

KETCHIKAN GATEWAY BOROUGH SCHOOL DISTRICT BOARD OF EDUCATION
AGENDA STATEMENT

No. 8 e.

MEETING OF: March 13, 2024

ITEM TITLE:

CONSENT CALENDAR:

Motion to approve a multi-year professional services contract with Altman, Rogers & Co. for annual independent financial audits starting with the Fiscal Year 2023-2024 audit and continuing through the Fiscal Year 2025-2026 audit.

REVIEWED BY:

Superintendent
 Finance

SUBMITTED BY: Daniel Schuler, Business Manager; 907 247 2116

APPROVED FOR SUBMITTAL: Michael Robbins, Superintendent; 907 247 2109

SUMMARY STATEMENT:

The School Board is being asked to approve a multi-year contract with Altman, Rogers & Co. for annual independent auditing services as required by AS 14.14.050.

ISSUE:

Board Policy 3400, as per AS 14.14.050, requires "a school board in each school district shall, before October 1 of each year, provide for an audit of all school accounts for the school year ending the preceding June 30. To make the audit the school board shall contract with a public accountant who has no personal interest, direct or indirect, in the fiscal affairs of the district. One certified copy of the audit shall be filed with the commissioner and one certified copy shall be posted in a public place at the principal administrative office of the district."

Board Policy 3312 states that contracts between the district and outside agencies shall conform to standards required by law while complying with the rules and cost principles of the funding agency. Contracts shall be selected and prepared under the direction of the Superintendent or their designee with consideration for the maximum cost effectiveness to the district. It also requires Board approval for expenditures and financial obligations over \$50,000.

BACKGROUND:

Altman, Rogers & Co., which currently serves as the district's financial auditing services firm and has provided great service and support to the district, was the lone proposer in response to an RFP for auditing services issued by the district for financial audits covering Fiscal Years 2023-2024; 2024-2025; and 2025-2026.

RECOMMENDATION:

Approval of a three-year professional services contract with Altman, Rogers & Co. to provide auditing services for Fiscal Years 2023-2024; 2024-2025; and 2025-2026. The total contract cost for the three-year period is \$172,000.

ATTACHMENT:

Altman, Rogers & Co. Proposal for External Audit Services

EXPENDITURE REQUIRED: \$54,575 (FY2024-2025) AMOUNT BUDGETED: \$54,575 (FY2024-2025)

RECOMMENDED ACTION:

"I move that the Board of Education **approve the three-year professional services contract with Altman, Rogers & Co. to provide financial auditing services for FY2023-2024; FY2024-2025 and FY2025-2026.**"



Proposal to Provide External Audit Services

KETCHIKAN GATEWAY BOROUGH SCHOOL DISTRICT

Altman, Rogers & Co.
3000 C. Street N, Suite 201
Anchorage, AK 99503
(907) 274-2992

Grant Todd, CPA
Principal

March 4, 2024

*Altman, Rogers
& Co.* CERTIFIED
PUBLIC
ACCOUNTANTS

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Certificate of Insurance

A-1 Schedule of Fees – FY2024 Financial Statements

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A-3 Schedule of Fees – FY2026 Financial Statements

Sample Letter to the Governing Board

March 4, 2024

Daniel B. Schuler, Business & Operations Manager
Ketchikan Gateway Borough School District
333 Schoenbar Rd.
Ketchikan, AK 99901

Dear Mr. Schuler,

Altman, Rogers & Co. is pleased to submit this proposal to Ketchikan Gateway Borough School District (the "District") for external audit services for the fiscal years ending June 30, 2024 through 2026. The principals of our Alaskan-based firm are certified public accountants experienced in auditing school districts in the State of Alaska. Over the past thirty-three (33) years, we have provided accounting and auditing services to many School Districts throughout the State of Alaska. The principals have been members of the ASBO Certificate of Excellence Committee and participate in a program of reporting excellence for school districts nationwide. We serve as the current auditor for the District.

Our examination of the District will include substantial principal involvement. The principals are actively involved with our engagements, enabling us to make timely decisions on all matters affecting the examination. We feel that this practice enables us to provide the District with the highest quality services and also gives us the opportunity to propose a reasonable fee for the services requested. Altman, Rogers & Co. is independent of Ketchikan Gateway Borough School District.

The remainder of this proposal provides detailed information about the team we will assign to the engagement, our understanding and approach of the services to be provided, and the required time schedule. We wish to again express our appreciation for the opportunity to present our proposal to serve as independent auditors to Ketchikan Gateway Borough School District. We would welcome the opportunity to meet with the District anytime to discuss our proposal in detail and answer any questions which may arise. The authorized representative for Altman, Rogers & Co. is:

ALTMAN, ROGERS & CO.



Grant R. Todd, CPA
Principal

PROFILE OF AUDIT ORGANIZATION, TECHNICAL QUALIFICATIONS, AND APPROACH



FIRM INFORMATION

Altman, Rogers & Co. is the largest locally owned CPA firm in Alaska. We have offices in Anchorage, Soldotna and Juneau. We have a staff of 60 employees located throughout Alaska. Our principals and professional staff are actively involved in the Alaskan community.

The Firm was established in January 1991 by Timothy G. Altman and Karen I. Rogers. The Firm consists of eight (8) principals and a professional and administrative staff of over sixty (60). The Firm is a regionally recognized public accounting firm with offices in Anchorage, Soldotna and Juneau, Alaska. The principals have extensive experience working with governmental entities and State and Federal agencies. We are authorized to use the term “certified public accountants” as set forth by Alaska Statute 08.04.

