




City of Valdez, Alaska

AUDIT WRAP UP

December 31, 2016



The following communication was prepared as part of our audit, has consequential limitations, and is intended solely for the information and use of those charged with governance (City Council) and, if appropriate, management of the City and is not intended and should not be used by anyone other than these specified parties.

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September 14, 2017

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

Professional standards require us to communicate with you regarding matters related to the audit, that are, in our professional judgment, significant and relevant to your responsibilities in overseeing the financial reporting process. On January 20, 2017 we presented an overview of our plan for the audit of the financial statements of the City of Valdez, Alaska (the City) as of and for the year ended December 31, 2016, including a summary of our overall objectives for the audit, and the nature, scope, and timing of the planned audit work.

This communication is intended to elaborate on the significant findings from our audit, including our views on the qualitative aspects of the City's accounting practices and policies, management's judgments and estimates, financial statement disclosures, and other required matters.

We are pleased to be of service to the City and look forward to discussing our audit findings, as well as other matters that may be of interest to you, and to answer any questions you might have.

Respectfully,

BDO USA, LLP

Discussion Outline

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Status of Our Audit

We have completed our audit of the financial statements as of and for the year ended December 31, 2016. Our audit was conducted in accordance with auditing standards generally accepted in the United States of America. This audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

- The objective of our audit was to obtain reasonable - not absolute - assurance about whether the financial statements are free from material misstatements.
- The scope of the work performed was substantially the same as that described to you in our earlier Audit Planning communications.
- We have issued an unmodified opinion on the financial statements and released our report in on September 14, 2017.
- Our responsibility for other information in documents containing the City's audited financial statements does not extend beyond the financial information identified in the audit report, and we are not required to perform procedures to corroborate such other information.
- All records and information requested by BDO were freely available for our inspection.
- Management's cooperation was excellent. We received full access to all information that we requested while performing our audit, and we acknowledge the full cooperation extended to us by all levels of City personnel throughout the course of our work.

Results of Our Audit

ACCOUNTING PRACTICES, POLICIES, AND ESTIMATES

The following summarizes the more significant required communications related to our audit concerning the City's accounting practices, policies, and estimates:

The City's significant accounting practices and policies are those included in Note 1 to the financial statements. These accounting practices and policies are appropriate, comply with generally accepted accounting principles and industry practice, were consistently applied, and are adequately described within Note 1 to the financial statements.

The following is a list of new accounting pronouncements which were adopted by the City in 2016:

- *GASB 72, Fair Value Measurement and Application.* This statement defines fair value and how fair value should be measured. In 2016 the City was required to disclose the fair value hierarchy of its investments measured at fair value.
- *GASB 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.* This statement reduces the GAAP hierarchy to two categories of authoritative GAAP and address the use of authoritative and nonauthoritative literature in the event the accounting treatment for a transaction is not specified within a source of authoritative GAAP.
- *GASB 77, Tax Abatement Disclosures.* This statement requires local governments to provide financial disclosures related to tax abatements affecting the government.
- *GASB 78, Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans.* This statement amends the scope and applicability of GASB 68 to exclude pensions provided to employees through a cost-sharing multiple-employer defined benefit pension plan that is (1) not a state or local government pension plan, (2) used to provide defined benefit pensions to employees of both government and non-government employers, and (3) has no predominant state or local government employer, either individually or collectively with other governmental employers providing pensions in the plan.
- *GASB 79, Certain External Investment Pools and Pool Participants.* This statement establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes.

There were no other changes in significant accounting policies and practices during 2016.

Results of Our Audit

Significant estimates are those that require management's most difficult, subjective, or complex judgments, often as a result of the need to make estimates about the effects of matters that are inherently uncertain. The most significant estimates are disclosed below:

Significant accounting estimates include:

Collectability of Outstanding Accounts Receivables - Accounts receivables from granting agencies are generally considered by management to be 100% collectible. Customer accounts receivables (water, sewer, harbor, etc.) are reviewed by management periodically to determine a reasonable amount of allowance, based on known factors, past history, and age of the outstanding amount.

Landfill Closure Liability - Management has estimated the cost of landfill closure and post-closure monitoring based on knowledge from the public works department and a third-party engineering firm. This liability includes projected actual costs accrued based on the amount of usage and remaining life of the landfill.

Incurred But Not Reported (IBNR) - Self Insurance Liability - Claims incurred but not reported are estimated and recorded as a liability in the internal service fund. IBNR is estimated based on reports of the third party administrator and actual experience of run-out claims.

