

KETCHIKAN GATEWAY BOROUGH SCHOOL DISTRICT  
(A Component Unit of the Ketchikan Gateway Borough)

Letter to the Governing Board

Year Ended June 30, 2022

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Year Ended June 30, 2022

November 14, 2022

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 District (the District) for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District'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 May 18, 2022. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Ketchikan Gateway Borough School District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year 2022. We noted no transactions entered into by Ketchikan Gateway Borough School District 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 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:

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.

Management's estimate of health and medical insurance liability is based on claims paid for the year and a 3 month estimate of the insurance liability. We evaluated the key factors and assumptions used to develop the health and medical liability in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimates of the District's proportionate share of the collective net pension and OPEB assets, liabilities 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 and Teachers' 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 District's proportionate share of the collective net pension and OPEB 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.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

The disclosure of contingencies in Note XIII.B. to the financial statements. The federal and state awarded money is subject to compliance in accordance with the grant agreement. Expenditures may be disallowed by the granting agencies at any time which would have an impact on the financial statements.

The remaining 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 clearly trivial, and communicate them to the appropriate level of management.

The following summarize corrected misstatements of the financial statements:

##### School Operating Fund:

- \$1,390 overstatement of interfund receivables

##### Food Service Special Revenue Fund:

- \$11,772 understatement of revenues and overstatement of unearned revenue

The following summarize uncorrected misstatements of the financial statements:

School Operating Fund:

- \$197,158 understatement of payroll expenses and accrued payroll liabilities

Management has determined that the effect is immaterial, both individually and in the aggregate, to the financial statements taken as a whole. The uncorrected misstatement or the matters underlying them could potentially cause future period financial statements to be materially misstated, even though, in our judgment, such uncorrected misstatements are immaterial to the financial statements under audit.

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 November 14, 2022.

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 District's financial statements or a determination of the type of auditors' 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.

Accounting Assistance

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

Other Audit Findings of Issues

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

Internal Control Matters

See the June 30, 2022, audited financial statements Compliance Reports for definition and descriptions of deficiencies, significant deficiencies, material weaknesses and any reported findings.

Other Matters

We applied certain limited procedures to the Schedule of Revenues, Expenditures and Changes in Fund Balance – Original and Final – Budget and Actual: School Operating Funding, Student Transportation Special Revenue Fund, Food Service Special Revenue Fund and CRRSA Act ESSER III Special Revenue Fund; Schedules of the District's Proportionate Share of the Net Pension and OPEB Liabilities (Assets) and Contributions for the Public Employees' Retirement System and the Teachers' Retirement System, and Notes to Required Supplementary Information, 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 Major Governmental Funds: Schedule of Revenues, Expenditures and changes in Fund Balance – Budget and Actual: School Operating Fund, Student Transportation Special Revenue Fund, Food Service Special Revenue Fund and CRRSA Act ESSER III Special Revenue Funds; Other Governmental Funds: Combining Balance Sheet and Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficit); Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual; Schedule of Changes in Account Balances; Schedule of Compliance – AS 14.17.505; Schedule of Expenditures of Federal Awards and related notes; and the Schedule of State Financial Assistance and related notes, 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.

Restriction on Use

This information is intended solely for the use of the School Board and management of Ketchikan Gateway Borough School District and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

*Altman, Rogers & Co.*

Anchorage, Alaska