Ketchikan Gateway Borough School District’s (the “District”) engagement will be staffed with personnel from our Anchorage office. All professional staff meet or exceed the minimum professional requirement for continuing education each year for audit and attest engagements.

WHY CHOOSE ALTMAN ROGERS & CO.

Altman, Rogers & Co.’s government sector professional employees have an in-depth knowledge and understanding of applicable government rules and regulations. We currently audit over one hundred (100) governmental entities, including forty-two (42) school districts, many of which have similar funding to that of the District.

Due to our direct involvement over the past several years with state and federal agencies, we are current with compliance issues. As part of our commitment to quality we remain abreast of the latest developments concerning government accounting, including the implementation of GASB standards.

Based upon our engagement structure, clients receive management level attention to their problems and needs. Staff assignments are arranged to provide continuity of service by key personnel. As a part of the engagement there will be substantial involvement of the engagement principal, Grant Todd, who will be available to provide timely consulting services to the District on any technical matters. This engagement will be staffed with three (3) individuals.

PROFILE OF AUDIT ORGANIZATION, TECHNICAL QUALIFICATIONS, AND APPROACH (CONTINUED)

I.T. SYSTEMS

We are a paperless CPA firm. This means that all facets of the audit, work programs, client prepared material, continuing (permanent) files, and original client documentation are either created in electronic medium or scanned and saved in electronic medium. As a paperless firm, we demonstrate competence in auditing computerized systems.

Each of our audit staff has the newest-generation laptops and portable scanners. We make a significant investment in technology that is at the top of our industry. We have found that the benefit has been significant, with more efficient processes and less impact on our clients.

The District depends heavily on information processing. Because of the significance of electronic data processing to daily operations, management needs assurance that data processing controls are adequate and operating effectively.

We utilize numerous audit related software including Creative Solutions Accounting, PPC (all FASB, AICPA, GASB pronouncements and other publications that are available), industry-specific audit planning and work program tools, and the powerful analytical tools available in Excel, to minimize the manual effort involved in routine procedures required in our audits performed in accordance with generally accepted auditing standards. We also generate tailored audit programs to facilitate the audit process for each unique entity.

We use Teammate Analytics software to aid in our computer audits. Teammate Analytics performs up to 26 different standardized but configurable tests on a single report quickly and efficiently, highlighting anomalies that will be used as part of our audit approach.

Clients submit electronic audit materials securely via *ShareFile* to our Firm.

FIRM AFFIRMATIONS

Altman, Rogers & Co. is properly licensed for practice as a certified public accounting firm in the State of Alaska.

Altman, Rogers & Co.'s audit personnel have experience and expertise in governmental accounting and Federal and State Single Audit requirements.

Altman, Rogers & Co. meets the independence requirements of the American Institute of Certified Public Accountants.

Altman, Rogers & Co. meets the requirements of Government Auditing Standards issued by the Comptroller General of the United States.

Altman, Rogers & Co. meets the continuing education and external quality control review requirements.

Altman, Rogers & Co. does not have a record of substandard audits according to records maintained by the State Division of Occupational Licensing.

NON-DISCRIMINATION CLAUSE

Altman, Rogers & Co. does not discriminate against any individual because of race, religion, sex, color, age, handicap or national origin, and that these shall not be a factor in consideration for employment, selection of training, promotion, transfer, recruitment, rates of pay, or other forms of compensation, demotion, or separation.

GOVERNMENTAL AUDIT EXPERIENCE

Altman, Rogers & Co. serves as the independent audit firm for more than one hundred (100) government entities, including forty-two (42) school districts throughout Alaska making us uniquely qualified to serve Ketchikan Gateway Borough School District. The following list is a sample of those clients to whom we have demonstrated the breadth of our experience. For each client listed below, Altman, Rogers & Co. performed the financial statement audit within the last two (2) years. In addition, Altman, Rogers & Co. prepares a draft set of financial statements for all of the clients listed below and all applicable required audit reporting for single audit purposes. We are the current audit firm for Ketchikan Gateway Borough School District.

CLIENT	YEARS PROVIDED	CONTACT PERSON	PHONE NUMBER
Aleutian Region School District	14	Mike Hanley, Superintendent	277-2648
Annette Island School District	4	Ashley Scott, Business Manager	886-6332
Bering Strait School District	29	Mark Vink, Finance Officer	624-3611
Bristol Bay Borough School District	29	Bill Hill, Superintendent	246-4225
Chugach School District	29	Mike Hanley, Superintendent	522-7400
Delta Greely School District	4	Kim Johnson, Business Manager	895-4657
Denali Borough School District	5	Reena Voivedich, Business Manager	683-2514
Dillingham City School District	25	Phil Hulett, Business Manager	842-3318
Haines Borough School District	5	Judy Erikson, Business Manager	766-6734
Hoonah City School District	29	Judy Hankla, Business Manager	945-3684
Hydaburg City School District	3	Lucienne Smith, Business Manager	301-5050
Iditarod Area School District	4	Tammy Stromberg, Contractor	524-1209
Kashunamiut School District	5	Lucienne Smith, Business Manager	301-5050
Ketchikan Gateway Borough School District	9	Daniel Schuler, Business Manager	225-2356
Klawock City School District	18	Yodean Armour, Business Manager	755-2220
Kodiak Island Borough School District	14	Sandra Daws, Business Manager	481-6200
Lake and Peninsula Borough School District	29	Laura Hylton, Business Manager	246-4280
Lower Kuskokwim School District	21	Gary Fredericks, Accounting Manager	543-4800
Nenana City School District	14	Carl Horn, Business Manager	832-5464
Nome Public Schools	4	Genevieve Hollins, Contract CFO	230-2169
Pelican City School District	29	Royce Mattson, Business Manager	735-2236
Pribilof School District	15	John Bruce, Superintendent	546-2222
Skagway City School District	14	Cindy O'Daniel, Business Manager	983-2964
Southeast Island School District	18	Lucienne Smith, Business Manager	842-5223
Southwest Region School District	29	Amanda Trangmoe, Accountant	842-5287
Tanana City School District	16	John Bania, Business Manager	366-7203
Unalaska City School District	29	Danielle Whittern, Business Manager	581-3151
Valdez City Schools	28	Amber Cockerham, Business Manager	835-4357
Yakutat City School District	17	Ricardo Tejada, Business Manager	784-3394
Yukon Flats School District	5	Lance Bowie, Superintendent	662-2515
Yupiiit School District	5	John Stackhouse, Business Manager	825-3600

