



REPORT TO THE AUDIT COMMITTEE

MUNICIPALITY OF ANCHORAGE, ALASKA

AUDIT PLAN:
YEAR ENDING DECEMBER 31, 2024



Welcome

October 23, 2025
Audit Committee
Municipality of Anchorage, Alaska

Professional standards require us to communicate with you regarding matters related to the financial statement audit 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 audit of the financial statements, schedule of expenditures of federal awards and schedule of state financial assistance of Municipality of Anchorage, Alaska (“Municipality” or “MOA”) as of and for the year ended December 31, 2024, including a summary of the nature, scope, and timing of the planned audit work. Our audit of the financial statements includes the separate stand-alone financial statements of CIVICVentures, Port of Alaska, Anchorage Water Utility, Anchorage Wastewater Utility, and Solid Waste Services - Refuse and Disposal Utilities. In addition, we are also engaged to perform agreed-upon procedures related to the Anchorage Solid Waste Services and Public Transportation.

We are pleased to be of service to the Municipality and look forward to discussing our audit plan, as well as other matters that may be of interest to you, during our meeting on October 30, 2025.

Respectfully,

BDO USA

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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 (e.g., Audit Committee of the Municipal Assembly) and, if appropriate, management of the Municipality, and is not intended and should not be used by anyone other than these specified parties.

AUDIT TIMELINE



Overall Audit Timeline

The following represents our anticipated schedule regarding our audit of the annual financial statements of the Municipality:

	Sept	Oct	Nov	Dec	Jan	Feb	Mar	April	May	June
Planning	✓									
Interim Fieldwork		✓								
Year-End Fieldwork			✓	✓	✓	✓				
Release Reports on Financial Statements							✓			
Final Communications with the Audit Committee								✓		
Single Audit Testing							✓	✓	✓	
Release of Single Audit Reports										✓

Audit Overview & Strategy



Overview

Our audit strategy follows a risk-based approach, so that our audit work, including the nature, timing and extent of audit procedures planned, is focused on the areas of the financial statements where the risk of material misstatement is assessed to be significant as well as other areas of the financial statements where we have identified risks of material misstatement.

In preparation for our audit, we have discussed with the members of the Audit Committee of the Municipal Assembly, and management significant matters including, but not limited to, market conditions, activities, and changes to the Municipality's business, systems, accounting principles and controls, and obtained management's view of potential audit risk in order to update our understanding of the Municipality. This is important to our identification and assessment of risks of material misstatement to the financial statements and related disclosures.

Key components of our audit objectives and strategy are highlighted within this report.

We will continue to update the resulting assessment throughout the audit. We will communicate to you any significant changes to the planned audit strategy or the significant risks initially identified and communicated herein, and the reason for such changes, as applicable, when we present the results of our audit upon completion.



Terms of the Audit and Independence

AUDITOR'S RESPONSIBILITY

BDO USA, P.C., 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 accordance with the applicable financial reporting framework. We are also responsible for expressing an in relation to opinion on the schedule of expenditures of federal awards (SEFA) and schedule of state financial assistance (SSFA) that has been prepared by management, with your oversight, is prepared in accordance with *Government Auditing Standards*. Our audit will be conducted in accordance with standards for financial audits contained in the *Government Auditing Standards* (GAS or Yellow Book) issued by the Comptroller General of the United States. Our audit will also be performed in accordance with Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* (Uniform Guidance) and *State of Alaska Single Audit Guide and Compliance Supplement for State Single Audits* (State Audit Guide) for forming and expressing an opinion on compliance.

The audits do not relieve you of your responsibilities and do not relieve management of their responsibilities.

INDEPENDENCE

Our engagement letter to you dated June 11, 2025, describes our responsibilities in accordance with professional standards and certain regulatory authorities and Government Auditing Standards regarding independence and the performance of our services. This letter also stipulates the responsibilities of the Municipality with respect to independence as agreed to by the Municipality. Please refer to that letter for further information.

TERMS OF THE AUDIT

Our establishment and understanding of the terms of the audit engagement have been documented in our annual engagement letter, which was provided to you on June 11, 2025, and includes the objectives of the audit along with the responsibilities of both the auditor and of management for your reference.

The Terms of the Audit have been outlined within the Planned Scope and Significant Risk Areas (pages 11 through 15).

