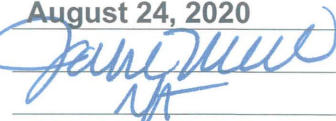



Date Presented to Council: **August 24, 2020**  
Verified By:   
Clerk's Note: 

**City of Wasilla  
Informational Memorandum No. 20-11**

**Audit Planning Report, Fiscal Year Ending June 30, 2020**

Originator: Troy Tankersley, Finance Director  
Date: 8/14/2020

Agenda of: 8/24/2020

Route to:	Department Head	Signature	Date
X	Finance Director		8-14-20
X	Deputy Administrator		8/14/2020
X	City Clerk		8/17/2020
X	Mayor		8/14/2020

**Attachments:** Audit Planning Report, Year Ending June 30, 2020 (30 pages)

**Summary Statement:** The City of Wasilla has contracted with BDO USA, LLP for audit services regarding the fiscal year-end of June 30, 2020.

BDO USA, LLP has requested the distribution of the Audit Planning Report, Year Ending June 30, 2020 to Council and Administration.



Report to City Council

# CITY OF WASILLA

Audit Planning:  
Year Ending **June 30, 2020**



Report to City Council



Audit Planning:  
Year Ending **June 30,**  
**2020**



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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.





# Welcome



August 13, 2020

Honorable Mayor and City Council  
City of Wasilla, Alaska

Professional standards require us to communicate with you regarding matters related to the financial statement audit, audit of the schedule of expenditures of federal awards and audit of the schedule of state financial assistance that are, in our professional judgment, significant and relevant to your responsibilities in overseeing the financial reporting process. This document provides an overview of our plan for the audits of City of Wasilla, Alaska (the City) as of and for the year ended June 30, 2020, including a summary of the nature, scope, and timing of the planned audit work.

We are pleased to be of service to the City and look forward to discussing our audit plan, as well as other matters that may be of interest to you.

Respectfully,

*BDO USA, LLP*

BDO USA, LLP, a Delaware limited liability partnership, is the U.S. member of BDO International Limited, a UK City limited by guarantee, and forms part of the international BDO network of independent member firms. BDO is the brand name for the BDO network and for each of the BDO Member Firms.







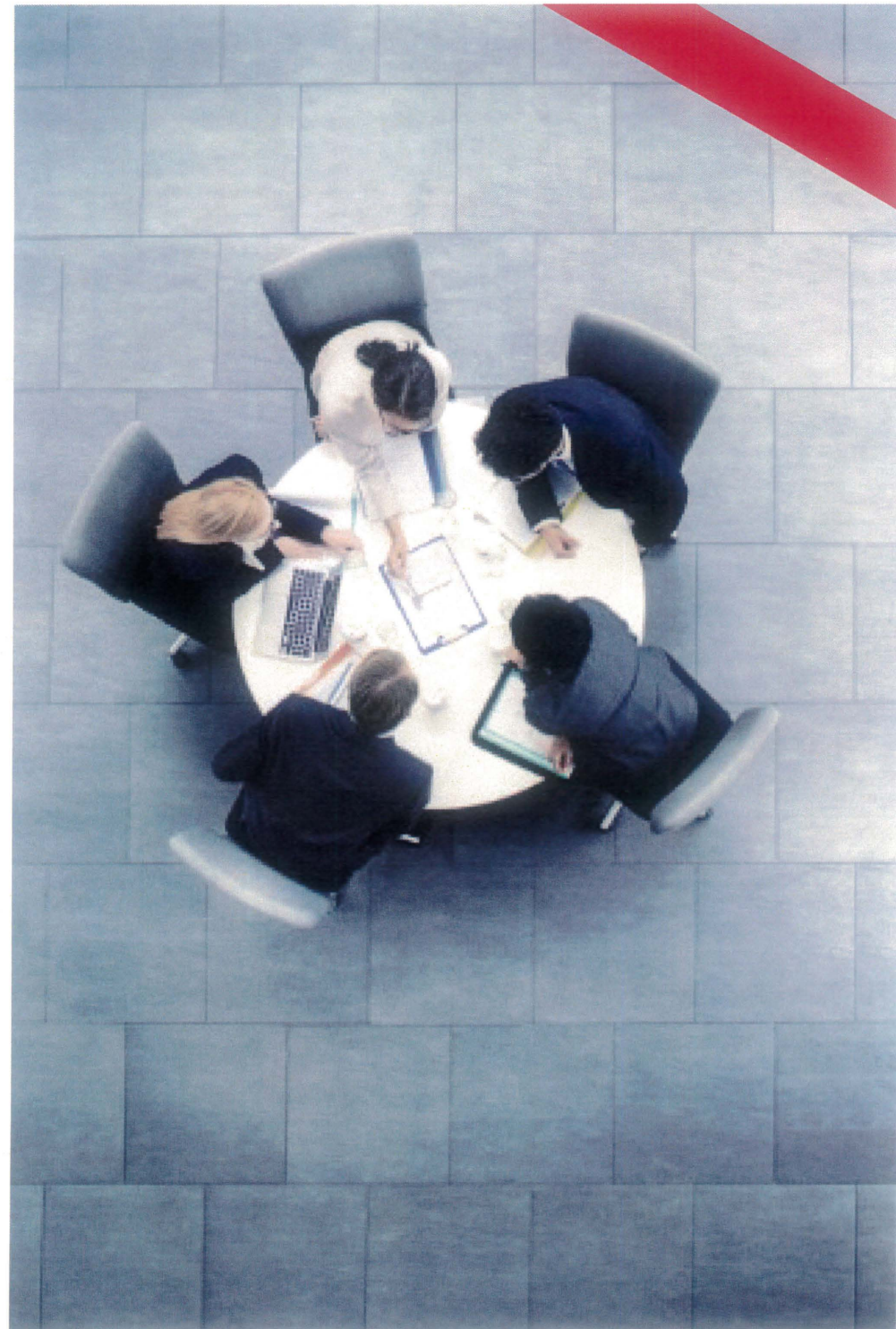
# Executive Summary





# Responsibilities

BDO USA, LLP, as your auditor, is responsible for forming and expressing an opinion about whether the financial statements that have been prepared by management, with your oversight, are prepared, in all material respects, in conformity with accounting principles generally accepted in the United States of America. The audit of the financial statements does not relieve you of your responsibilities and does not relieve management of their responsibilities. The engagement letter, a copy of which has been provided to you, includes specific details regarding the auditor's and management's responsibilities.