QUALITY CONTROL AND INDEPENDENCE

COMMITMENT TO CONTINUITY AND QUALITY OF STAFF

We believe there are significant benefits to Altman, Rogers & Co. and to our clients in maintaining diversity and quality of staffing, and we do whatever we can to achieve that objective. While some staff turnover is inherent in the public accounting profession, our close partner involvement minimizes the impact to our clients. The hallmark of Altman, Rogers & Co.'s client service remains the same – to provide active, personal, and high level partner involvement.

Further, as a matter of policy, our Altman, Rogers & Co.'s offices do not require systematic staff rotation, eliminating the concern about repeated learning curves. It is our goal, however, to foster career growth, encouraging staff members to take on increasing levels of professional responsibility within the scope of each engagement. As promotions occur, we try to maintain staff assignments within the engagement team in order to assure the client of continuity and consistency.

INDEPENDENCE

Generally accepted auditing standards require that an auditor be independent in both fact and appearance. Independence is the cornerstone of the public accounting profession. Our firm and the specific personnel assigned to the engagement meet the independence standards of the Code of Professional Ethics of the AICPA.

Altman, Rogers & Co. represents that our firm is independent with respect to the District and that the firm and staff of the firm shall remain independent with respect to the Organization for the duration of the contract.

RESPONSIVENESS AND CLIENT INTERACTION

It is always the goal of our professionals to respond to emails and phone calls within 24 hours. Having a dedicated team allows flexibility and coverage even when one of our team members is out of the office.

We are committed to regular status meetings with management during the course of the audit process, and are always available throughout the year to discuss significant or unusual transactions or events.

QUALITY CONTROL

The quality of our work is key to our success and we have made a number of investments to ensure our professional services are performed to a high level of quality in accordance with Altman, Rogers & Co.'s policies and applicable professional and regulatory standards. These investments include approved continuing education for all staff, quality control and review of the firm's auditing practice, and continuing support of professional organizations.

Under the guidelines established and controlled by the AICPA, Altman, Rogers & Co.'s audits, working papers, reports and all other areas concerning quality control are reviewed and examined through the AICPA peer review process and Altman, Rogers & Co.'s annual internal inspection policy. A copy of our latest AICPA peer review letter from 2021 is included in this proposal. It is also important to note that we have received clean/unmodified peer review reports since the peer review program began.

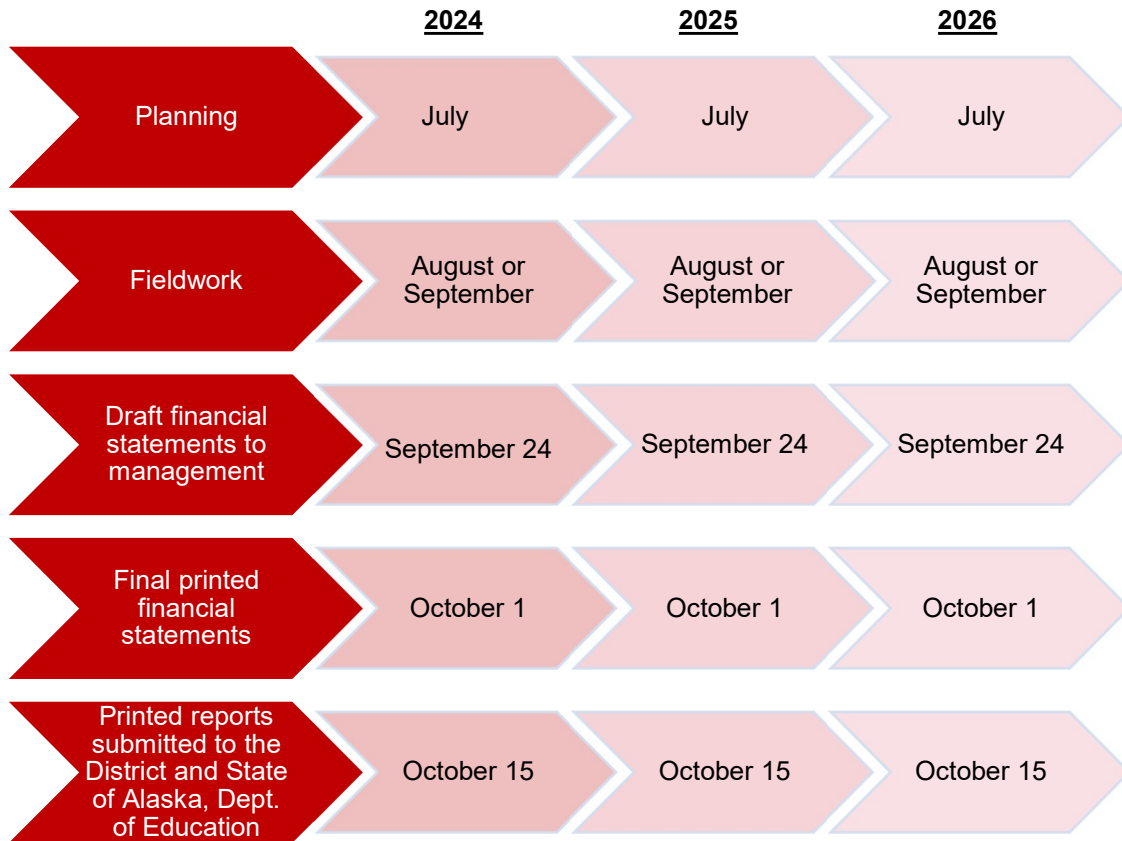
During years in which an external peer review is not performed Altman, Rogers & Co., conducts internal inspection. This inspection process is rigorous and incorporates all auditing standards, rules, regulations, accounting processes, as well as adherence to internal policies and procedures. The results of the internal inspection are compiled across the firm and new trainings and workpaper templates are developed to immediately resolving any noted deficiencies or areas or weakness.