Net Pension Liabilities - The Net Pension Liability and related deferred inflows and outflows of resources are estimated based on actuarial information and actual contribution data provided to the City by the PERS Plan Administrator.

- Management did not make any significant changes to the processes or significant assumptions used to develop the significant accounting estimates in 2016.

CORRECTED AND UNCORRECTED MISSTATEMENTS

There were corrected misstatements, other than those that were clearly trivial, related to accounts and/or disclosures that we brought to the attention of management. Of these, the following were considered significant:

- Reverse double posting of a prior adjustment impacting prepaid expense and capital outlay
- Accrue accounts payable and capital outlay at year-end for unrecorded liabilities
- Adjust insurance claims payable at year-end to match ending lag reports
- Remove stop loss recoveries incorrectly recorded as both revenue and claims expense
- Remove transfer in and receivable for interfund transfer to be recognized in FY 17

There were no uncorrected misstatements related to accounts and/or disclosures that we presented to management. To our knowledge, there are no other uncorrected misstatements.

All journal entries recorded were provided to management in the representation letter.

Results of Our Audit

CORRECTED AND UNCORRECTED MISSTATEMENTS, CONTINUED

The City reports Valdez City Schools and Valdez Museum and Historical Archive Association, Inc. as discretely presented component units. Those entities reported the following uncorrected misstatements:

- Valdez City Schools - \$13,121 - to adjust for stale dated checks

To our knowledge, there are no other uncorrected misstatements.

In addition, the City reports Providence Valdez Medical Center (PVMC) and Providence Valdez Counseling Center (PVCC) as blended component units. Those entities reported the following uncorrected misstatements:

- PVMC - \$54,250 - to increase net patient service revenue and accounts receivable
- PVCC - \$1,656 - to increase net patient service revenue and accounts receivable

To our knowledge, there are no other uncorrected misstatements.

QUALITY OF THE CITY'S FINANCIAL REPORTING

- Qualitative aspects of significant accounting policies and practices
 - We concur with the City's interpretation and the application of generally accepted accounting principles and practices derived from the standards set by the Governmental Accounting Standards Board (GASB).
- Our conclusions regarding significant accounting estimates
 - The nature of the City's operations reduces the need for numerous significant estimates within the accounting records. See comment about estimates above. We believe the City's estimates are reasonable in the circumstances.
- Significant unusual transactions
 - No significant unusual transactions were noted during the audit.
- Financial statement presentation
 - To our knowledge, all necessary disclosures have been included in the notes to the financial statements.
- New accounting pronouncements
 - The City adopted GASB Statements 72, 76, 77, 78 and 79 in 2016. We concur with the City's decision to adopt these pronouncements.
- Alternative accounting treatments
 - We did not identify any accounting treatments that did not comply with generally accepted accounting principles and standards set by GASB.

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 our auditing procedures for the purpose of expressing our opinion 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.

Our consideration of internal control was for the limited purpose described above and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

We are required to communicate, in writing, to those charged with governance all material weaknesses and significant deficiencies that have been identified in the City's internal controls over financial reporting. The definitions of control deficiency, significant deficiency and material weakness follow:

Category	Definition
Deficiency in 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.
Significant Deficiency	A deficiency or 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.
Material Weakness	A deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis.

In conjunction with our audit of the financial statements, we reported one material weakness and one significant deficiency. These items are discussed in detail in the financial statements. For discussion purposes, the following items were identified.

Material Weakness	The City double posted a prior year transaction in 2016 to record the purchase of a firetruck. Result was an overstatement of capital outlay expense, overstatement of construction in progress, and an understatement of prepaid expenses.
Significant Deficiency	Invoices received and paid after year-end for 2016 expenditures were not properly recorded as accounts payable in 2016.