# Audit Strategy

Overall, our audit strategy is to assess the risks of material misstatement of the financial statements, schedule of expenditures of federal awards, and schedule of state financial assistance, whether due to fraud or error, and design further audit procedures responsive to assessed risks. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. In connection with our audit, we will obtain a sufficient understanding of the City's internal control to plan the audit of the financial statements, schedule of expenditures of federal awards, and schedule of state financial assistance. However, such understanding is required for the purposes of determining our audit procedures and not to provide any assurance concerning such internal control.

We focus on areas with higher risk of material misstatement (whether due to error or fraud). Our audit strategy includes consideration of:

- ▶ prior year audit results together with current year preliminary analytical review, including discussions with management and those charged with governance regarding the City's operations,
- ▶ inherent risk within the City,
- ▶ recent developments within the industry, regulatory environment and general economic conditions,
- ▶ recently issued and effective accounting and financial reporting guidance,
- ▶ the City's significant accounting policies and procedures, including those requiring significant management judgments and estimates and those related to significant unusual transactions,
- ▶ the control environment and the possibility that the control system and procedures may fail to prevent or detect a material error or fraud,
- ▶ Information about systems and the computer environment in which the related systems operate, and
- ▶ a continual assessment of materiality thresholds based upon qualitative and quantitative factors affecting the City.

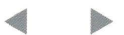




# Planned Scope

Based upon our initial assessment, our planned scope for the audit is described below:

- ▶ The areas indicated below relate to significant risks identified during our risk assessment procedures and include a brief description on how we propose to address them:
  - Fraud Risk/Management Override of Controls
    - Substantive procedures will be performed addressing manual journal entries prepared by management, management's use of accounting estimates, and significant unusual transactions occurring in the fiscal year
  - Revenue Recognition
    - Substantive procedures will be performed to address existence of revenue recognized in the fiscal year
    - Additional procedures, including a combination of transactional and data-analytic-driven tests, will be performed on revenue cycles and transactions with a higher risk profile
- ▶ In addition to identified significant risks, our planned scope for the audit includes procedures specifically designed to address events related to the COVID-19 pandemic and CARES Act:
  - COVID-19 pandemic
    - Assessing the various business risks presented by COVID-19 and evaluating the relevant processes, policies and internal controls in place to address each risk
    - Assessing the financial statement impact of COVID-19 in terms of unexpected/unbudgeted costs and the impact on the City's ability to continue as a going concern
  - CARES Act
    - Evaluating the accounting and financial reporting for federal funding awarded to the City, including whether eligibility requirements have been satisfied for revenue recognition





# Overall Audit Timeline

The following represents our anticipated schedule with regard to our audit of the annual financial statements, schedule of expenditures of federal awards, and schedule of state financial assistance of the City:

	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Planning				✓	✓							
Interim Fieldwork					✓							
Year-End Fieldwork						✓	✓					
Release Audit Reports									✓			



# Independence

Our engagement letter to you dated June 30, 2020 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.





# Client Service Team

As a matter of policy, we attempt to provide continuity of service to our clients to the greatest extent possible. Where engagement team rotation is necessary, we will discuss this matter with you and determine the appropriate individual to be assigned to the engagement based on particular experience, expertise, and engagement needs.

We are pleased to be of service to the City and look forward to answering questions you may have regarding our audit plan as well as other matters that may be of interest to you.



Sam Thompson  
Audit Director  
sthompson@bdo.com / 907-646-7318



George Barker  
Audit Senior  
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# Appendix







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Fax: 907-278-5779  
www.bdo.com

3601 C Street, Suite 600  
Anchorage, AK 99503

June 30, 2020

Mr. Troy Tankersley  
Finance Director  
City of Wasilla  
290 E. Herning Ave.  
Wasilla, Alaska 99654

Dear Mr. Tankersley:

### Agreement to Provide Services

This agreement to provide services (the "Agreement") is intended to describe the nature and scope of our services.

#### Objective and Scope of the Audit

As agreed, BDO USA, LLP ("BDO" or "we") will audit the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information, including the related notes to the financial statements, which collectively comprise the basic financial statements of City of Wasilla, Alaska (the "City" or "you") as of and for the year ending June 30, 2020. The objectives of our audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, to issue an auditor's report that includes our opinion, and to report on the fairness of the supplementary information referred to below when considered in relation to the basic financial statements as a whole. 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 auditing standards generally accepted in the United States of America ("GAAS") will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

The objectives of our audit also include reporting on the City's:

- Internal control related to the financial statements and compliance with federal and state statutes, regulations, and the terms and conditions of the federal and state awards, noncompliance with which could have a material effect on the financial statements in accordance with *Government Auditing Standards*.
- Internal control related to major programs and issuance of an opinion on whether the City complied with federal and state statutes, regulations, and the terms and conditions of the federal and state awards that could have a direct and material effect on each major program in accordance with the Uniform Guidance and State Audit Guide.

Accounting standards generally accepted in the United States of America provide for certain required supplementary information (RSI), such as management's discussion and analysis. BDO USA, LLP, a Delaware limited liability partnership, is the U.S. member of BDO International Limited, a UK company limited by guarantee, and for us part of the international BDO network of independent member firms.

BDO is the brand name for the BDO network and for each of the BDO Member Firms.



