

# City of Kenai, Alaska

Single Audit Reports  
Year Ended June 30, 2024

The report accompanying these financial statements was issued by BDO USA, P.C., a Virginia professional corporation, and the U.S. member of BDO International Limited, a UK company limited by guarantee.



## **City of Kenai, Alaska**

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Single Audit Reports  
Year Ended June 30, 2024

# City of Kenai, Alaska

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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  
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, Alaska (the City), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 31, 2025.

### **Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City'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 the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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 a 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2024-001 and 2024-002 that we consider to be material weaknesses.

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## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City'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*.

## **City of Kenai's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the City's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

## **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 City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BDO USA, P.C.

Anchorage, Alaska  
March 31, 2025



## **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  
Kenai, Alaska

### **Report on Compliance for Each Major Federal Program**

#### ***Opinion on Each Major Federal Program***

We have audited City of Kenai, Alaska's (the City) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2024. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City 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, 2024.

#### ***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the types of compliance requirements referred to above.

#### ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City's federal programs.



### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on 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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon, dated March 31, 2025, 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 basic 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, P.C.

Anchorage, Alaska  
March 31, 2025

# City of Kenai, Alaska

## Schedule of Expenditures of Federal Awards

Year Ended June 30, 2024

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Provided to Subre- cipients	Total Federal Expenditures
<b>DEPARTMENT OF AGRICULTURE</b>				
Community Project Funds - Congressionally Directed Spending - 2022 Community Wildfire Program	10.723		\$ -	\$ 71,184
Passed through the State of Alaska Department of Natural Resources - Cooperative Forestry Assistance	10.664	Kenai VFA 24	-	5,589
<b>Total Department of Agriculture</b>			-	76,773
<b>DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>				
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	167-309-24009	-	29,271
Special Programs for the Aging, Title III, Part C, Nutrition Services - Nutrition, Transportation, and Support	93.045	167-309-24009	-	165,236
Passed through to the State of Alaska Department of Administration - Aging Cluster - Nutrition Services Incentive Program	93.053	167-PA-108	-	24,966
<b>Total Aging Cluster</b>			-	219,473
<b>DEPARTMENT OF TRANSPORTATION</b>				
Airport Improvement Program, Infrastructure Investment and Jobs Act Programs and COVID-19 Airports Programs:				
COVID-19 - FAA Airport Rescue Grant	20.106		-	162,173
Purchase Snow Removal Equipment	20.106		-	(1,701)
Sand / SRE Storage Building	20.106		-	114,140
Sand / SRE Storage Building, Phase 2	20.106		-	881,161
Airfield Drainage Improvement	20.106		-	1,100
Rehab ARFF Training Center	20.106		-	(270)
<b>Total Federal Assistance Listing Number 20.106</b>			-	1,156,603
<b>DEPARTMENT OF INTERIOR</b>				
Passed through the Kenai Soil and Water Conservation District - Partners for Fish and Wildlife	15.631	AK-23-5	-	25,000

# City of Kenai, Alaska

## Schedule of Expenditures of Federal Awards, continued

Year Ended June 30, 2024

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Provided to Subre- cipients	Total Federal Expenditures
<b>INSTITUTE OF MUSEUM AND LIBRARY SERVICES</b>				
Passed through the State of Alaska Department of Education and Early Development -				
Grants to States - Library Continuing Education Award	45.310	CED24-001P	\$ -	\$ 1,134
<b>DEPARTMENT OF JUSTICE</b>				
Passed through the State of Alaska Department of Public Safety -				
Bulletproof Vest Partnership Program -				
Ballistic Vest Reimbursement	16.607	FY2024	-	652
<b>DEPARTMENT OF HOMELAND SECURITY</b>				
Passed through the State of Alaska Division of Homeland Security & Emergency Management:				
Homeland Security Grant Program	97.067	21SHSP-GY21	-	49,094
Homeland Security Grant Program	97.067	22SHSP-GY22	-	112,082
Homeland Security Grant Program	97.067	23SHSP-GY23	-	15,000
Total Federal Assistance Listing Number 97.067			-	176,176
<b>Total Expenditures of Federal Awards</b>			\$ -	\$ 1,655,811

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, 2024

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### 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of City of Kenai, Alaska (the City) under programs of the federal government for the year ended June 30, 2024. 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 the City, it is not intended to and does not present the financial position, changes in net position or cash flows of the City.

### 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

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

# City of Kenai, Alaska

## Schedule of Findings and Questioned Costs Year Ended June 30, 2024

### 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

☐ no

Significant deficiency(ies) identified?

☐ yes

☒ (none reported)

Noncompliance material to financial statements noted?

☐ yes

☒ no

#### Federal Awards

Internal control over major federal programs:

Material weakness(es) identified?

☐ yes

☒ no

Significant deficiency(ies) identified?

☐ yes

☒ (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

☒ no

Identification of major federal programs:

#### Assistance Listing

Number

Name of Federal Program or Cluster

20.106

Airport Improvement Program, Infrastructure Investment and Jobs Act  
Programs and COVID-19 Airports Programs

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

☒ yes

☐ no

# City of Kenai, Alaska

## Schedule of Findings and Questioned Costs, continued Year Ended June 30, 2024

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<b>Section II - Financial Statement Findings Required to be Reported in Accordance with Government Auditing Standards</b>
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**Finding 2024-001**      Lease Review - Material Weakness in Internal Controls Over Financial Reporting

*Criteria*                      *Government Accounting Standards* states management is responsible for establishing and maintaining effective internal control to help ensure that appropriate goals and objectives are met; using resources efficiently; economically, effectively, and equitably, and safeguarding resources; following laws and regulations; and ensuring that financial information is reliable and properly reported. Internal controls over financial reporting should allow management to prevent or detect and correct misstatements on a timely basis.

