



REPORT TO BOARD OF TRUSTEES

ALASKA MENTAL HEALTH TRUST AUTHORITY

AUDIT PLANNING:
YEAR ENDING JUNE 30, 2023



Contents

QUICK ACCESS TO THE
FULL REPORT

WELCOME	3
EXECUTIVE SUMMARY	4
APPENDIX	13

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., Board of Directors and Audit Committee) and, if appropriate, management of the Company, and is not intended and should not be used by anyone other than these specified parties.

Welcome

July 13, 2023

Board of Trustees

Alaska Mental Health Trust Authority

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. This document provides an overview of our plan for the audit of the financial statements of Alaska Mental Health Trust Authority (the Trust) as of and for the year ended June 30, 2023, including a summary of the nature, scope, and timing of the planned audit work.

We are pleased to be of service to the Trust and look forward to discussing our audit plan, as well as other matters that may be of interest to you, during our meeting on July 25, 2023.

Respectfully,



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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 accordance with accounting principles generally accepted in the United States of America. In addition, our audit will be conducted in accordance with standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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, 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 Trust'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. In addition, *Government Auditing Standards* require that we also plan and perform the audit to obtain reasonable assurance about whether the Trust has complied with applicable laws, regulations and the terms and conditions of the federal and state awards.

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 Trust's operations, business activities, and risks,
- ▶ inherent risk within the Trust
- ▶ recent developments within the industry, regulatory environment and general economic conditions,
- ▶ recently issued and effective accounting and financial reporting guidance,
- ▶ The Trust's significant 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 processes, 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 Trust.

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:

- ▶ The areas indicated below relate to significant risks identified during our risk assessment procedures:
 - Fraud Risk
 - Internal Control over Financing Reporting
 - Revenue Recognition
 - Pension and Other Post employment Benefits and Related Disclosures
 - Impairment of Real Estate Investments
 - Other Matters, including Significant Unusual Transactions

- ▶ 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 Board of Trustees.

- ▶ Overview of the nature of the audit of group financial statements:
 - The audit of the Trust requires financial presentation for all components of the reporting entity. The reporting entity is comprised of the Trust, 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 Trust audit is considered the “Group Audit”.
 - Included within the reporting entity is the Schedule of Investments Managed by the Alaska Permanent Fund Corporation. The component unit will be audited by a separate accounting firm, KPMG, LLP. As part of our planned audit strategy, we will initiate of their independence with respect to the entire group, identification required communication with the component auditor to include confirmation of related parties of the component entity, identification of audit risks, and other required communication.

Planned Audit Scope

- ▶ We will plan and perform the audit of the financial statements for the year ending June 30, 2023, in accordance with *Government Auditing Standards*.
- ▶ We will consider the Trust'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 Trust'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.

Overall Audit Timeline

The following represents our anticipated schedule with regard to our audit of the financial statements of the Trust:

	Jun	Jul	Aug	Sep	Oct
Planning	✓				
Interim Fieldwork		✓	✓		
Year-End Fieldwork			✓	✓	
Release Reports on Financial Statements					✓



Independence

Our engagement letter to you dated July 12, 2023 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 Trust with respect to independence as agreed to by the Trust. Please refer to that letter for further information.

Audit Firm System of Quality Management

An audit firm's system of quality control (aka system of quality management) is essential to how the firm conducts audits and is in place to protect investors, shareholders and other users of financial statements.

QUALITY MANAGEMENT STANDARDS

In June 2022, the AICPA Auditing Standards Board (ASB) issued the following interrelated standards on audit quality management (collectively, the QM standards), which are designed to improve a CPA firm's risk assessment and audit quality. The effective date of the QM standards is December 15, 2025.

Statement on Quality Management Standards (SQMS) No. 1	Statement on Quality Management Standards (SQMS) No. 2	Statement on Auditing Standards (SAS) No. 146
<i>A Firm's System of Quality Management</i>	<i>Engagement Quality Reviews</i>	<i>Quality Management for an Engagement Conducted in Accordance With Generally Accepted Auditing Standards</i>

BDO has assessed the requirements of the QM standards and has analyzed our firm's current system of quality management to identify changes and improvements necessary for compliance. This includes the identification of quality objectives, quality risks and the assessment of those quality risks, and responses to address those risks. We are further working with BDO Global to appropriately integrate processes deployed at a global level into our firm's system of quality management.

2020 BDO AUDIT QUALITY REPORT

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

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 Trust 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.



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Appendix



Implementation of New GASB Standards

Implementation of New GASB Standards, continued


- *GASB Statement No. 91 - Conduit Debt Obligations* - Effective for year-end June 30, 2023. This Statement provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with commitments extended by issuers, arrangements associated with conduit obligations, and related note disclosures. This Statement clarifies the definition of a conduit debt obligation and establishes standards for related accounting and financial reporting.
- *GASB Statement No. 94 - Public-Private and Public-Public Partnerships and Availability Payment Arrangements* - Effective for year-end June 30, 2023. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs) and also provides guidance for accounting and financial reporting for availability payment arrangements (APA).
- *GASB Statement No. 96 - Subscription-Based Information Technology Arrangements* - Effective for year-end June 30, 2023. This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users. This statement, among other things, defines a SBITA, establishes that a SBITA results in a right-to-use subscription asset (an intangible asset) and a corresponding subscription liability, provides capitalization criteria for outlays other than subscription payments, and requires note disclosures regarding a SBITA.

Implementation of New GASB Standards, continued

- *GASB Statement No. 98 - The Annual Comprehensive Financial Report* - Effective for year-end June 30, 2022. Earlier application is encouraged. This Statement establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments.
- *GASB Statement No. 99 - Omnibus 2022* - Provisions of this Statement related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, classification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance. The effective date for the provisions of this Statement related to leases, PPPs, and SBITAs are to be implemented for year-end June 30, 2023. The effective date for the provisions of this Statement related financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are to be implemented for year-end June 30, 2024.

Implementation of New GASB Standards, continued

- *GASB Statement No. 100 - Accounting Changes and Error Corrections* - an amendment of GASB Statement No. 62 - Effective for year-end June 30, 2024. Earlier application is encouraged. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.
- *GASB Statement No. 101 - Compensated Absences* - Effective for year-end June 30, 2025. Earlier application is encouraged. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.



At BDO, our purpose is helping people thrive, every day. Together, we are focused on delivering exceptional and sustainable outcomes – for our people, our clients and our communities. Across the U.S., and in over 160 countries through our global organization, BDO professionals provide assurance, tax and advisory services for a diverse range of clients.

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Material discussed in this publication is meant to provide general information and should not be acted on without professional advice tailored to your needs.

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