(MD&A), to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate context. As part of our engagement, we will apply certain limited procedures to the City's RSI in accordance with GAAS. These limited procedures will consist 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 obtain during our audit of the basic financial statements. We will not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The following RSI is required and will be subjected to certain limited procedures, but will not be audited.

1. City Management's Discussion and Analysis
2. Budgetary Comparison Schedules
  - a. General Fund
  - b. Each Major Special Revenue Fund
3. Public Employees' Retirement System:
  - a. Schedule of City's Proportionate Share of Net Pension Liability
  - b. Schedule of City's Contributions
4. Public Employees' Retirement System:
  - a. Schedule of City's Proportionate Share of the Net Other Postemployment Benefit Liability (Asset) - ARHCT, RMP and ODD Plans
  - b. Schedule of City Contributions - ARHCT, RMP, and ODD Plans

Also, the supplementary information accompanying the basic financial statements, as listed below, will be subjected to the auditing procedures applied in our 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 GAAS, and our auditor's report will provide an opinion on it in relation to the basic financial statements as a whole.

1. Individual and combining fund statements and schedules
2. Schedule of Expenditures of Federal Awards
3. Schedule of State Financial Assistance

The following other information accompanying the financial statements will not be subjected to the auditing procedures applied in our audit of the financial statements, and our auditors' report will not provide an opinion or any assurance on that other information:

1. Introductory section
2. Statistical section



## Responsibilities of BDO

We will conduct our audit in accordance with GAAS. As part of an audit in accordance with GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a reasonable basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we will express no such opinion. An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses in internal control. However, we will communicate to you and those charged with governance in writing concerning any significant deficiencies or material weaknesses in internal control relevant to the audit of the financial statements that we identify during our audit.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Conclude, based on the audit evidence obtained, whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk that some material misstatements may not be detected exists, even though the audit is properly planned and performed in accordance with GAAS.

Our audit will also be conducted in accordance with the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance or UG), and the provisions of the State of Alaska Audit Guide and Compliance Supplement for State Single Audits (State Audit Guide) and will include tests of accounting records, a determination of major program(s) in accordance with the Uniform Guidance and State Audit Guide, and other procedures we consider necessary to enable us to express such an opinion and to render the required reports. The Uniform Guidance requires that we also plan and perform the audit to obtain reasonable assurance about whether the auditee has complied with applicable federal statutes, regulations, and the terms and conditions of the federal awards that may have a direct and material effect on each of its major programs. Our procedures will consist of the applicable procedures described in the Office of Management and Budget's (OMB) Compliance Supplement and State Audit Guide for the types of compliance



requirements that could have a direct and material effect on each of the City's major programs. As required by the Uniform Guidance and State Audit Guide, our audit will include tests of transactions related to major federal award programs for compliance with applicable federal and state statutes, regulations, and the terms and conditions of federal and state awards. The purpose of these procedures will be to express an opinion on the City's compliance with requirements applicable to major programs in our report on compliance issued pursuant to the Uniform Guidance and State Audit Guide.

Our work will be based primarily upon selected tests of evidence supporting the amounts and disclosures in the financial statements and, therefore, will not include a detailed check of all of the City's transactions for the period. Also, an audit is not designed to detect errors or fraud or violations of federal and state statutes and regulations that are immaterial to the financial statements or major programs. However, we will inform you of any material errors or fraud that come to our attention. We will also inform you of possible illegal acts that come to our attention unless they are clearly inconsequential. We will also include such matters in the reports required for an audit performed under the Uniform Guidance and State Audit Guide. In addition, during the course of our audit, financial statement misstatements relating to accounts or disclosures may be identified, either through our audit procedures or through communication by your employees to us, and we will bring these misstatements to your attention as proposed adjustments. At the conclusion of our audit we will communicate to those charged with governance (as defined below) all uncorrected misstatements. Because the determination of abuse is subjective, *Government Auditing Standards* do not expect auditors to provide reasonable assurance of detecting abuse.

The term "those charged with governance" is defined as the person(s) with responsibility for overseeing the strategic direction of the City and obligations related to the accountability of the City, including overseeing the financial reporting process. For the City, we agree that City Council meets that definition.

We will perform test of controls, as required by the Uniform Guidance and State Audit Guide, to evaluate the effectiveness of the design and operation of controls that we consider relevant to preventing or detecting material noncompliance with each direct and material compliance requirement applicable to each of the City's major federal and state award programs. However, our tests will be less in scope than would be necessary to render an opinion on these controls and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to the Uniform Guidance and State Audit Guide.

We are also responsible for communicating with those charged with governance what our responsibilities are under GAAS, an overview of the planned scope and timing of the audit, and significant findings from the audit.

Notwithstanding the unprecedented circumstances resulting from the COVID-19 outbreak, we continue to have a professional obligation to gather sufficient appropriate audit evidence in support of your financial statements. Travel restrictions, actual or suspected infections, work from home requirements, changes - such as work force reductions - made to accommodate the current business environments, or other similar matters may result in delays in your employees' ability to provide us the necessary audit evidence on a timely basis or at all. Similarly, such matters may impact our own ability to collect or appropriately assess necessary audit evidence on a timely basis or at all.



Should such events occur, City and BDO will make good faith efforts to complete alternative procedures to gather and assess necessary audit evidence. Such procedures might include, but not be limited to, our respective employees working from home, transferring more audit information via electronic modes (preferably through our secure BDO Exchange portal), and meeting virtually rather than in-person. As to audit evidence transferred via electronic modes, you are responsible to ensure that such evidence is authentic, complete, and accurate for the purposes it is meant to serve. BDO will perform, as it deems necessary, incremental procedures to validate the authenticity, completeness, and accuracy of such audit evidence.

