



City of Kenai, Alaska

Federal Single Audit Reports
Year Ended June 30, 2019

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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, Alaska (City of Kenai) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise City of Kenai's basic financial statements, and have issued our report thereon dated November 26, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Kenai's internal control over financial reporting (internal control) to determine the 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 of Kenai's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 the 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 determination of financial statement amounts. 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
November 26, 2019



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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, 2019. 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 terms 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 types of 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, 2019.

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 City of Kenai as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise City of Kenai's basic financial statements. We issued our report thereon dated November 26, 2019, 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 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
November 26, 2019

City of Kenai, Alaska

Schedule of Expenditures of Federal Awards Year Ended June 30, 2019

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	93.044	607-309-1901	\$ -	\$ 124,543
Nutrition Services Incentive Program	93.053	607-PA-108	-	24,938
Total Department of Health and Human Services			-	149,481
DEPARTMENT OF TRANSPORTATION				
Airport Improvement Program	20.106		-	61,245
Airport Improvement Program	20.106		-	5,963,894
<i>Total Airport Improvement Program</i>			-	6,025,139
Passed through the State of Alaska Department of Transportation and Public Facilities Highway Safety Cluster National Priority Safety Programs	20.616	405Dm5hve-18-01-00(A)-7	-	1,845
Total Department of Transportation			-	6,026,984
DEPARTMENT OF HOMELAND SECURITY				
Homeland Security Grant Program	97.067		-	18,742
DEPARTMENT OF AGRICULTURE FOREST SERVICE				
Passed through the State of Alaska Department of Natural Resources - Cooperative Forestry Assistance	10.664	FY19	-	7,468
INSTITUTE OF MUSEUM AND LIBRARY SERVICES				
Passed through the State of Alaska Department of Education and Early Development - Grants to States	45.310	PLA-19-747-01	-	1,250
ENVIRONMENTAL PROTECTION AGENCY				
Passed through the State of Alaska Department of Environmental Conservation - Beach Monitoring and Notification Program Implementation Grants	66.472	ACWA-18-B01	-	35,996
Beach Monitoring and Notification Program Implementation Grants	66.472	ACWA-19-B11	-	25,359
Total Environmental Protection Agency			-	61,355
Total Expenditures of Federal Awards			\$ -	\$ 6,265,280

City of Kenai, Alaska

Notes to the Schedule of Expenditures of Federal Awards *Year Ended June 30, 2019*

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards include the federal grant activity of the City of Kenai, Alaska under programs of the federal government for the year ended June 30, 2019. 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 or UG). Because the Schedule presents only a selected portion of the operations of City of Kenai, Alaska, it is not intended to and does not present the financial position, changes in net position or cash flows of City of Kenai, Alaska.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures reported on the Schedule of Expenditures of Federal Awards are recognized following the cost principles contained in Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance or UG), wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. Major Programs

Federal major programs are identified in the summary of auditor's results section of the Schedule of Findings and Questioned Costs.

4. Indirect Cost Rate

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

City of Kenai, Alaska

Schedule of Findings and Questioned Costs Year Ended June 30, 2019

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 program:

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:

<i>CFDA Number</i>	<i>Name of Federal Program or Cluster</i>	<i>Agency</i>
20.106	Airport Improvement Program	Department of Transportation

Dollar threshold used to distinguish between a type A and type B program:

\$ 750,000

Auditee qualified as low-risk auditee?

X yes

___ no

City of Kenai, Alaska

Schedule of Findings and Questioned Costs, continued *Year Ended June 30, 2019*

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 Assistance Findings and Questioned Costs

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