Other Required Communications

Following is a summary of those required items, along with specific discussion points as they pertain to the City:

Requirement	Discussion Points
Significant changes to planned audit strategy or significant risks initially identified	There were no significant changes to the planned audit strategy or significant risks initially identified and previously communicated to those charged with governance as part of our Audit Planning communications.
Obtain information from those charged with governance relevant to the audit	There were no matters noted relevant to the audit, including, but not limited to: violations or possible violations of laws or regulations; risk of material misstatements, including fraud risks; or tips or complaints regarding the City's financial reporting that we were made aware of as a result of our inquiry of those charged with governance.
Nature and extent of specialized skills or knowledge needed related to significant risks	There were no specialized skills or knowledge needed, outside of the core engagement team, to perform the planned audit procedures or evaluate audit results related to significant risks.
Consultations with other accountants	We are not aware of any consultations about accounting or auditing matters between management and other independent public accountants. Nor are we aware of opinions obtained by management from other independent public accountants on the application of generally accepted accounting principles.
Disagreements with management	There were no disagreements with management about matters, whether or not satisfactorily resolved, that individually or in aggregate could be significant to the City's financial statements or to our auditor's report.
Significant difficulties encountered during the audit	There were no significant difficulties encountered during the audit.
Other matters significant to the oversight of the City's financial reporting process, including complaints or concerns regarding accounting or auditing matters	There are no other matters that we consider significant to the oversight of the City's financial reporting process that have not been previously communicated.
Representations requested from management	Please refer to the management representation letter.

Independence Communication

Our engagement letter to you dated January 20, 2017 describes our responsibilities in accordance with professional standards and certain regulatory authorities with regard to independence and the performance of our services. This letter also stipulates the responsibilities of the City with respect to independence as agreed to by the City. Please refer to that letter for further information.

Group Audit

As you are aware, the audit of the City requires the inclusion of financial information for all components of the reporting entity. The reporting entity is comprised of the City and its "component units" as defined by GAAP. This collection of individual reporting entities comprises the "Group." Our audit is considered the "Group" Audit.

Included in the City's audit are the audits of Valdez City Schools, Valdez Museum and Historical Archive Association, Inc., Providence Valdez Medical Center and Providence Valdez Counseling Center. These audits were performed by other auditors. Where relevant, we have included information in this report as it relates to Valdez City Schools, Valdez Museum and Historical Archive Association, Inc., Providence Valdez Medical Center and Providence Valdez Counseling Center.

Attachment

- Representation Letter



September 14, 2017

BDO USA, LLP
3601 C Street, Suite 600
Anchorage, AK 99503

Ladies and gentlemen:

We are providing this letter in connection with your audit of the financial statements of the City of Valdez, Alaska (the City), which comprise the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information as of December 31, 2016, and the respective changes in financial position and, where applicable, cash flows for the year then ended, and the related notes to the financial statements, for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. We confirm that we are responsible for the preparation and fair presentation in the financial statements of financial position, changes in net position, and cash flows in conformity with accounting principles generally accepted in the United States of America.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, as of the date of this representation letter, as entered on the first page, the following representations made to you during your audit:

- (1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated January 20, 2017, for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America.
- (2) We have fulfilled our responsibility, as set out in the terms of the aforementioned audit engagement letter, for the design, implementation, and maintenance of internal control relevant to the preparation

and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

- (3) The financial statements include all properly classified funds and other financial information of the primary government and all component units required to be included in the financial reporting entity by accounting principles generally accepted in the United States of America. All funds required to be presented as major funds are identified and presented as such.
- (4) We have made available to you:
 - (a) All financial records, and related data and federal and state awards (including amendments, if any, and any other correspondence with federal and state agencies or pass-through entities relevant to federal and state programs and related activities), as agreed upon in the terms of the aforementioned audit engagement letter.
 - (b) All additional information that you have requested from us for the purpose of the audit.
 - (c) Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
 - (d) Minutes of the meetings of the City Council that were held from January 1, 2016 to the date of this letter, or summaries of actions of recent meetings for which minutes have not yet been prepared.
- (5) There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in financial reporting practices.
- (6) There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements or Schedule of Expenditures of Federal Awards (SEFA) or Schedule of State Financial Assistance (SSFA). All financial statement misstatements relating to accounts and disclosures identified and discussed with us in the course of the audit, as listed in attachment A - Schedule of Audit Adjustments, have been corrected, except those, as listed in attachment B - Schedule of Uncorrected Audit Adjustments. In our opinion, the effects of not correcting such identified financial misstatements are, both individually and in the aggregate, immaterial to the financial statements of the City, taken as a whole. We have evaluated the propriety of the corrected misstatements based on a review of both the applicable authoritative literature and the underlying supporting evidence from our files and confirm our responsibility for the decision to correct them.
- (7) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud or noncompliance. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud or noncompliance. We have no knowledge of any:
 - (a) Fraud or suspected fraud involving management or involving employees who have significant roles in internal control, whether or not perceived to have a material effect on the financial statements.