### **Responsibilities of Management and Identification of the Applicable Financial Reporting Framework**

Our audit will be conducted on the basis that you and those charged with governance acknowledge and understand that you and those charged with governance have responsibility (1) for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; (2) for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements and relevant to federal award programs that are free from material misstatement, whether due to error or fraud; (3) for identifying and ensuring that the City complies with the laws and regulations applicable to its activities; and (4) to provide us with access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters, additional information we may request for the purpose of the audit, and unrestricted access to persons within the City from whom the auditor determines it is necessary to obtain audit evidence.

Management is also responsible for preparation of the schedule of federal expenditures of federal awards, including the notes, noncash assistance received and other required information, in accordance with the requirements of the Uniform Guidance, and the state schedule of financial assistance, in accordance with the requirements of the State Audit Guide. Management is responsible for identifying all federal awards expended during the period including federal awards and funding increments received prior to December 26, 2014, and those received subsequent to December 26, 2014 in accordance with the audit requirements of the Uniform Guidance. You acknowledge and understand your responsibility for the preparation of all supplementary information, including the schedule of expenditures of federal awards, in accordance with the applicable criteria. Management is responsible for identifying all federal awards received and understanding and complying with the compliance requirements, in accordance with the Uniform Guidance. Management is also responsible for (1) establishing and maintaining effective internal control, including internal control over compliance and for evaluating and monitoring ongoing activities to help ensure that appropriate goals and objectives are met, (2) compliance with federal statutes, regulations, and the terms and conditions of federal and state awards, (3) ensuring that there is reasonable assurance that government programs are administered in compliance with compliance requirements, and (4) ensuring that management and financial information is reliable and properly reported. You also agree to include our report on the supplementary information in any document that contains the supplementary information and that indicates that we have reported on such supplementary information. You also agree to present the supplementary information with the audited financial statements, or, if the supplementary information will not be presented with the audited financial statements, to make the audited financial

statements readily available to the intended users of the supplementary information no later than the date of issuance of the supplementary information and our report thereon.

Management's responsibilities also include identifying and informing us of significant contractor relationships in which the contractor is responsible for program compliance and for the accuracy and completeness of that information.

Management is responsible for adjusting the financial statements to correct material misstatements relating to accounts or disclosures, after evaluating their propriety based on a review of both the applicable authoritative literature and the underlying supporting evidence from the City's files; or otherwise concluding and confirming in a representation letter (as further described below) provided to us at the conclusion of our audit that the effects of any uncorrected misstatements are, both individually and in the aggregate, immaterial to the financial statements taken as a whole. Additionally, as required by the Uniform Guidance and State Audit Guide, it is management's responsibility to follow up and take corrective action on reported audit findings and to prepare a summary schedule of prior audit findings and a corrective action plan.

As required by GAAS, we will request certain written representations from management at the close of our audit to confirm oral representations given to us and to indicate and document the continuing appropriateness of such representations and reduce the possibility of misunderstanding concerning matters that are the subject of the representations. Because of the importance of management's representations to an effective audit, the City agrees, subject to prevailing laws and regulations, to release and indemnify BDO and its partners, principals, employees, affiliates, contractors, agents, and Permitted Assignees (as defined herein under "Assignment") (collectively, the "BDO Group") from and against all liability and costs relating to our services rendered under this Agreement attributable to any knowing misrepresentations by management.

Management is also responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the City involving (a) management, (b) employees who have significant roles in internal control, and (c) others where the fraud could have a direct and material effect on the financial statements and/or schedule of expenditures of federal awards. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the City received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the City complies with applicable federal and state statutes, regulations, and the terms and conditions of the federal awards. Management is also responsible for taking timely and appropriate steps to remedy fraud and noncompliance with provisions of federal and state statutes, regulations and the terms and conditions of the federal and state awards, or abuse that we report.

Management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying to us, previous financial audit attestation engagements, performance audits, or other studies related to our audit objectives. This responsibility includes communicating to us corrective actions taken to address significant findings and recommendations resulting from those audits, attestation engagements, performance audits, or studies. You are also responsible for providing management's views on our current findings, conclusions, and recommendations,



as well as your planned corrective actions for the report, and for the timing and format for providing that information.

At the conclusion of the engagement, we will complete the appropriate sections of and electronically certify the Data Collection Form that summarizes our audit findings. We will provide a final copy of our reports in a PDF file to the City; however, it is management's responsibility to upload the PDF version of the reporting package (including financial statements, schedule of expenditures of federal awards, summary schedule of prior audit findings, auditor's reports, and corrective action plan) and complete the appropriate sections of the Data Collection Form. Management is responsible for electronically certifying the Data Collection Form and electronically submitting the completed Data Collection Form to the Federal Audit Clearinghouse (FAC). The financial reporting package must be text searchable, unencrypted, and unlocked to be accepted by the FAC. The Data Collection Form and the reporting package must be submitted electronically within the earlier of 30 days after receipt of the auditor's reports or nine months after the end of the audit period, unless a longer period is agreed to in advance by the oversight agency for audit. Both BDO and management are responsible for ensuring that in their respective parts of the reporting package there is no protected personally identifiable information. We understand that we must make copies of the Data Collection Form and reporting package available for public inspection.

#### **Expected Form and Content of the Auditor's Report**

At the conclusion of our audit, we will submit to you a report, based on our audit, containing our opinion as to whether the financial statements, taken as a whole, are fairly presented based on accounting principles generally accepted in the United States of America. If, during the course of our work, it appears for any reason that we will not be in a position to render an unmodified opinion on the financial statements or the Uniform Guidance or State Single Audit compliance, or that our report will require an Emphasis of Matter or Other Matter paragraph, we will discuss this with you. In particular, impacts from the COVID-19 outbreak may result in our inability to properly complete the engagement or require us to include such an explanatory or emphasis paragraph in our auditor's report. It is possible that, because of unexpected circumstances, we may determine that we cannot render a report or otherwise complete the engagement. If, for any reason, we are unable to complete the audit or are unable to form or have not formed an opinion, we may decline to express an opinion or decline to issue a report as a result of the engagement. If, in our professional judgment, the circumstances require, we may resign from the engagement prior to completion.