SCHEDULE

SCHEDULE

This schedule can be modified to fit the requirements of Ketchikan Gateway Borough School District.



TIME REQUIREMENTS

This engagement will be staffed with a partner, supervisor, and senior accountant. The Anchorage office's audit department has ample staff from which the engagement team can pull additional resources should they be required to meet the reporting deadlines of the District. The above final and printed financial statements, as well as submission to Alaska Department of Education and Early Development (DEED), are based on timely completion of PERS and TRS pension audits and distribution to Altman, Rogers & Co. by the State of Alaska. Unexpected delays in the issuance of that information may delay the expected schedule as illustrated above.

CLIENT ASSISTANCE

Information related to the preparation for the audit will be provided to the District staff prior to the onset of fieldwork. Assistance includes copying and preparing spreadsheets and obtaining original source documentation. It is important that this information is complete and available upon our arrival and delays in gathering and preparing documentation will result in additional fees and delay of the issuance of the report.

It is required that accounting staff be available during the performance of the audit to answer questions and provide any additional source documentation requested by the auditors in the field.

SCOPE OF SERVICES

The scope of the services to be provided is as follows:

- ❖ Perform the annual financial statement audits for the fiscal years ending June 30, 2024 through 2026, in accordance with generally accepted auditing procedures and standards as developed by the American Institute of Certified Public Accountants and perform compliance audits as required by the federal government and the State of Alaska. Our audit will be a Single Audit made in accordance with generally accepted auditing standards; the standards for financial and compliance audits contained in *Standards for Audits of Governmental Organizations, Programs, Activities and Functions*, issued by the U.S. General Accounting Office; the Single Audit Act of 1984 and the amendments of 1996; the provisions of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Guidance, Cost Principles, and Audit Requirements for Federal Awards, and the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*, and will include tests of the accounting records of the District and other procedures we consider necessary to enable us to express an opinion on whether the financial statements are fairly presented in conformity with generally accepted accounting principles, and to report on the District's compliance with laws and regulations and its internal accounting controls as required for a single audit.
- ❖ Review the internal controls and accounting cycles of the District, as we deem necessary, and prepare a letter to the governing board noting internal control weaknesses and our recommendations for improvement. Appropriate recommendations will be reviewed with management and presented in the separate letters to the School Board. The letter to the governing board will address those areas essential for sound financial control and those upon which we feel the District can improve.

- ❖ Review of student activity accounts and individual club accounts in conjunction with the financial statement audit.
- ❖ The audit opinions and reports will be dated on or before October 1 of each year, with one copy of the report going to the State of Alaska Department of Education and Early Development.
- ❖ If irregularities or illegal acts come to our attention, unless clearly inconsequential, a written report will be provided to the business manager, superintendent and the audit committee.
- ❖ Prepare a draft of the financial statements for the District's review and approval. We will provide sixteen (16) copies of all final reports.
- ❖ Present financial statements to School Board, if requested.
- ❖ Be available to the District throughout the year to assist with accounting, budgeting, and financial matters, if requested, at any time, at our normal hourly rates. Technical questions are included in the fee and are part of our audit services.

We will audit the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information, which collectively comprise the basic financial statements of the District. In addition, the document we submit to the District will include the following additional and required supplementary information that will be subjected to the auditing procedures applied in our audit of the financial statements.

1. Schedule of Expenditures of Federal Awards.
2. Schedule of State Financial Assistance.
3. Other Supplemental Information.
4. Schedule of PERS and TRS Contributions and Proportionate Share of the Net Pension and OPEB Liabilities.

SCOPE OF SERVICES (CONTINUED)

We will discuss any problem areas with the District prior to performing any unexpected work. The District may request that we perform additional services not contemplated in this proposal. If this occurs, we will communicate with the District the scope of the additional services and the estimated fees. Printing, travel, typing, and other out-of-pocket costs will be billed at actual. Any additional services to be performed will be discussed and the fees for those services will be negotiated and agreed to by all parties before work commences.

SCOPE CHANGES

The fixed fee estimate is based on anticipated cooperation from the District's personnel, the assumption that unexpected circumstances will not be encountered and that significant deficiencies and/or material weaknesses will not be discovered. We will discuss any scope changes and/or problem areas with the District prior to performing any additional and unplanned work. Any additional services to be performed will be discussed and the fees for those services will be negotiated and agreed to by all parties before work commences.

