June 30, 2019

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Letter to the Governing Board

Year Ended June 30, 2019

November 5, 2019

Members of the Borough Assembly
Lake and Peninsula Borough
King Salmon, Alaska

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Lake and Peninsula Borough for the year ended June 30, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, and the State of Alaska Audit Guide and Compliance Supplement for State Single Audits, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated October 1, 2019. Professional standards also require that we communicate to you the following information related to our audit.

Significant Accounting Policies and Transactions

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Lake and Peninsula Borough are described in Note 1 to the financial statements. As discussed in Note IV. B. to the financial statements, the Lake and Peninsula Borough participates in the Alaska Public Employees' Retirement System (PERS). In 2019, the Borough recognized a change in accounting estimate regarding the Defined Contribution Pension Forfeitures. We noted no transactions entered into by the Borough during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting Estimates

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

All opinion units:

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

Management's estimates of the Borough's forfeitures related to PERS are based on information furnished by the State of Alaska and actuarial reports generated during the audit of the Public Employees' Retirement System. The amortization of these assets is based on guidance provided by the Governmental Accounting Standards Board. We evaluated the key factors and assumptions used to develop the estimates of the Borough's forfeiture balances and related amortization in determining that it is reasonable in relation to the financial statements as a whole.

Governmental-wide opinion unit:

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

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 trivial, and communicate them to the appropriate level of management. During the course of our audit we noted the following misstatements that were corrected by management:

- \$37,264 to properly state the PERS forfeiture balance in the General Fund.
- \$38,910 to correct the PERS salary floor payable in the General Fund.

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 November 5, 2019.

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 Borough’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 June 30, 2019 financial statements, compliance section for definition and descriptions of deficiencies, significant deficiencies, material weaknesses and any reported findings.

Accounting Assistance

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

Supplementary Information Accompanying the Financial Statements

We applied certain limited procedures to the Budgetary Comparison Schedule and Schedules of Borough’s Share of Net Pension and Other Postemployment Benefit (OPEB) Liabilities and Contributions for the Public Employees’ Retirement System, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the Schedule of Revenues, Expenditures and Changes in Fund Balance; Other Governmental Funds: Combining Balance Sheet and Combining Statement of Revenues, Expenditures and Changes in Fund Balance; and the State Schedule of Financial Assistance, 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.

Members of the Borough Assembly

Lake and Peninsula Borough

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Major Issues Discussed with Management Prior to Retention

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

Restriction on Use

This information is intended solely for the use of Borough Assembly and management of Lake and Peninsula Borough and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

Altman, Rogers & Co.

Anchorage, Alaska