- (b) Fraud or suspected fraud involving others where the fraud could have a material effect on the financial statements.
 - (c) Allegations of fraud or suspected fraud affecting the City received in communications from employees, former employees, regulatory agencies, law firms, predecessor accounting firms, or others.
 - (d) Instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts or grant agreements, or abuse, whose effects should be considered when preparing the financial statements.
- (8) We have no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.
- (9) The following, where applicable and material, have been properly recorded or disclosed in the financial statements:
- (a) The identity of related parties and all related party relationships and transactions of which we are aware, including revenues, expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties.
 - (b) Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances and line-of-credit or similar arrangements.
 - (c) Guarantees, whether written or oral, under which the City is contingently liable.
 - (d) Significant estimates and material concentrations known to management that are required to be disclosed in accordance with accounting principles generally accepted in the United States of America. In that regard, all accounting estimates that could be material to the financial statements, including key factors and significant assumptions underlying those estimates, have been identified, and we believe the estimates are reasonable in the circumstances.
 - (e) The effects of all known actual or possible litigation, claims, and other liabilities or gain or loss contingencies that are required to be accrued or disclosed by accounting principles generally accepted in the United States of America, including:
 - Pending or anticipated tax refunds, other potential or pending claims, lawsuits by or against any branch of government or others;
 - Written or oral guarantees, endorsements, or unused letters of credit;
 - Unusual guarantees; or
 - Labor claims or negotiations.

Accounting principles generally accepted in the United States of America require loss contingencies to be accrued if it is probable an asset has been impaired or a liability incurred at the statement of financial position date and the amount of loss can be reasonably estimated. Such contingencies must be disclosed, but may not be accrued, if the loss is reasonably possible (but not probable) or the loss is probable but the amount of loss cannot be reasonably estimated.

(f) Commitments, such as:

- Major capital asset purchase agreements;
- More-than-one-year employment arrangements or contracts with suppliers or customers, or one-year-or-longer term leases;
- Deferred compensation, bonuses, pensions plans, or severance pay; or
- Pending sale or merger of all or a portion of the business or of an interest therein or acquisition of all or a portion of the business, assets or securities of another entity;

(g) Joint ventures or other participations, the detailed transactions of which are not carried on our books.

(10) There are no:

- (a) Violations or possible violations of budget ordinances, laws or regulations and provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects could be material to the financial statements whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.
- (b) Unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with accounting principles generally accepted in the United States of America.
- (c) Restrictions of net position that were not properly authorized and approved, or reclassifications of net position that have not been properly reflected in the financial statements.

(11) Receivables recorded in the financial statements represent valid claims against debtors for transactions arising on or before the statement of financial position date and have been appropriately reduced to their estimated net realizable value.

(12) The City has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.

(13) We have appropriately disclosed the City's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and

unrestricted net position are available and have determined that net position is properly recognized under the policy.

- (14) We have complied with all aspects of contractual agreements, including debt covenants, that would have a material effect on the financial statements in the event of noncompliance. We have also complied with the SEC disclosure rules for reporting annual financial information and material events to repositories in accordance with SEC Rule N.240, 15c2-12.
- (15) No discussions have taken place with your firm's personnel regarding employment with the City.
- (16) We are responsible for compliance with laws, regulations and provisions of contracts and grant agreements applicable to us and we have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts.
- (17) Components of net position (net investment in capital assets, restricted and unrestricted) and classifications of fund balance (nonspendable, restricted, committed, assigned and unassigned) are properly classified and, if applicable, approved.
- (18) Revenues are appropriately classified in the statement of activities within program revenues, contributions, and general revenues. Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
- (19) In regards to the preparation of the financial statements services and assistance with preparing the Data Collection Form performed by you, we have: (1) assumed all management responsibilities, (2) designated an individual (within senior management) with suitable skill, knowledge, or experience to oversee the services, (3) evaluated the adequacy and results of the services performed, and (4) accepted responsibility for the results of the services.
- (20) We acknowledge our responsibility for presenting the supplementary information in accordance with accounting principles generally accepted in the United State of America and we believe it is fairly presented. The methods of measurement and presentation of the supplementary information have not changed from the prior period and we have disclosed to you any significant assumptions underlying the measurement and presentation of the supplementary information.
- (21) Required supplementary information is measured and presented in accordance with prescribed guidelines.
- (22) With respect to federal and state award programs:
 - (a) We are responsible for understanding and complying with, and have complied with, the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits* (State

Single Audit Guide) including requirements relating to the preparation of the schedule of expenditures of federal awards (SEFA) and the schedule of state financial assistance (SSFA).