The reports on internal control and compliance will each include a statement that the purpose of these reports is solely to describe the scope of our testing of internal control and compliance and the results of that testing based on the requirements of *Government Auditing Standards* (GAS) and the Uniform Guidance and State Audit Guide and are not suitable for any other purpose.

#### **Termination**

Upon notice to the City, BDO may terminate this Agreement if BDO reasonably determines that it is unable to perform the services described in this Agreement in accordance with applicable professional standards, laws, or regulations. If we elect to terminate our services for any reason provided for in this Agreement, our engagement will be deemed to have been

completed upon written notification of termination, even if we have not completed our report. If the Agreement is terminated, the City agrees to compensate BDO for the services performed and expenses incurred through the effective date of termination. Those provisions in this Agreement that, by their very nature, are intended to survive termination shall survive after the termination of the Agreement, including, but not limited to, the parties' obligations related to any of the following provisions: indemnification, limitations on liability, confidentiality, dispute resolution, payment and reimbursement obligations, and limitations on use or reliance.

#### **Client Continuance Matters**

BDO is retaining the City as a client in reliance on information obtained during the course of our client continuance procedures. Sam Thompson has been assigned the role of engagement director and is responsible for directing the engagement and issuing the appropriate report on the City's financial statements.

#### **Email Communication**

BDO disclaims and waives, and you release the BDO Group from, all liability for the interception or unintentional disclosure of email transmissions or for the unauthorized use or failed delivery of emails transmitted or received by BDO in connection with the services we are being engaged to perform under this Agreement.

#### **External Computing Options**

If, at the City's request, BDO agrees to use certain external commercial services, including but not limited to services for cloud storage, remote control, and/or file sharing options (collectively "External Computing Options"), that are outside of BDO's standard security protocol, the City acknowledges that such External Computing Options may be associated with heightened security and privacy risks. Accordingly, BDO disclaims and the City agrees to release the BDO Group from, and indemnify the BDO Group for, all liability arising out of or related to the use of such External Computing Options.

#### **Ownership of Working Papers**

The working papers prepared in conjunction with our audit are the property of BDO, constitute confidential, proprietary, and trade secret information, and will be retained by us in accordance with BDO's policies, procedures, and applicable laws.

However, pursuant to authority given by law or regulation, we may be requested to make certain working papers available to the City's oversight agency, or its designee, a federal agency providing direct or indirect funding, or the U.S. Government Accountability Office for purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities. We will notify you of any such request. If requested, access to such working papers will be provided under the supervision of BDO personnel and at a location designated by BDO. Furthermore, upon request, we may provide photocopies of selected working papers to the aforementioned parties. These parties may intend or decide to distribute the photocopies of information contained therein to others, including other governmental agencies. If a working paper access request is received from a regulator, we will ask you and



the regulator to acknowledge, in writing, the conditions under which we will provide such access; and you agree to provide such written acknowledgment.

#### **Reproduction of Auditor's Report**

If the City plans any reproduction or publication of a document that includes our report, or any portion of it, and that is assembled differently from any paper or electronic version that we have previously reviewed and approved for the City (e.g., by the addition of financial statements and/or accompanying information that you have produced), a copy of the entire document in its final form should be submitted to us in sufficient time for our review and written approval before printing. You also agree to provide us with a copy of the final reproduced material for our written approval before it is distributed. If, in our professional judgment, the circumstances require, we may withhold our written approval.

#### **Posting of Auditor's Report and Financial Statements on Your Website**

You agree that, if you plan to post an electronic version of the financial statements and auditor's report on your website, you will ensure that there are no differences in content between the electronic version of the financial statements and auditor's report on your website and the signed version of the financial statements and auditor's report provided to management by BDO. You also agree to indemnify the BDO Group for all claims that may arise from any differences between the electronic and signed versions.

#### **Review of Documents in Connection With Offering of Sale of Debt**

The audited financial statements and our report thereon should not be provided or otherwise made available to lenders, other financial institutions or sources of financing, or others (including advisors to such parties) in connection with any document to be used in the process of obtaining capital, including, without limitation, by means of the sale of securities (including securities offerings on the Internet) without first submitting copies of the document to us in sufficient time for our review and written approval. If, in our professional judgment, the circumstances require, we may withhold or condition our written approval.

#### **Availability of Records and Personnel**

You agree that all records, documentation, and information we request in connection with our audit will be made available to us (including those pertaining to related parties), that all material information will be disclosed to us, and that we will have the full cooperation of, and unrestricted access to, your personnel during the course of the engagement.

You also agree to ensure that any third-party valuation reports that you provide to us to support amounts or disclosures in the financial statements (a) indicate the purpose for which they were intended, which is consistent with your actual use of such reports; and (b) do not contain any restrictive language that would preclude us from using such reports as audit evidence.

Should impacts from the COVID-19 outbreak impede the ability to provide full cooperation and access, you will instead work with us in good faith to make alternative arrangements to accomplish the objectives of our audit.

### **Assistance by Your Personnel and Internet Access**

We also ask that your personnel prepare various schedules and analyses for our staff. However, except as otherwise noted by us, no personal information other than names related to City employees and/or customers should be provided to us. In addition, we ask that you provide high-speed Internet access to our engagement team, if practicable, while working on the City's premises. This assistance will serve to facilitate the progress of our work and minimize costs to you.

### **Peer Review Reports**

*Government Auditing Standards* requires that we provide you with a copy of our most recent quality control review report. Our latest peer review report accompanies this letter.

### **Other Services**

We are always available to meet with you and other executives at various times throughout the year to discuss current business, operational, accounting, and auditing matters affecting the City. Whenever you feel such meetings are desirable, please let us know. We are also prepared to provide services to assist you in any of these areas. We will also be pleased, at your request, to attend governing board meetings.