AUDIT OBJECTIVES

The objective of our audit is the expression of an opinion as to whether the District's financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles and to report on the fairness of the additional information referred to in the first paragraph when considered in relation to the financial statements taken as a whole. The objective also includes reporting on:

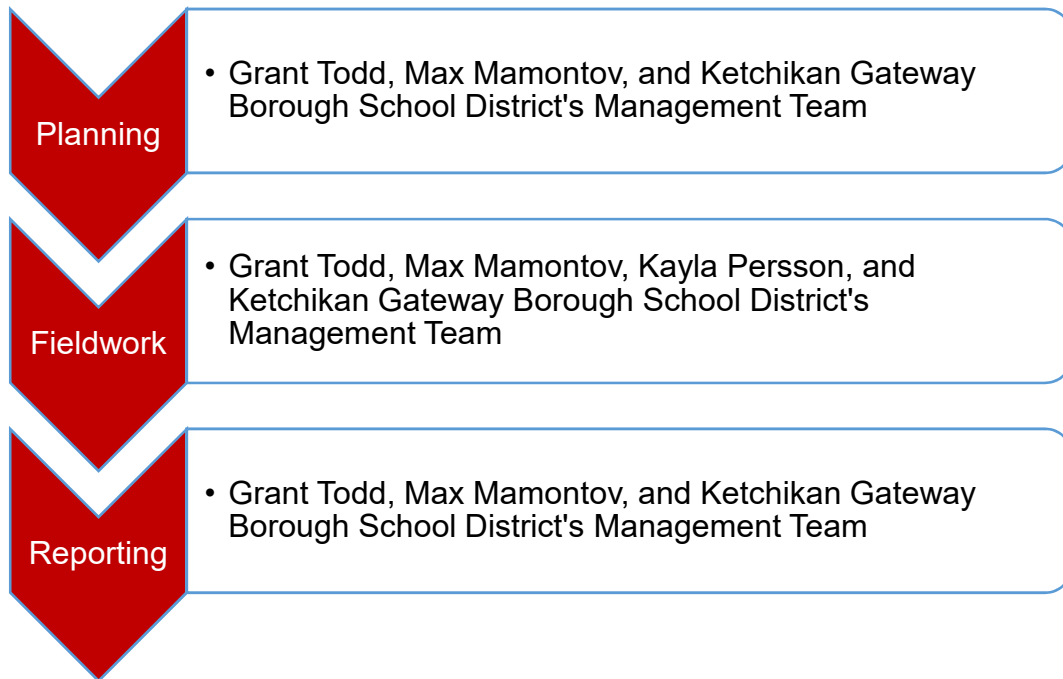
- ❖ Internal control related to the financial statements and compliance with laws, regulations, and the provisions of contracts or grant agreements, noncompliance with which could have a material effect on the financial statements in accordance with Government Auditing Standards.

- ❖ Internal control over compliance related to major programs and an opinion (or disclaimer of opinion) on compliance with federal statutes, regulations, and the terms and conditions of federal awards that could have a direct and material effect on each major program in accordance with the Single Audit
- ❖ Act Amendments of 1996 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).

The reports on internal control and compliance will each include a statement that the report is intended for the information and use of the School District, management, specific legislative or regulatory bodies, federal awarding agencies, and if applicable, pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Our audit will be conducted in accordance with U.S. generally accepted auditing standards; the standards for financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; the Single Audit Act Amendments of 1996; and the provisions of the Uniform Guidance, and will include test of accounting records, a determination of major programs in accordance with Uniform Guidance, and other procedures we consider necessary to enable us to express such an opinion and to render the required reports. If our opinion on the financial statements or the federal compliance opinion is other than unmodified, we will discuss the reasons with management in advance. 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 to issue a report as a result of this engagement.

TECHNICAL APPROACH



Planning – During this phase we will establish a foundation for the audit and coordinate with management to ensure all parties are on the same page in regards to timing and completion of the audit. We will perform entity wide risk assessment procedures including preparation of the audit prep list as well as reviewing any significant events or transactions that occurred with the organization during the year. We will develop an audit plan based on preliminary review of the District's balance sheet and profit and loss. We will prepare a list of transactions for the District management for which to pull supporting documentation.

Fieldwork – During this phase we will document and test the District's internal control system for critical financial processes. We will perform substantive audit procedures on balance sheet accounts. This includes reviewing and agreeing client reconciliations for cash, investments, receivables, payables and accruals to the general ledger. We will review net asset classifications and ensure that any restricted contributions are correctly accounted for in the financial statements.

Based on the risk assessment procedures performed during the planning phase we will have developed audit programs that are specifically tailored to the District. We tailor audit programs that are naturally unique to each governmental organization, and provide the most effect and efficient strategy. We are not locked into "standardized" boilerplate audit programs, but customize audit steps for each client.

Reporting – During this phase we will have a clear discussion with management of any journal entries, reported findings, or other information that we found during the fieldwork phase of the audit. We will prepare a draft set of financial statements for the District's management to review and approve. Once the District management has reviewed and approved the draft financial statements we will finalize the statements and related letter to governing board.

AUDIT TEAM QUALIFICATIONS



GRANT R. TODD, CPA (PRINCIPAL)

Mr. Todd is a licensed CPA by the State of Alaska (Certificate #2621). Mr. Todd is an Audit Principal in our Anchorage office responsible for review of financial reports and audit fieldwork. He joined Altman, Rogers & Co. in July 2004. He has many years' experience working with non-profit and governmental organizations, including financial statement audits as well as compliance audits in accordance with federal and state requirements. He has also assisted several municipal governments with meeting the requirements to obtain the Certificate of Achievement for Excellence in Financial Reporting. He is a member of the American Institute of Certified Public Accountants, the Alaska Society of Certified Public Accountants, and Association of Local Government Auditors. Mr. Todd graduated from Montana State University – Bozeman in 2004 with a Bachelor's Degree in Business Administration, concentration in Accounting.