Determining Our Planned Audit Strategy

We focus on areas with higher risk of material misstatement to the financial statements, whether due to error or fraud. In addition, *Government Auditing Standards* require that we also plan and perform the audit to obtain reasonable assurance about whether the Municipality has complied with applicable laws, regulations and the terms and conditions of the federal and state awards that may have a direct and material effect on each of Municipality's major federal and state programs.

Our audit strategy includes consideration of the following:

- ▶ Prior year audit results including discussions with management and those charged with governance regarding the Municipality's operations and risks.
- ▶ Inherent risk within the Municipality (i.e., the susceptibility of the financial statements to material error or fraud) without regard to the effect of controls.
- ▶ A continual assessment of materiality thresholds based upon qualitative and quantitative factors affecting the Municipality.
- ▶ The Municipality's significant and critical accounting policies and procedures, including those requiring significant management judgments and estimates and those related to significant unusual transactions.
- ▶ The control environment, risk management and monitoring activities, and the possibility that internal controls may fail to prevent or detect a material misstatement due to error or fraud. In connection with our audit, we will obtain a sufficient understanding of the Municipality's internal control to plan the audit of the financial statements. However, such understanding is required for the purposes of determining our audit procedures and not to provide any assurance concerning such internal control.
- ▶ The use of information systems and service organizations in the financial reporting process and overall IT environment.
- ▶ Recent developments within the industry, regulatory environment, and general economic conditions.
- ▶ Recently issued and effective accounting and financial reporting guidance.
- ▶ Extent to which we plan to use others, outside the core engagement team, to perform certain planned audit procedures or evaluate audit results related to significant risks that may require specialized skills or knowledge.
- ▶ We will consider the Municipality's internal control over financial reporting as a basis for designing audit procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the Municipality's effectiveness of internal control.
- ▶ Internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing an opinion on compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance.

We will communicate to you any significant changes to the planned audit strategy, or to the significant risks initially identified, that may occur during the audit due to the results of audit procedures or in response to external factors, such as changes in the economic environment.

Planned Scope

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

- ▶ We will plan and perform the audit of the financial statements for the year ended December 31, 2024, in accordance with *Government Auditing Standards* (GAS).
- ▶ We will consider the Municipality's internal control over financial reporting as a basis for designing audit procedures for the purpose of expressing our opinion(s) on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Municipality's internal control.
- ▶ We will perform tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions is not an objective of our audit.
- ▶ Our audit strategy involves extensive partner involvement in all aspects of the planning and execution of the audit. Our goals include focusing resources on high-risk areas and other areas of concern for management and the Audit Committee.
- ▶ The areas indicated on the next page relate to significant risks identified during our risk assessment procedures and include a brief description of how we propose to address them.

Significant Risk Areas

Risk Area	Description	Planned Audit Approach
Fraud risk and management override of internal controls	Risks relating to management exercising undue influence to override internal control policies and procedures designed to deter, prevent, and detect misstatements due to fraud	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.
Grant revenue	Risks related to the existence of grant revenue	Substantive procedures will be performed addressing supporting documentation prepared by management and submitted to the grantor agencies for grant expenditures incurred and grant revenue received.
Grant revenue	Risks related to completeness and accuracy of Muni-wide grant schedules	Substantive procedures will be heightened to ascertain that grants received have been accurately recorded in the underlying books and records.
FEMA Grant Revenue	Risks related to the recording of FEMA revenue and related grant receivable and grant deferred revenue	Substantive procedures will be heightened to ascertain that FEMA grants revenue received is accurately recorded in the appropriate reporting period.
Financial statement preparation	Entries outside the SAP ERP application	Substantive procedures will be heightened to ensure that entries identified during the FY 2023 audit and posted outside the FY 2024 books and records have been accurately reflected in the opening balances in the FY 2024 trial balances.
Financial statement preparation	Risks related to the accuracy of equity / net position by fund	Substantive procedures will be performed to ensure that equity / net position balances are accurately balanced and reconciled in the FY 2024 trial balances.
Financial statement preparation	Risks related to the cash-to-accrual (GASB 34) conversion for governmental activities	Substantive procedures will be heightened to ensure that cash-to-accrual conversion entries are accurate and appropriately reflected in the FY 2024 ACFR.