- (b) We have, in accordance with the Uniform Guidance and the State Single Audit Guide, identified and disclosed to you in the SEFA and SSFA, expenditures made during the audit period for all government programs and related activities provided by federal and state agencies in the form of federal and state awards, grants, federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other direct assistance.
- (c) We acknowledge our responsibility for the preparation of the SEFA and SSFA and related notes in accordance with the requirements of the Uniform Guidance the State Single Audit Guide, and we believe the SEFA and SSFA, including its form and content, are fairly presented in accordance with the Uniform Guidance and the State Single Audit Guide. The methods of measurement or presentation of the SEFA and SSFA have not changed from those used in the prior period, and we have disclosed to you any significant assumptions and interpretations underlying the measurement or presentation of the SEFA and SSFA.
- (d) We have notified you of federal awards and funding increments that were received for awards received before December 26, 2014, and differentiated those awards from awards received on or after December 26, 2014, and subject to the audit requirements of the Uniform Guidance.
- (e) We will include the auditor's report on the SEFA and SSFA in any document that contains the SEFA and SSFA and that indicates you have reported on such information.
- (f) If the SEFA and SSFA is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the SEFA and SSFA no later than the date we issue the SEFA and SSFA and the auditor's report thereon.
- (g) We are responsible for understanding and complying with, and have complied with in all material respects, the requirements of federal and state statutes, regulations, and the terms and conditions of federal and state awards related to each of our federal and state programs and have identified and disclosed to you the requirements of federal and state statutes, regulations, and the terms and conditions considered to have a direct and material effect on each federal and state program.
- (h) We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance for federal and state programs that provides reasonable assurance that we are managing our federal and state awards in compliance with federal and state statutes, regulations, and the terms and conditions that could have a material effect on our federal and state programs. We believe the internal control system is adequate and is functioning as intended. Also, subsequent to the date of the auditor's report as of which compliance was audited, no changes have occurred in internal control over compliance or other factors that might significantly affect internal control, including any corrective action we have taken regarding significant deficiencies and material weaknesses in internal control over compliance as reported in the schedule of findings and questioned costs.


- (i) We have made available to you all federal and state award contracts and grant agreements (including amendments, if any) and any other correspondence with federal and state agencies or pass-through entities relating to each major federal and state program and related activities that have taken place with federal and state agencies or pass-through entities.
- (j) We have received no requests from a federal and state agency to audit one or more specific programs as a major program.
- (k) We have complied, in all material respects, with the direct and material compliance requirements (except for noncompliance disclosed to you), including when applicable, those set forth in the *OMB Compliance Supplement* and the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*, relating to federal and state awards and have identified and disclosed to you all amounts questioned and all known noncompliance with the direct and material requirements of federal and state awards, including the results of other audits or program reviews or confirmed that there were no amounts questioned and no known noncompliance with the direct and material compliance requirements of federal and state awards. We also know of no instances of noncompliance occurring subsequent to the end of the period audited.
- (l) We have disclosed to you any communications from federal and state awarding agencies and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of the auditor's report.
- (m) Amounts claimed or used for matching were determined in accordance with relevant guidelines in the Uniform Guidance and the State Single Audit Guide.
- (n) We have disclosed to you our interpretations of compliance requirements that are subject to varying interpretations.
- (o) We have made available to you all documentation related to compliance with the direct and material compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.
- (p) We have disclosed to you the nature of any subsequent events that provide additional evidence with respect to conditions that existed at the end of the reporting period that affect noncompliance during the reporting period.
- (q) Federal and state program financial reports and claims for advances and reimbursements are supported by the books and records from which the basic financial statements have been prepared, and are prepared on a basis consistent with the SEFA and SSFA.
- (r) The copies of federal and state program financial reports provided to you are true copies of the reports submitted or electronically transmitted, to the respective federal and state agency or pass-through entity, as applicable.