Mr. Todd has been involved in the following **school district** audits listed below:

Annette Island School District	Kodiak Island Borough School District
Bristol Bay Borough School District	Lake and Peninsula School District
Ketchikan Gateway Borough School District	Yupit School District

MAX MAMONTOV (SUPERVISOR)

Mr. Mamontov returned to Altman, Rogers & Co. in August of 2015 after residing for several years outside the U.S. Mr. Mamontov has a BA Degree in Accounting and Finance. He graduated from the University of Alaska Anchorage in May of 2003. Mr. Mamontov is responsible for accounting assistance, financial statement report writing and audit field work. Mr. Mamontov is proficient in both federal and state single audit requirements and grant reporting.



Mr. Mamontov has been involved in the following **school district** audits listed below:

Chugach School District	Lake and Peninsula School District
Ketchikan Gateway Borough School District	Southwest Region Schools
Kodiak Island Borough School District	Wrangell School District

AUDIT TEAM QUALIFICATIONS, CONTINUED



KAYLA PERSSON (SENIOR AUDITOR)

Ms. Persson officially joined Altman, Rogers & Co. in May 2022 after working as an intern for two summers. She has Bachelor of Arts Degree in Professional Accountancy and Finance. She graduated from the University of Anchorage Alaska in May 2022. Ms. Persson is responsible for financial statement report writing and audit field work.

Ms. Persson has been involved in the following **School District** audits:

Dillingham City School District	Lake and Peninsula School District
Fairbanks North Star Borough School District	Lower Kuskokwim School District
Ketchikan Gateway Borough School District	Southwest Region School District
Kodiak Island Borough School District	Yupit School District

COMMITMENT TO CONTINUITY AND QUALITY OF STAFF

We believe there are significant benefits to Altman, Rogers & Co. and to our clients in maintaining diversity and quality of staffing, and we do whatever we can to achieve that objective. While some staff turnover is inherent in the public accounting profession, our close partner involvement minimizes the impact to our clients. The hallmark of Altman, Rogers & Co.'s client service remains the same – to provide active, personal, and high level partner involvement.

Further, as a matter of policy, our Altman, Rogers & Co.'s offices do not require systematic staff rotation, eliminating the concern about repeated learning curves. It is our goal, however, to foster career growth, encouraging staff members to take on increasing levels of professional responsibility within the scope of each engagement.

POLICY NOTIFICATION OF CHANGES IN KEY PERSONNEL

The audit team assigned to this engagement will be composed of individuals experienced in governmental auditing and accounting. Team members will serve continuously throughout the engagement to maximize understanding between the audit team and the District's management team. Any changes to staff will be approved by the management of Ketchikan Gateway Borough School District. The primary audit team assigned to the engagement will be comprised of CPAs. The audit principal is a CPA who has worked extensively with governmental entities, including Ketchikan Gateway Borough School District.

CONTINUING PROFESSIONAL EDUCATION

All of our staff complete at least 40 hours of continuing professional education each year. Our principals and managers complete over 20 hours of industry specific training. Staying ahead of FASB changes and impacts to our clients is vital as we serve many governmental entities and school districts throughout Alaska.

BENEFITS OF A LONG-TERM PROFESSIONAL RELATIONSHIP

We view the relationship between Altman, Rogers and Co. and our clients as a long-lasting one and believe that we provide excellent professional services with reasonable fees. There are many compelling reasons which make rotation of auditors unattractive as described in the following paragraphs:

DECREASED RISK

The AICPA Commission on Auditors' Responsibilities (Cohen Commission, 1978), the National Commission on Fraudulent Financial Reporting (Treadway Commission, 1987) and the Securities Exchange Commission (2003 report to Congress) have inferred that the frequency of substandard audits increases as auditor tenure decreases. In fact, a substantial body of academic literature has accumulated that testifies to the direct relationship between the length of auditor tenure and the increased discovery of material financial statement errors. It is also noteworthy that private-sector regulators view changes in auditors with great caution. The SEC for example, requires immediate notification when a publicly held company changes auditors, suggesting that such action is a possible "red flag" to the investment community.

NO "LEARNING CURVE"

The reason for the correlation between audit quality and auditor tenure seems to be the "learning curve." Simply put, a new auditor must expend time, energy, and money to effectively learn about the client and its business, particularly a client of the size and the complexity of the School District. The academic literature supports this conclusion. A number of studies have pointed to the "learning curve" effect.

SECURING THE BEST FIRM

It is not in the interest of any organization to risk the loss of the best firm in its industry for the sake of arbitrary rotation. The only way to ensure that the very best firm in auditing is selected - or, more relevantly, kept - is to guarantee that no firm is arbitrarily excluded from the procurement process simply because of a long-standing and incumbent record of prior service.

COST SAVINGS

The investment of management's time and expense in the procurement process, as well as the subsequent "learning curve," most often exceeds any actual cost benefits that might accrue from engaging a new auditor. In fact, the lowest cost comes from retaining an auditor, not replacing it with one who charges a lower initial fee. It costs an agency considerable expense when its personnel have to spend time explaining organizational structures, systems, and data to new auditors.

STABILITY IN AN ENVIRONMENT OF CHANGE

The rotation of audit firms often adds unnecessarily to the many significant changes that are already required for an organization to remain healthy and competitive. School District management continues to face significant challenges in the future. Stability of audit firms will help you to manage that.

