



City of Kenai, Alaska

Single Audit Reports
Year Ended June 30, 2020

City of Kenai, Alaska

Single Audit Reports
Year Ended June 30, 2020

City of Kenai, Alaska

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3601 C Street, Suite 600
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Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Honorable Mayor and City Council
City of Kenai, Alaska

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Kenai, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City of Kenai's basic financial statements, and have issued our report thereon dated January 11, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Kenai's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Kenai's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Kenai's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Kenai's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BDO USA, LLP

Anchorage, Alaska
January 11, 2021



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3601 C Street, Suite 600
Anchorage, AK 99503

Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

Honorable Mayor and City Council
City of Kenai, Alaska

Report on Compliance for Each Major Federal Program

We have audited City of Kenai's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of City of Kenai's major federal programs for the year ended June 30, 2020. City of Kenai's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the term and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of City of Kenai's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Kenai's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of City of Kenai's compliance.

Opinion on Each Major Federal Program

In our opinion, City of Kenai complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control Over Compliance

Management of City of Kenai is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered City of Kenai's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Kenai's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Kenai as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise City of Kenai's basic financial statements. We issued our report thereon dated January 11, 2021, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

BDO USA, LLP

Anchorage, Alaska
January 11, 2021

City of Kenai, Alaska
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2020

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Provided to Subrecipients	Total Federal Expenditures
DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed through the State of Alaska Department of Health and Social Services - Aging Cluster: Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers				
Nutrition, Transportation, and Support	93.044	607-309-19011	\$ -	\$ 124,543
Nutrition, Transportation, and Support	93.044	607-309-19011	-	143,075
CFDA 93.044 Total			-	267,618
Passed through to the State of Alaska Department of Administration - Aging Cluster				
Nutrition Services Incentive Program	93.053	607-PA-108	-	20,471
Aging Cluster Total			-	288,089
Total Department of Health and Human Services			-	288,089
DEPARTMENT OF TRANSPORTATION				
COVID 19 -Airport Improvement Program FAA Cares Act Grant	20.106		-	791,298
Terminal Rehab Construction	20.106		-	5,489,882
Airfield Marking, Crack Sealing, Minor Pavement Repair & Seal Coating	20.106		-	900,384
Rehab ARFF Training Center	20.106		-	3,816,639
Total Airport Improvement Program			-	10,998,203
Passed Through State of Alaska Department of Transportation and Public Facilities - National Priority Safety Programs - Highway Safety Cluster				
CIOT Grant for Overtime	20.616	405Dm5hve-18-01-00(A)-7	-	1,287
Total Department of Transportation			-	10,999,490
DEPARTMENT OF HOMELAND SECURITY				
Passed Through State of Alaska Department of Military and Veterans Affairs - Division of Homeland Security & Emergency Management -				
Homeland Security Grant Program	97.067	20SHPS-GY18	-	101,600
DEPARTMENT OF AGRICULTURE				
Cooperative Forestry Assistance - Volunteer Fire Department UDR	10.664		-	7,399

City of Kenai, Alaska
Schedule of Expenditures of Federal Awards, continued
Year Ended June 30, 2020

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Provided to Subrecipients	Total Federal Expenditures
INSTITUTE OF MUSEUM AND LIBRARY SERVICES				
Passed through the State of Alaska Department of Education and Early Development - Grants to States	45.310	CED-20-035	\$ -	\$ 1,250
ENVIRONMENTAL PROTECTION AGENCY				
Passed through the State of Alaska Department of Environmental Conservation - Beach Monitoring and Notification Program Implementation Grants Monitor Kenai River Bacteria	66.472	ACW-19-B11	61,960	61,960
DEPARTMENT OF JUSTICE				
Bulletproof Vest Partnership Program Ballistic Vest Program	16.607		-	945
Coronavirus Emergency Supplemental Funding Program JAG Grant Covid-19	16.034		-	50,262
Total Department of Justice			-	51,207
DEPARTMENT OF THE TREASURY				
Passed through the State of Alaska Department of Commerce, Community and Economic Development - Coronavirus Relief Fund Grant	21.019		-	4,057,087
FEDERAL EMERGENCY MANAGEMENT AGENCY				
Assistance to Firefighters Grant Program	97.044		588,627	671,035
Total Expenditures of Federal Awards			\$ 650,587	\$ 16,239,117

See accompanying notes to the Schedule of Expenditures of Federal Awards.

City of Kenai, Alaska

Notes to the Schedule of Expenditures of Federal Awards Year Ended June 30, 2020

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of City of Kenai under programs of the federal government for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of City of Kenai, it is not intended to and does not present the net position, changes in net position or cash flows of City of Kenai.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

3. Indirect Cost Rate

City of Kenai has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.



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Independent Auditor's Report on Compliance for Each Major State Program; Report on Internal Control Over Compliance; and Report on the Schedule of State Financial Assistance Required by the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*

Honorable Mayor and City Council
City of Kenai, Alaska

Report on Compliance for Each Major State Program

We have audited City of Kenai's compliance with the types of compliance requirements described in the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits* that could have a direct and material effect on each of City of Kenai's major state programs for the year ended June 30, 2020. City of Kenai's major state programs are identified in the accompanying Schedule of State Financial Assistance.