*Condition*                      The City's accounting for lease changes resulted in material errors. There were 11 lessor lease agreements where the amortization schedules were remeasured for CPI rate changes. However, these type of rate changes do not require the agreement to be remeasured. In addition, one lessor lease agreement was remeasured for a change in the length lease term, and the amortization schedule inputs were incorrect. There were two lessor lease agreements terminated during the current year for which the adjustments booked were incorrect. These errors resulted in adjustments to lease receivable of \$172,350, deferred inflows related to leases of \$143,314, rents and leases revenue of \$13,374, lease interest revenue of \$14,163 and miscellaneous expense of \$29,285 in the Airport Special Revenue Fund.

*Cause*                              There were no controls in place to review and identify errors in lease accounting and related adjustments, and application of accounting principles related to lease modifications, remeasurements and terminations.

*Effect or Potential Effect*      Material adjustments were made to correct year-end balances for proper accounting for leases.

*Recommendation*          Management should implement controls to review amortization schedules, adjustments being booked and the application of accounting principles related to leases.

*Views of Responsible Officials*      Management agrees with the finding and plans to implement controls to review amortization schedules, adjustments being booked and the application of accounting principles related to leases.

## City of Kenai, Alaska

### Schedule of Findings and Questioned Costs, continued Year Ended June 30, 2024

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<b><u>Finding 2024-002</u></b>	Segregation of Duties and Access Rights - Material Weakness in Internal Controls Over Financial Reporting
<i>Criteria</i>	<i>Government Accounting Standards</i> states a fundamental element of internal controls is the segregation of certain key duties. The basic idea underlying segregation of duties is that no employee or group of employees should be in a position both to perpetrate and to conceal errors or fraud in the normal course of their duties. Another fundamental element of internal controls is granting appropriate access rights to employees within the accounting system and bank portal, reviewing those access rights, and disabling access rights in a timely manner.
<i>Condition</i>	Certain employees have high-level access rights within the accounting system and online banking portal. These individuals can enter, post, and approve their own journal entries and add, delete, and modify users within the accounting system. In addition, two of these employees can create a vendor, process a transaction, cut a check, and are authorized check signers. One of them also performs the monthly bank reconciliations. Finally, access rights to the accounting system and online banking portal are not reviewed and updated timely, and there is no documentation of formal review of access rights.
<i>Cause</i>	The City has experienced significant turnover during the year, as well as a shift in certain job duties. There is no formal policy in place related to access review timing or documentation.
<i>Effect or Potential Effect</i>	While no specific loss of assets or unauthorized adjustments were identified, the lack of segregation of duties could allow a user access to misappropriate assets.
<i>Recommendation</i>	Management should limit the ability to sign checks or access online banking functions to those individuals who are not performing bank reconciliations and do not have access to check stock or vendor creation in the accounting system. In addition, high-level access rights for journal entries and banking accounts should be carefully and timely reviewed and monitored. The City Manager should continue to closely monitor bank account activity for any unusual transactions or new vendors.
<i>Views of Responsible Officials</i>	Management agrees with the finding and plans to limit the ability to sign checks or access online bank functions to those individuals who are not performing bank reconciliations, no access to check stock or vendor creation in the accounting system. In addition, management plans to review and monitor access rights and the City Manager will continue to closely monitor bank account activity for unusual transactions or new vendors.

## City of Kenai, Alaska

### Schedule of Findings and Questioned Costs, continued *Year Ended June 30, 2024*

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<b>Section III - Federal Award Findings and Questioned Costs</b>
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There were no findings and questioned costs for federal awards (as defined in section 2 CFR 200.516(a)) that are required to be reported.

**City of Kenia's Single  
Audit Response (Unaudited)**

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## Summary Schedule of Prior Audit Findings

### Year Ended June 30, 2024

Federal Award Findings
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<b><u>Finding 2023-001</u></b>	Equipment and Real Property Management - Significant Deficiency in Internal Controls Over Compliance
<i>Condition</i>	During the year, the City disposed of an asset related to the airport that has been purchased with federal funding and applied the proceeds towards eligible grant expenditures. However, the disposal was not initially recorded in the accounting system and inventory records.
<i>Status</i>	Completed.



## **Corrective Action Plan Year Ended June 30, 2024**

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Name of Contact Person: David Swarner  
Finance Director  
907-283-8227

### ***Government Auditing Standards Findings***

#### **Finding 2024-001 - Lease Review - Material Weakness in Internal Controls over Financial Reporting**

##### **Corrective Action Plan**

Management will implement controls to review amortization schedules, adjustments being booked and the application of accounting principles related to leases.

##### **Expected Completion Date:**

To be completed by June 30, 2025.

#### **Finding 2024-002 - Segregation of Duties and Access Rights - Material Weakness in Internal Controls over Financial Reporting**

##### **Corrective Action Plan**

Management will limit the ability to sign checks or access online banking functions to those individuals who are not performing bank reconciliations and do not have access to check stock or vendor creation in the accounting system. In addition, high-level access rights for journal entries and banking accounts should be carefully and timely reviewed and monitored. The City Manager should continue to closely monitor bank account activity for any unusual transactions or new vendors.

##### **Expected Completion Date:**

To be completed by June 30, 2025.