CONFORMANCE WITH FIXED FEE AND ACCEPTANCE

In order to determine an applicant's ability to conform to the fixed fee set forth, the District requires that the estimated hours of audit work be disclosed in the Technical Proposal. This is to aid in determining that the engagement has been reasonably planned and, therefore, that the fixed fee can reasonably be adhered to by the proposing auditor. Below are the estimated hours for our firm to complete the audit:

	<u>Estimated Hours</u>
Principals	45
Supervisor	100
Senior	140
Subtotal	<u>285</u>

We appreciate the opportunity to submit this proposal and are available to discuss any items or questions regarding it.

If the terms are acceptable to the Ketchikan Gateway Borough School District, and the services outlined are in accordance with the School District's understanding, please sign the letter below and return a copy of this letter to us. We look forward to our association with the organization and appreciate the opportunity to be of service to the Ketchikan Gateway Borough School District. Please call if there are any questions about any aspect of the engagement.

Sincerely,

ALTMAN, ROGERS & CO.



Grant R. Todd, CPA
Principal

Enclosures

APPROVED: KETCHIKAN GATEWAY BOROUGH SCHOOL DISTRICT

By

Title

Date

ATTACHMENTS

PEER REVIEW

REFERENCES

CERTIFICATE OF INSURANCE

A-1 SCHEDULE OF FEES - FY2024 FINANCIAL STATEMENTS

A-2 SCHEDULE OF FEES - FY2025 FINANCIAL STATEMENTS

A-3 SCHEDULE OF FEES - FY2026 FINANCIAL STATEMENTS

SAMPLE LETTER TO THE GOVERNING BOARD

Report on the Firm's System of Quality Control

To the Shareholders
Altman, Rogers & Co.
and the California Society of CPAs Peer Review Committee

We have reviewed the system of quality control for the accounting and auditing practice of Altman, Rogers & Co. (the firm) in effect for the year ended September 30, 2021. 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 (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. 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.

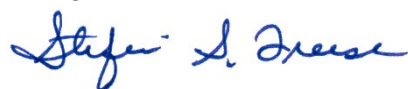
Required Selections and Considerations

Engagements selected for review included audit engagements performed in accordance with *Government Auditing Standards* and the Single Audit Act and audits of employee benefit plans.

As a part of our peer review, we considered reviews by regulatory entities as communicated by the firm, 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 Altman, Rogers & Co. in effect for the year ended September 30, 2021, 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*. Altman, Rogers & Co. has received a peer review rating of *pass*.



Billings, Montana
February 8, 2022

REFERENCES

For additional information concerning our firm, please contact the individuals listed below.

LAKE AND PENINSULA SCHOOL DISTRICT

Contact
Phone

Laura Hylton, Business Manager
745-7090

KODIAK ISLAND BOROUGH SCHOOL DISTRICT

Contact
Phone

Sandra Daws, Business Manager
486-7557

ANNETTE ISLAND SCHOOL DISTRICT

Contact
Phone

Ashley Scott, Business Manager
886-6332



CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY)
2/6/2023

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW.

IMPORTANT: If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must have ADDITIONAL INSURED provisions or be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement.

Table with 2 main columns: PRODUCER (RISQ Consulting - Anchorage) and CONTACT NAME (Shawn Napier-Thomatis). Includes fields for phone, fax, email, and a list of insurers (West American, Oak River, The Hanover, HDI Global).

COVERAGES CERTIFICATE NUMBER: REVISION NUMBER:

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES.

Main coverage table with columns: INSR LTR, TYPE OF INSURANCE, POLICY NUMBER, POLICY EFF, POLICY EXP, LIMITS. Includes Commercial General Liability, Automobile Liability, Umbrella, Workers Compensation, Errors & Omissions, and Cyber Liability.

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (ACORD 101, Additional Remarks Schedule, may be attached if more space is required)

CERTIFICATE HOLDER CANCELLATION

Table with 2 columns: CERTIFICATE HOLDER (EVIDENCE OF INSURANCE ONLY) and CANCELLATION (SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF...)

ATTACHMENT

A – 1

**Schedule of Professional Fees and Expenses for the Audit
Of the FY2024 Financial Statements**

	Hours	Standard Hourly Rates	Quoted Hourly Rates	Total
Partner	45	\$ 275	\$ 225	\$ 10,125
Supervisor	100	\$ 220	\$ 190	\$ 19,000
Senior	140	\$ 160	\$ 135	\$ 18,900
Subtotal	285			\$ 48,025

Estimated Out of Pocket Expenses	
Meals and lodging – Estimated using federal per diem rates for two people	\$ 3,150
Transportation	\$ 1,200
Other (specify) – Fed Census, typing, and printing	\$ 2,200
Subtotal – Out of Pocket Expenses *	\$ 6,550

Total all-inclusive maximum price for 2024 Audit **	\$ 54,575
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* This is an estimate based on per diem rates and prior year costs. However, due to rapidly increasing travel costs, if the proposed out of pocket costs exceed this amount, we will bill the District based on actual costs incurred.

** This fee is based on two federal and two state compliance programs. Each additional program will increase the fee by \$2,000. This fee includes our review of student activity accounts and individual club accounts as specified in the RFP.

ATTACHMENT

A – 2

**Schedule of Professional Fees and Expenses for the Audit
Of the FY2025 Financial Statements**

	Hours	Standard Hourly Rates	Quoted Hourly Rates	Total
Partner	45	\$ 275	\$ 230	\$ 10,350
Supervisor	105	\$ 220	\$ 195	\$ 20,475
Senior	140	\$ 160	\$ 140	\$ 19,600
Subtotal	290			\$ 50,425

Estimated Out of Pocket Expenses	
Meals and lodging – Estimated using federal per diem rates for two people	\$ 3,300
Transportation	\$ 1,300
Other (specify) – Fed Census, typing, and printing	\$ 2,400
Subtotal – Out of Pocket Expenses *	\$ 7,000

Total all-inclusive maximum price for 2025 Audit **	\$ 57,425
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* This is an estimate based on per diem rates and prior year costs. However, due to rapidly increasing travel costs, if the proposed out of pocket costs exceed this amount, we will bill the District based on actual costs incurred.