Management's Responsibility

Management is responsible for compliance with the state statutes, regulations, and the terms and conditions of its state awards applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of City of Kenai's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*. Those standards and the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about City of Kenai's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination of City of Kenai's compliance.

Opinion on Each Major State Program

In our opinion, City of Kenai complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2020.

Report on Internal Control Over Compliance

Management of City of Kenai is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered City of Kenai's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Kenai's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of State Financial Assistance Required by the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Kenai as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise City of Kenai's basic financial statements. We issued our report thereon dated January 11, 2021 which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of state financial assistance is presented for purposes of additional analysis as required by the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits* and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of state financial assistance is fairly stated in all material respects in relation to the basic financial statements as a whole.

BDO USA, LLP

Anchorage, Alaska
January 11, 2021

City of Kenai, Alaska
Schedule of State Financial Assistance
Year Ended June 30, 2020

State Agency/Program Title	Award Number	Total Award Amount	Passed Through to Subrecipients	State Expenditures
Department of Administration				
*PERS On-Behalf		\$ -	\$ -	\$ 595,990
Department of Revenue				
Electric and Telephone Share Revenue	FY20	29,294	-	29,294
Aviation Fuel Tax	FY20	5,605	-	5,605
Marijuana Application Fees	FY20	3,200	-	3,200
Liquor Share Tax/License	FY20	20,500	-	20,500
Fish Tax Revenue Sharing	851171-FY20	61,247	-	61,247
Total Department of Revenue		119,846	-	119,846
Alaska State Library				
FY20 Alaska Public Library Assistance	PLA-177-4701	7,000	-	7,000
Department of Public Safety				
Crime Prevention Response	FY20	108,000	-	100,028
Department of Health and Social Services				
Nutrition, Transportation & Support	607-309-20011	67,146	-	67,146
Department of Commerce, Community and Economic Development				
Division of Community and Regional Affairs				
Kenai River Bluff Stabilization	12-DC-377	1,750,000	-	23,622
Kenai River South Beach Dip Net Access	15-DC-078	1,900,000	-	32,699
*Community Assistance Program	841244-FY20	174,116	-	174,116
*Replace Fire Pumper/Engine	15-DC-080	400,000	-	400,000
Total Department of Commerce, Community and Economic Development		4,224,116	-	630,437
Department of Environmental Conservation				
*Kenai Water System Improvements	47555	980,084	-	751,389
Total State Financial Assistance		\$ 5,506,192	\$ -	\$ 2,271,836

* Denotes a major program

See accompanying notes to the Schedule of State Financial Assistance.

City of Kenai, Alaska

Notes to the Schedule of State Financial Assistance *Year Ended June 30, 2020*

1. Basis of Presentation

The accompanying Schedule of State Financial Assistance (the “Schedule”) includes the state award activity of City of Kenai under programs State of Alaska for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the requirements of the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*. Because the Schedule presents only a selected portion of the operations of City of Kenai, it is not intended to and does not present the financial position, changes in net position or cash flows of City of Kenai.

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting.

City of Kenai, Alaska

Schedule of Findings and Questioned Costs Year Ended June 30, 2020

Section I - Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether
the financial statements audited were prepared
in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

_____ yes

X no

Significant deficiency(ies) identified?

_____ yes

X (none reported)

Noncompliance material to financial statements noted?

_____ yes

X no

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified?

_____ yes

X no

Significant deficiency(ies) identified?

_____ yes

X (none reported)

Type of auditor's report issued on compliance for
major federal programs:

Unmodified

Any audit findings disclosed that are required to be reported
in accordance with 2 CFR 200.516(a)?

_____ yes

X no

Identification of major federal programs:

CFDA Number *Name of Federal Program or Cluster*

Agency

21.019

Coronavirus Relief Fund

Department of the Treasury

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

Auditee qualified as low-risk auditee?

X yes

_____ no

State Financial Assistance

Internal control over major state programs:

Material weakness(es) identified?

_____ yes

X no

Significant deficiency(ies) identified?

_____ yes

X (none reported)

Type of auditor's report issued on compliance for major
state programs:

Unmodified

Dollar threshold used to distinguish a state major program:

\$ 150,000

City of Kenai, Alaska

Schedule of Findings and Questioned Costs, Continued Year Ended June 30, 2020

Section II - Financial Statement Findings Required to be Reported in Accordance with *Government Auditing Standards*

There were no findings related to the financial statements which are required to be reported in accordance with the standards applicable to financial audits contained in *Government Auditing Standards*.

Section III - Federal Award Findings and Questioned Costs

There were no findings and questioned costs for federal awards (as defined in section 2 CFR 200.516(a) of the Uniform Guidance) that are required to be reported.

Section IV - State Award Findings and Questioned Costs

There were no findings and questioned costs for State awards (as defined in the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*) that are required to be reported.