In addition to the audit services described above, you have requested that we provide the following non-attest services:

We will assist the City in preparing the financial statements and related footnote disclosures for the year ended June 30, 2020, based on the City's accounting records and other information that comes to our attention during the course of our engagement. We will also assist the City in preparing and submitting the required Form SF-SAC Data Collection Form and the GASB 68 & 75 entries and related footnote disclosures.

### **Independence**

Professional and certain regulatory standards require us to be independent, in both fact and appearance, with respect to the City in the performance of our services. Any discussions that you have with personnel of BDO regarding employment could pose a threat to our independence. Therefore, we request that you inform us prior to any such discussions so that we can implement appropriate safeguards to maintain our independence.

In order for us to remain independent, professional standards require us to maintain certain respective roles and relationships with you with respect to the non-attest services described above. Prior to performing such services in conjunction with our audit, management must acknowledge its acceptance of certain responsibilities.

We will not perform management functions or make management decisions on behalf of the City. However, we will provide advice and recommendations to assist management of the City in performing its functions and fulfilling its responsibilities.



The City agrees to perform the following functions in connection with our performance of the preparation of the financial statements and related footnote disclosures, preparing and submitting the required Form SF-SAC Data Collection Form, and preparing the GASB 68 & 75 entries and footnote disclosures:

- a. Make all management decisions and perform all management functions with respect to the preparation of the financial statements, data collection form, and GASB 68 & 75 entries provided by us.
- b. Assign Joan Miller, Controller, to oversee the preparation of the financial statements, data collection form, and GASB 68 & 75 entries and evaluate the adequacy and results of the services.
- c. Accept responsibility for the results of preparation of the financial statements, data collection form, and GASB 68 & 75 entries.

The services are limited to those outlined above. We, in our professional judgment, reserve the right to refuse to perform any procedure or take any action that could be construed as making management decisions or performing management functions. The City must make all decisions with regard to our recommendations. By signing this Agreement, you acknowledge your acceptance of these responsibilities.

In accordance with *Government Auditing Standards*, you will be required to review and approve the financial statements prior to their issuance and have a responsibility to be in a position in fact and appearance to make an informed judgment on those financial statements. Further, you are required to designate a qualified management-level individual to be responsible and accountable for overseeing those services.

#### **Limitation of Liability**

Except to the extent finally determined to have resulted from the fraud or intentional misconduct of any member of the BDO Group, the BDO Group's liability to the City for any claims arising under this Agreement shall not exceed 1.5 times the aggregate amount of fees paid by the City to BDO during the 12 months preceding the date of the claim for the services giving rise to the claim, regardless of whether such liability arises in contract, statute, tort (including the negligence of any member of the BDO Group), or otherwise. In no event shall the BDO Group be liable for consequential, special, indirect, incidental, punitive, or exemplary losses or damages relating to this Agreement.

#### **Dispute Resolution Procedure**

Any dispute or claim between you and BDO arising out of or relating to the Agreement or a breach of the Agreement, including, without limitation, claims for breach of contract, professional negligence, breach of fiduciary duty, misrepresentation, fraud, or claims based in whole or in part on any other common-law, statutory, regulatory, legal, or equitable theory, and disputes regarding all fees, including attorneys' fees of any type, and/or costs charged under this Agreement ("Arbitration Claims") (except to the extent provided below) shall be submitted to binding arbitration administered by the American Arbitration Association ("AAA"), in accordance with its Commercial Arbitration Rules. Arbitration Claims shall be brought in a party's individual capacity, and not as a plaintiff or class member in any purported class or representative proceeding. Arbitration Claims shall be heard by a panel of

three (3) arbitrators, to be chosen as follows: within fifteen (15) days after the commencement of arbitration, each party shall select one person to act as arbitrator; thereafter, the two individually selected arbitrators shall select a third arbitrator within ten (10) days of their appointment. If the arbitrators selected by the parties are unable or fail to agree upon the third arbitrator, the third arbitrator shall be selected by the AAA. The arbitration panel shall have the power to rule upon its own jurisdiction and authority, including any objection to the initial or continuing existence, validity, effectiveness, or scope of this arbitration agreement. The arbitration panel may not consolidate more than one person's claims and may not otherwise preside over any form of a representative or class proceeding. The arbitration panel shall have no authority to award non-monetary or equitable relief, but nothing herein shall be construed as a prohibition against a party from pursuing non-monetary or equitable relief in a federal or state court. The place of arbitration shall be the city in which the BDO office providing the majority of the services involved under this Agreement is located, unless the parties agree in writing to a different location. Regardless of where the arbitration proceeding actually takes place, all aspects of the arbitration and the Agreement shall be governed by the laws of the State of New York (except if there is no applicable state law providing for such arbitration, then the Federal Arbitration Act shall apply) and the procedural and substantive law of such state shall be applied without reference to conflicts of law rules. The parties shall bear their own legal fees and costs for all Arbitration Claims. The award of the arbitrators shall be accompanied by a reasoned opinion, and judgment on the award rendered by the arbitration panel may be entered in any court having jurisdiction thereof. Except as may be required by law or to enforce an award, neither a party nor an arbitrator may disclose the existence, content, or results of any arbitration hereunder without the prior written consent of the parties to the Agreement.

The parties to the Agreement acknowledge that by agreeing to this arbitration provision, they are giving up the right to litigate claims against each other, and important rights that would be available in litigation, including the right to trial by judge or jury, to extensive discovery and to appeal an adverse decision. The parties acknowledge that they have read and understand this arbitration provision, and that they voluntarily agree to binding arbitration.

The City shall bring no Arbitration Claim more than one (1) year following the completion of the services provided under this Agreement to which the Arbitration Claim relates. This paragraph will shorten, but in no event extend, any otherwise legally applicable period of limitations on such Arbitration Claims.

