



AUDIT

Audit Results Presented to the University of Alaska Audit Committee



DECEMBER 10, 2010

Current Status

- **Fieldwork complete and an unqualified opinion issued on the financial statements of the University.**
- **Issuance of Accountant's Certificate for Debt Compliance**
- **Issuance of Letter to Board of Regents**
- **Issuance of Management Letter**
- **Outstanding items:**
 - Completion of Federal Single Audit and issuance of reports which we expect to be unqualified.

Communication Regarding Conduct of Our Audit

- **Our Responsibility Under Auditing Standards Generally Accepted in the United States of America**

We are responsible for forming and expressing an opinion about whether the financial statements, that have been prepared by management with the oversight of the Board of Regents, are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles. We have a responsibility to perform our audit of the financial statements in accordance with professional standards. In carrying out this responsibility, we planned and performed the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud. Because of the nature of audit evidence and the characteristics of fraud, we are to obtain reasonable, not absolute, assurance that material misstatements are detected. We have no responsibility to plan and perform the audit to obtain reasonable assurance that misstatements, whether caused by error or fraud, that are not material to the financial statements are detected. Our audit does not relieve management or the Board of Regents of their responsibilities.

In addition, in planning and performing our audit of the financial statements, we considered internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

We also have a responsibility to communicate significant matters related to the financial statement audit that are, in our professional judgment, relevant to the responsibilities of the Board of Regents in overseeing the financial reporting process. We are not required to design procedures for the purpose of identifying other matters to communicate to you.

Communication, continued

- **Significant Accounting Policies and Transactions**

- The significant accounting policies used by the University are described in note 1 to the financial statements.
- The University issued general revenue bonds Series P totaling \$14.0 million to refund and redeem the outstanding maturities of Series H and J general revenue bonds.
- In fiscal year 2010, the University recognized \$18.0 million in state on-behalf pension payments for the PERS and TERS defined benefit plans.
- There were no other changes to the application of existing policies during 2010 that affect the comparability of the financial statements.

- **Significant Audit Adjustments**

- The University recorded an audit adjustment of \$4.1 million to accrue expenses related to capital projects.

Communication, continued

- **Management Judgments and Accounting Estimates**

- Accounting estimates are an integral part of the financial statements prepared by management and are based upon management's current judgments. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments. We evaluated the key factors and assumptions used to develop management's judgments and estimates in determining that amounts recorded were reasonable in relation to the financial statements of the University taken as a whole. The following are some of the more significant estimates included in your financial statements:
 - Alternative investments of \$24.1 million
 - Self insurance reserves of \$22.7 million
 - Allowance for bad debts of \$7.6 million
 - Depreciation expense of \$58.2 million
 - Scholarship allowance of \$15.5 million

Communication, continued

- **Disagreements with Management**

- There were no disagreements with management on financial accounting and reporting matters that, if not satisfactorily resolved, would have caused a modification of our report on the University's 2010 financial statements.

- **Consultation with Other Accountants**

- To the best of our knowledge management has not consulted with or obtained opinions, written or oral, from other independent accountants during the past year that were subject to the requirements of Statement on Auditing Standards No. 50, *Reports on the Application of Accounting Principles*.

Communication, continued

- **Major Issues Discussed with Management Prior to Retention**
 - We generally discuss a variety of matters with management each year prior to retention as the University's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.
- **Difficulties Encountered in Performing the Audit**
 - We encountered no significant difficulties in dealing with management in performing our audit.

Financial Reporting Significant Deficiencies

None identified

Other Services

- **We confirm that we are independent Accountants with respect to the University of Alaska. We have provided no services to the University that would be categorized as non-audit.**

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