Significant Risk Areas, continued

Risk Area	Description	Planned Audit Approach
Financial statement preparation	Risks related to management review of reconciliations for significant classes of transactions	Substantive procedures will be performed over reconciliations of significant classes of transactions to ensure these are appropriately reflected in the underlying books and records and the ACFR.
Financial statement preparation	Risks related to management communication for preparation and oversight of reconciliations for significant classes of transactions	Substantive procedures will be performed over reconciliations of significant classes of transactions to ascertain the timeliness of the reconciliation and the propriety of management's review for completeness and accuracy.
Financial statement preparation	Risks related to the appropriate use of fund classification	Substantive procedures will be performed over the activity contained in a fund to ensure that activity is being recorded in a fund classification that meets the Government Accounting Standards Board.
Lease receivables	Risks related to completeness and accuracy of lease receivables based on executed lease contracts	Substantive procedures will be heightened to ensure that lease receivables have been calculated based on the underlying provisions of the respective contracts.
Interfund Transactions	Risks related to the accuracy of interfund transfers, due to / due from other funds, and advances to / advances from other funds	Substantive procedures will be heightened to ensure the transfers between funds are based on appropriate supporting documentation and are accurately balanced at the Muni-wide level.
Charges for services	Risks related to charges for services to end users for services provided by the Municipality for utilities (water, wastewater) and other service-related charges (Wharfage, Dockage, Moorage, Refuse, and Disposal)	Substantive procedures will be performed addressing supporting documentation prepared by management for charges for services to end users for Municipality provided services for water, wastewater, Port, refuse, and disposal services.

Planned Scope, continued

ITEMS OF NOTE FOR 2024 AUDIT

In addition to identified significant risk, our planned scope for the audit includes procedures specifically designed to address events related to the following areas:

- ▶ Implementation of GASB 101, *Compensated Absences*
- ▶ Impact of personnel changes to internal control, segregation of duties, and policies/procedures
- ▶ Debt and bond covenants and related impact to the General Fund
- ▶ Bond refunding and debt issuance
- ▶ Revenue recognition for grants (FEMA) and use of special revenue funds
- ▶ Final closeout of Municipal Light & Power balances
- ▶ Potential contingent liabilities
- ▶ Compliance with procurement standards under federal and state guidelines

SINGLE AUDIT SCOPE

- ▶ We will plan and perform and audit of the Schedule of Expenditures of Federal Awards (SEFA) for the year ended December 31, 2024, in accordance with GAS and the Uniform Guidance and will issue an in relation to opinion.
- ▶ We will plan and perform the audit of the Schedule of State Financial Assistance (SSFA) for the year ended December 31, 2024, in accordance with GAS and the State Audit Guide and will issue an in relation to opinion.
- ▶ We will consider internal control over compliance with requirements that could have a direct and material effect on a major federal and state program in order to determine our auditing procedures for the purpose of expressing an opinion on compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance and State Audit Guide.

GROUP AUDIT

- ▶ The audit of the Municipality requires financial presentation for all components of the reporting entity. The reporting entity is comprised of the Municipality, itself (its funds and accounts) as well as its “component units” as defined by GAAP. This collection of individual reporting entities comprises the “Group”. The Municipality’s audit is considered the “Group Audit”.
- ▶ In 2024, the audit of the Alaska Center for the Performing Arts will be performed by other auditors.

Single Audit Risk Areas

Risk Area	Description	Planned Audit Approach
Single Audit	Risks related to monitoring of subrecipients based on federal grant compliance	Substantive procedures will be heightened for management monitoring of subrecipients of grant awards to ensure the subrecipient is compliant with the federal grantor agency
Single Audit	Risks related to procurement suspension and debarment	Substantive procedures will be heightened for management compliance with procurement requirements that a vendor not be suspended, debarred, or otherwise ineligible from participation in federal programs or activities
Single Audit	Risks related to the equipment and real property management for accurate recordkeeping	Substantive procedures will be heightened for management's recordkeeping and document retention of equipment and real property purchased or disposed of with federal funds. Substantive procedures will also include ascertaining that the document retention is based upon the federal grantor agency requirements.
Single Audit	Risks related to timely submission of grant performance reports	Substantive procedures will be heightened to ensure that management has timely submitted monthly, quarterly, or annual performance reports based on the grantor agency requirements for the specific grants.