#### **Fees**

Our charges to the City for the services described above for the year ending June 30, 2020 will be \$72,000. This fee is based on the following assumptions: your personnel will prepare certain schedules and analyses for us and make available to us documents for our examination as and when requested; there will be no significant changes in the internal controls, key personnel, or structure of the organization; there will be no significant changes in critical systems affecting key financial statement accounts (e.g., significant upgrade, systems integration, and/or systems implementation); and there will not be any unanticipated increases in current operations requiring significant additional audit time. Should we encounter any unforeseen problems that will warrant additional time or expense, you will be notified of the situation and, if possible, the added cost.



This engagement includes only those services specifically described in this Agreement; any additional services not specified herein will be agreed to in a separate letter. In the event you request us to object to or respond to, or we receive and respond to, a validly issued third party subpoena, court order, government regulatory inquiry, or other similar request or legal process against the City or its management for the production of documents and/or testimony relative to information we obtained and/or prepared during the course of this or any prior engagements with the City, you agree to compensate us for all time we expend in connection with such response, at our standard rates, and to reimburse us for all related out-of-pocket costs (including outside attorneys' fees) that we incur.

Our fees and costs will be billed periodically, and invoices are payable upon receipt. If we do not receive any written notice of dispute within 10 days of your receipt of the invoice, we will conclude that you have seen the invoice and find it acceptable. Invoices that are unpaid 30 days past the invoice date are deemed delinquent and we reserve the right to charge interest on the past due amount at the lesser of (a) 1.0% per month or (b) the maximum amount permissible by applicable law. Interest shall accrue from the date the invoice is delinquent. We reserve the right to suspend our services, withhold any deliverables, or withdraw from this engagement entirely if any of our invoices are delinquent. In the event that any collection action is required to collect unpaid balances due to us, you agree to reimburse us for all our costs of collection, including without limitation, attorneys' fees.

#### **Assignment**

The City has selected BDO to perform the scope of work described in this letter based on BDO's personal experience, qualifications, and skills. BDO may not assign its rights to perform a portion of the services described in the above, nor delegate any of its duties and responsibilities, without first obtaining the City's written consent. BDO may not retain subcontractors in conjunction with the scope of work without the City's prior written approval.

If such assignment is made, the City agrees that, unless it enters into an engagement letter directly with the Permitted Assignee, all of the applicable terms and conditions of this Agreement shall apply to the Permitted Assignee. We agree that we shall not permit the Permitted Assignee to perform any work until it agrees to be bound by the applicable terms and conditions of this Agreement. We further agree that we will remain primarily responsible for the services described above, unless we and the City agree otherwise, and we will supervise the work of the Permitted Assignee to ensure that all such services are performed in accordance with this Agreement. From time to time, and depending on the circumstances, Permitted Assignees located in other countries may participate in the services we provide to the City. In some cases, we may transfer information to or from the United States or another country. Although applicable privacy laws may vary depending on the jurisdiction, and may provide less or different protection than those of the City's home country, we require that all Permitted Assignees agree to maintain the confidentiality of the City's information and observe our policies concerning any confidential client information that we provide to them.

The City may not assign this Agreement to another party without our prior written consent.

### Third-Party Use

BDO will perform the professional services provided in connection with this engagement solely for the benefit and use of the City. BDO does not anticipate and does not authorize reliance by any other party on its professional services. Any amendment to this provision must be made through a written document signed by the City and BDO.

### Confidentiality

Each of the parties hereto shall treat and keep all of the “Confidential Information” (defined below) as confidential, with at least the same degree of care as it accords to its own confidential information of a similar nature, but in no event less than a reasonable degree of care. Each party shall disclose the Confidential Information only to its employees, partners, contractors, consultants, agents, or its legal or other advisors, provided that they have: (A) each been informed of the confidential, proprietary, and secret nature of the Confidential Information, or are subject to a binding, preexisting obligation of confidentiality no less stringent than the requirements of this Agreement, and (B) a demonstrable need to review such Confidential Information. “Confidential Information” means all non-public information that is marked as “confidential” or “proprietary” or that otherwise should be understood by a reasonable person to be confidential in nature that is obtained by one party (the “Receiving Party”) from the other party (the “Disclosing Party”). All terms of this Agreement and all information provided pursuant to this Agreement are considered Confidential Information. Notwithstanding the foregoing, Confidential Information shall not include any information that was or is: (a) known to the Receiving Party prior to disclosure by the Disclosing Party; (b) as of the time of its disclosure, or thereafter becomes, part of the public domain through a source other than the Receiving Party; (c) made known to the Receiving Party by a third person who is not subject to any confidentiality obligation known to Receiving Party and such third party does not impose any confidentiality obligation on the Receiving Party with respect to such information; (d) required to be disclosed pursuant to governmental authority, professional obligation, law, decree regulation, subpoena, or court order; or (e) independently developed by the Receiving Party. In no case shall the tax treatment or the tax structure of any transaction be treated as confidential as provided in Treas. Reg. sec. 1.6011-4(b)(3). If disclosure is required pursuant to subsection (d) above, the Receiving Party shall (other than in connection with routine supervisory examinations by regulatory authorities with jurisdiction and without breaching any legal or regulatory requirement) provide prior written notice thereof to allow the Disclosing Party to seek a protective order or other appropriate relief. Upon the request of the Disclosing Party, the Receiving Party shall return or destroy all of the Confidential Information except for (i) copies in working paper files retained to comply with a party’s professional or legal obligations and (ii) such Confidential Information retained in accordance with the Receiving Party’s normal back-up data storage procedures. Notwithstanding the foregoing, BDO shall have the right to use the City’s Confidential Information in connection with performing BDO’s obligations hereunder, and also to use de-identified and aggregated key performance indicators derived from BDO’s work product in efforts to improve the services generally, including for benchmarking and analytical purposes, so long as such information remains in a de-identified aggregated form and such use does not violate any of BDO’s obligations of confidentiality hereunder. BDO shall not share or sell any of the de-identified City information to third parties, and shall store such information in such a way that neither the City nor any of the City’s staff or customers can be identified.



