

CITY OF VALDEZ, ALASKA

Letter to the Governing Board

Year Ended December 31, 2024

CITY OF VALDEZ, ALASKA
Letter to the Governing Board
Year Ended December 31, 2024

Month XX, 2025

Honorable Mayor and City Council
City of Valdez, Alaska
Valdez, Alaska

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Valdez, Alaska (the City), as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise City of Valdez's basic financial statements. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, the Uniform Guidance, 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 December 20, 2024. 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 the City of Valdez are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the City of Valdez 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 City of Valdez's financial statements were:

Governmental Activities and Business-type Activities Opinion Units

Management's estimate of the useful lives and depreciation is based upon 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.

Governmental Activities Opinion Unit

Management uses estimates to calculate the liability for the closure and post closure costs of the landfill. These estimates are based on engineering surveys. We evaluated the key factors and assumptions used to develop the estimated liability for the closure of the landfill to determine its reasonableness 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) assets and 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 City's proportionate share of the collective net pension and OPEB liabilities and assets 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.

All Opinion Units

Management's estimate of the allowance account on accounts receivable is based on historical collections and collectability of customer balances. 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.

Management's estimate of the calculation of the lease receivable is based on an estimated incremental borrowing rate for the tenants for the present value calculation of the lease payments. We evaluated the key factors and assumptions used to develop the present value calculation in determining it is reasonable in relation to the basic 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 did not identify any misstatements.

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 Month XX, 2024.

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 auditors' 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

See the December 31, 2024 Federal and State Single Audit Reports for the definition and description of deficiencies, significant deficiencies, material weaknesses and any reported findings.

Accounting Assistance

As part of our engagement, we assisted management in the drafting of the basic 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.

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 City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Supplementary Information Accompanying the Financial Statements

We applied certain limited procedures to the Management's Discussion and Analysis, Budgetary Comparison Schedule, Schedules of City's Proportionate Share of Net Pension and Other Postemployment Benefit (OPEB) Liabilities and Assets and Contributions for the Public Employees' Retirement System, and Notes to Required Supplementary 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 the "Supplementary Information", which includes General Fund: Combining Balance Sheet and Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances; Other Governmental Funds: Combining Balance Sheet and Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances; and the State of Alaska, Department of Health and Social Services – Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget to Actual, which accompany the financial statements but are not RSI. With respect to the supplementary information accompanying the financial statements, 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.

Restriction on Use

This information is intended solely for the use of City Council and management of the City of Valdez and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,