Inquiries of Those Charged with Governance



Obtaining Information from Those Charged with Governance

We performed inquiries related to fraud and other matters to help inform our audit strategy and execution of our audit procedures. We discussed the following topics to understand any matters of which you believe we should be aware, including, but not limited to:

- ▶ The Municipality's views about the risk of material misstatements due to fraud, including the risk of management override of controls
- ▶ How you exercise oversight over the Municipality's assessment of fraud risks and the establishment of controls to address these risks
- ▶ Your awareness of any actual, alleged or suspected fraud or illegal acts affecting the Municipality
- ▶ Your awareness of tips or complaints regarding the Municipality's financial reporting and your response to such tips and complaints
- ▶ Your awareness of other matters relevant to the audit including, but not limited to, violations or possible violations of laws or regulations
- ▶ Your awareness of noncompliance with laws and regulations to include consideration of noncompliance with provisions of contracts and grant agreements.
- ▶ Your awareness of any investigations or legal proceedings that have been initiated or are in process with respect to the period under audit.
- ▶ Your awareness of any significant communications between the Municipality and regulators
- ▶ Your understanding of the Municipality's relationships and transactions with related parties that are significant to the Municipality
- ▶ Any business relationships between a BDO firm and the Municipality or its affiliates
- ▶ Whether the Municipality has entered into any significant unusual transactions
- ▶ Your awareness of any other information that is important to the identification and assessment of risks of material misstatement

Government Accounting Standards Update



Government Accounting Standards Update

Included is a listing of relevant recent government accounting pronouncements with mandatory effective dates. Any standards issued after the date of this communication are unlikely to impact the next annual period’s financial statements but should be considered in accordance with GASB Statement No. 100, *Accounting Changes and Error Corrections*. Early adoption is generally permitted for all the accounting standards summarized herein, but each standard has specific transition guidance and early adoption may have been limited to certain periods or circumstances.

Government Accounting Standards Update	Effective Date
GASB Statement No. 101, <i>Compensated Absences</i>	Fiscal years beginning after December 15, 2023
GASB Statement No. 102, <i>Certain Risk Disclosures</i>	Fiscal years beginning after June 15, 2024
GASB Statement No. 103, <i>Financial Reporting Model Improvements</i>	Fiscal years beginning after June 15, 2025. If a primary government chooses early implementation of this Statement, all component units also should implement this Statement in the same year.
GASB Statement No. 104, <i>Disclosure of Certain Capital Assets</i>	Fiscal years beginning after June 15, 2025

What’s on the horizon for government accounting standards?

Access [GASB - Current Projects](#)

Other Topics



BDO's System of Quality Management

An audit firm's effective system of quality management ("SoQM") is crucial for supporting the consistent performance of high-quality audits and reviews of financial statements, or other assurance or related services engagements under professional standards, and applicable legal and regulatory requirements.

Accordingly, BDO has implemented a SoQM designed to provide reasonable assurance that its professionals fulfill their responsibilities and conduct engagements in accordance with those standards and requirements. The firm's SoQM supports the consistent performance of quality audits through many ongoing activities including, at least annually, certification by leaders with responsibility for key controls and related processes. Our Assurance Quality Management team performs regular reviews and testing of key controls and processes throughout the SoQM and identifies and communicates areas for improvement. In addition, our Audit Quality Advisory Council supports our SoQM by providing guidance and input on audit quality initiatives.

As required by International Standard on Quality Management 1 (ISQM 1) under the International Auditing and Assurance Standards Board (IAASB), BDO has conducted an evaluation of the effectiveness of its system of quality management and concluded, as of July 31, 2024, that, except for certain deficiencies related to the execution of its issuer audits, that system provides the reasonable assurance that our professionals will perform audits and reviews of financial statements or related assurance services engagements in accordance with professional standards, and applicable legal and regulatory requirements. BDO has either implemented or is designing remedial actions to address those deficiencies prior to our next evaluation.



We will continue to provide you with updates on our progress. Currently, you may find discussion of BDO's system of quality management within our annual [Audit Quality Reports](#), the most recent of which is accessible [here](#).

[CLICK HERE TO ACCESS IAASB ISQM-1 IN ITS ENTIRETY >](#)

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