- (s) We have charged costs to federal and state awards in accordance with applicable cost principles.
 - (t) We are responsible for, and have accurately completed, the appropriate sections of the Data Collection Form as required by the Uniform Guidance. The final version of the applicable audit reporting package, which includes your signed auditor's reports, that we will submit to the Federal Audit Clearinghouse (FAC) will be identical to the final version of such documents that you provided to us.
 - (u) We have identified and disclosed to you the findings received and related corrective actions taken for previous audits, attestation engagements, internal or external monitoring, and other studies directly related to the audit objectives of the compliance audit, including findings received and corrective actions taken from the end of the audit period covered by the compliance audit report to the date of the auditor's report.
 - (v) We have provided views on your reported findings, conclusions, and recommendations. We are responsible for taking corrective action on audit findings and we are responsible for preparing and implementing a corrective action plan for each audit finding that meets the requirements of the Uniform Guidance and State Single Audit Guide.
 - (w) We are responsible for, and have accurately prepared, the summary schedule of prior audit findings required to be included by the Uniform Guidance and the State Single Audit Guide, and we have provided you with all information on the status of the follow-up on prior audit findings by federal and state awarding agencies and pass-through entities, including all management decisions.
 - (x) We are responsible for and have ensured the reporting package does not contain protected personally identifiable information.
- (23) In connection with any electronic presentation of the financial statements and your audit report thereon on our web site, we acknowledge that:
- We are responsible for the preparation, presentation, and content of the financial statements in the electronic format.
 - If your audit report is presented on our web site, the full financial statements upon which you reported and to which you appended your signed report will be presented.
 - We will clearly indicate in the electronic presentation on our web site the financial information that is subject to your audit report. We will clearly differentiate any information that may also be presented by us on or in connection with our web site that was contained in the published version of the financial statements and other supplementary information, but which is not part of the audited financial statements or other financial information covered by your audit report.

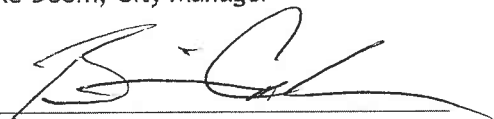
- We have assessed the security over financial statement information and the audit report presented on our web site, and are satisfied that procedures in place are adequate to ensure the integrity of the information provided. We understand the risk of potential misrepresentation inherent in publishing financial information on our web site through internal failure or external manipulation.
- Our web site, which contains the electronic financial statements, will advise the reader that such financial statements are presented for convenience and information purposes only, and while reasonable efforts have been made to ensure the integrity of such information, they should not be relied on. A copy of the printed financial statements will be provided on request.

To the best of our knowledge and belief, no events, including instances of noncompliance, have occurred subsequent to the statement of financial position date and through the date of this representation letter, as entered on the first page that would require adjustment to or disclosure in the aforementioned financial statements or in the schedule of findings and questioned costs.

Very truly yours,



Elke Doom, City Manager



Brian Carlson, Finance Director

City of Valdez
Attachment A - Schedule of Audit Adjustments
12/31/2016

	<u>Debit</u>	<u>Credit</u>
1 Prepaid Expense	758,235	
Capital Outlay		758,235
Reverse double posting of prior year adjustment		
<hr/>		
2 Accounts Payable		74,357
Capital Outlay	74,357	
Accrue accounts payable and capital outlay at year-end for unrecorded liabilities		
<hr/>		
3 Claims Payable	89,804	
Claim Costs		89,804
Adjust insurance claims payable at year-end to match ending lag reports		
<hr/>		
4 Charges for services	356,217	
Claims Costs		356,217
Remove stop loss recoveries incorrectly recorded as revenue and expense in internal service fund		
<hr/>		
5 Transfer In	2,335,000	
Accounts Receivable		2,335,000
Remove interfund transfer and receivable from PVMC relating to FY 17		
<hr/>		
6 Deferred Inflow of Resources		31,838
Property Tax Revenue	31,838	
True up deferred inflows of resources and property tax revenue at YE		
<hr/>		
7 Deferred Inflow of Resources	17,700	
Special Assessments		17,700
Correct outstanding special assessments balance in General Capital Projects Fund		
<hr/>		
8 Deferred Inflow of Resources	4,084	
Other Miscellaneous Revenue		4,084
True up special assessments in General Fund		
<hr/>		

City of Valdez
Attachment B - Schedule of Uncorrected Audit Adjustments
12/31/2016

	<u>Debit</u>	<u>Credit</u>
Opening Net Position	1,550,583	
Public Service Expenditures		784,245
Public Safety Expenditures		758,235
General Government Expenditures		8,103

To correctly expense Construction in Progress determined to be noncapitalizable in 2015
on the government wide financial statements