## Miscellaneous

This Agreement sets forth the entire agreement between the parties with respect to the subject matter herein, superseding all prior agreements, negotiations, or understandings, whether oral or written, with respect to the subject matter herein. This Agreement may not be changed, modified, or waived in whole or part except by an instrument in writing signed by both parties. This Agreement is intended to cover only the services specified herein, although we look forward to many more years of pleasant association with the City. This engagement is a separate and discrete event and any future services will be covered by a separate agreement to provide services.

Many banks have engaged a third party to electronically process cash or debt audit confirmation requests, and certain of those banks have mandated the use of this service. Further, such third party confirmation processors also provide for the electronic (and manual) processing of other confirmation types (e.g., legal, accounts receivable, and accounts payable). To the extent applicable, the City hereby authorizes BDO to participate in such confirmation processes, including through the third party's website (e.g., by entering the City's bank account information to initiate the process and then accessing the bank's confirmation response), and agrees that the BDO Group shall have no liability in connection therewith.

Whenever possible, each provision of this Agreement shall be interpreted in such a manner as to be effective and valid under applicable laws, regulations, professional standards, or related published interpretations (including, without limitation, the independence rules of the American Institute of Certified Public Accountants, Securities and Exchange Commission, Public Company Accounting Oversight Board, and Government Auditing Standards), but if any provision of this Agreement shall be deemed void, prohibited, invalid, or otherwise unenforceable in whole or in part for any reason under such applicable laws, regulations, professional standards, published interpretations, or any reason whatsoever, such provisions or portion(s) thereof shall be ineffective only to the extent of such prohibition, invalidity, or unenforceability and shall be amended to the minimum extent required to make the provision enforceable, and such revised provision shall be made a part of this Agreement as if it was specifically set forth herein. Furthermore, the provisions of the foregoing sentence shall not invalidate the remainder of such provision or the other provisions of this Agreement, which shall remain in full force and effect.

The City's signature below represents that it has the full power and authority to enter into this Agreement on behalf of the City and any City subsidiary or other affiliate that may rely on the services provided hereunder, or that it shall ensure that each such subsidiary or other affiliate agrees to be bound to the terms hereof.

This Agreement may be transmitted in electronic format and shall not be denied legal effect solely because it was formed or transmitted, in whole or in part, by electronic record; however, this Agreement must then remain capable of being retained and accurately reproduced, from time to time, by electronic record by the parties to this Agreement and all other persons or entities required by law. An electronically transmitted signature to this Agreement will be deemed an acceptable original for purposes of consummating this Agreement and binding the party providing such electronic signature.

\* \* \* \* \*


We believe the foregoing correctly sets forth our understanding; however, if you have any questions, please let us know. If you find the foregoing arrangements acceptable, please acknowledge this by signing and returning to us an electronic copy of this Agreement for our records.

Very truly yours,

*BDO USA, LLP*

Acknowledged:

CITY OF WASILLA

By:   
Troy Tankersley, Finance Director

Date: 7-4-2020





Baker Tilly Virchow Krause, LLP  
225 S Sixth St, Ste 2300  
Minneapolis, MN 55402-4661  
United States of America

## Report on the Firm's System of Quality Control

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December 4, 2018

bakertilly.com

To the Partners of BDO USA, LLP and the National Peer Review Committee:

We have reviewed the system of quality control for the accounting and auditing practice of BDO USA, LLP (the firm) applicable to engagements not subject to PCAOB permanent inspection in effect for the year ended March 31, 2018. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants (the Standards).

A summary of the nature, objectives, scope, limitations of, and the procedures performed in a System Review as described in the Standards may be found at [www.aicpa.org/prsummary](http://www.aicpa.org/prsummary). The summary also includes an explanation of how engagements identified as not performed or reported in conformity with applicable professional standards, if any, are evaluated by a peer reviewer to determine a peer review rating.

### Firm's Responsibility

The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. The firm is also responsible for evaluating actions to promptly remediate engagements deemed as not performed or reported in conformity with professional standards, when appropriate, and for remediating weaknesses in its system of quality control, if any.

### Peer Reviewer's Responsibility

Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review.

### Required Selections and Considerations

Engagements selected for review included engagements performed under *Government Auditing Standards*, including compliance audits under the Single Audit Act; audits of employee benefit plans, audits performed under FDICIA, audits of broker-dealers, and examinations of service organizations (SOC 1 and SOC 2 engagements).


As a part of our peer review, we considered reviews by regulatory entities, if applicable, in determining the nature and extent of our procedures.

### Opinion

In our opinion, the system of quality control for the accounting and auditing practice of BDO USA, LLP applicable to engagements not subject to PCAOB permanent inspection in effect for the year ended March 31, 2018, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of pass, pass with deficiency(ies) or fail. BDO USA, LLP has received a peer review rating of pass.

*Baker Tilly Virchow Krause, LLP*






BDO is the brand name for BDO USA, LLP, a U.S. professional services firm providing assurance, tax, and advisory services to a wide range of publicly traded and privately held companies. For more than 100 years, BDO has provided quality service through the active involvement of experienced and committed professionals. The firm serves clients through more than 60 offices and over 700 independent alliance firm locations nationwide. As an independent Member Firm of BDO International Limited, BDO serves multi-national clients through a global network of more than 80,000 people working out of nearly 1,600 offices across 162 countries.

BDO USA, LLP, a Delaware limited liability partnership, is the U.S. member of BDO International Limited, a UK City limited by guarantee, and forms part of the international BDO network of independent member firms. BDO is the brand name for the BDO network and for each of the BDO Member Firms.

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