** This fee is based on two federal and two state compliance programs. Each additional program will increase the fee by \$2,000. This fee includes our review of student activity accounts and individual club accounts as specified in the RFP.

ATTACHMENT

A – 3

**Schedule of Professional Fees and Expenses for the Audit
Of the FY2026 Financial Statements**

	Hours	Standard Hourly Rates	Quoted Hourly Rates	Total
Partner	45	\$ 280	\$ 235	\$ 10,575
Supervisor	105	225	200	21,000
Senior	145	\$ 165	\$ 145	\$ 21,025
Subtotal		\$	\$	\$ 52,600

Estimated Out of Pocket Expenses	
Meals and lodging – Estimated using federal per diem rates for two people	\$ 3,500
Transportation	\$ 1,300
Other (specify) – Fed Census, typing, and printing	\$ 2,600
Subtotal – Out of Pocket Expenses *	\$ 7,400

Total all-inclusive maximum price for 2026 Audit **	\$ 60,000
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* This is an estimate based on per diem rates and prior year costs. However, due to rapidly increasing travel costs, if the proposed out of pocket costs exceed this amount, we will bill the District based on actual costs incurred.

** This fee is based on two federal and two state compliance programs. Each additional program will increase the fee by \$2,000. This fee includes our review of student activity accounts and individual club accounts as specified in the RFP.

EXAMPLE ENTITY

Sample Letter to the Governing Board

Year Ended June 30, 2024

Month XX, 2024

Members of the School Board
Ketchikan Gateway Borough School District
Ketchikan, Alaska

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Ketchikan Gateway Borough School Board for the year ended June 30, 2024, which collectively comprise the Entity's basic financial statements. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, the Uniform Guidance, and *the State of Alaska Audit Guide and Compliance Supplement for State Single Audits*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated Month XX, 2024. Professional standards also require that we communicate to you the following information related to our audit.

Significant Accounting Policies and Transactions

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Example Entity are described in Note 1 to the financial statements. As noted in Note 1, the Entity adopted GASB XX in fiscal year 2024. We noted no transactions entered into by the Entity during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. 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 significantly from those expected. The most sensitive estimates affecting the financial statements were:

All Opinion Units:

Management's estimate of the collectability of accounts receivable is based on historical collections. We evaluated the key factors and assumptions used to develop the collectability of accounts receivable in determining that it is reasonable in relation to the financial statements taken as a whole.

Government-Wide Opinion Unit and Business-type Activities:

Management's estimate of the useful lives and depreciation is based upon the expected life of an asset. We evaluated the key factors and assumptions used to develop the useful lives and depreciation expense in determining that it is reasonable in relation to the financial statements as a whole.

Members of the School Board
Ketchikan Gateway Borough School District

Management's estimates of the Entity's proportionate share of the collective net pension liability and related deferred outflows and inflows of resources are based on information furnished by the State of Alaska and actuarial reports generated during the audit of the Public Employees' Retirement System. The amortization of these deferrals is based on guidance provided by the Governmental Accounting Standards Board. We evaluated the key factors and assumptions used to develop the estimates of the Entity's proportionate share of the collective net pension liability and deferred outflows and inflows of resources and related amortization in determining that it is reasonable in relation to the financial statements as a whole.

Financial Statement Disclosures

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. During the course of our audit we identified the following misstatements.

- To properly state payroll liabilities by \$X,XXX in the General Fund.
- To correct accounts payable balances as of Month XX, 2024 in the amount of \$XXX,XXX in the General Fund.

Disagreements with Management

For the purposes of this letter, a disagreement with management is a financial accounting, reporting or auditing matter, whether or not resolved to our satisfaction that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of the audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated Month XX, 2024.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Entity's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Internal Control Matters

See the June 30, 2024 Federal and State Single Audit Report for definition and descriptions of deficiencies, significant deficiencies, material weaknesses and any reported findings.

Members of the School Board
Ketchikan Gateway Borough School District

Accounting Assistance

As part of our engagement we drafted the basic financial statements of the Entity from the Entity's accounting records; however, management of the Entity was involved in the drafting process and retains responsibility for the basic financial statements.

Supplementary Information Accompanying the Financial Statements

We applied certain limited procedures to the Management's Discuss and Analysis, Budgetary Comparison Schedules, and Schedules of the Entity's Proportionate Share of Net Position Liabilities and Contributions for the Public Employees' Retirement System, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted 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 obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the "Additional Supplementary Information", which includes the Budgetary Comparison Schedule, Nonmajor Governmental Funds: Combining Balance Sheet and Combining Statement of Revenues, Expenditures, and Changes in Fund Balances, Nonmajor Special Revenue Funds: Combining Balance Sheet, Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficits), and Schedules of Revenues, Expenditures, and Changes in Fund Balance (Deficit) – Budget and Actual, Nonmajor Capital Project Funds: Combining Balance Sheet and Combining Statement of Revenues, Expenditures and Changes in Fund Balances, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were not engaged to report on the Introductory Section, the Supplementary Bond Schedules and the Statistical Section, which accompany the financial statements but are not RSI. We did not audit or perform other procedures on this other information and we do not express an opinion or provide any assurance on them.

Major Issues Discussed with Management Prior to Retention

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Entity's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Entity Board and management of Example Entity and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

Anchorage, Alaska