

ANNETTE ISLANDS SCHOOL DISTRICT

Letter to the Governing Board

Year Ended June 30, 2025

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Year Ended June 30, 2025

November 25, 2025

Members of the School Board
Annette Islands School District
Metlakatla, Alaska

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Annette Islands School District (the District) for the year ended June 30, 2025. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, the Uniform Guidance, and *State of Alaska Audit Guide and Compliance Supplement for State of 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 June 24, 2025. 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 Annette Islands School District are described in Note I to the financial statements. As discussed in Note IV.F. to the financial statements, the District changed accounting policies related to the recognition, measurement, and financial reporting for compensated absences as required by GASB Statement No. 101, *Compensated Absences*. We noted no transactions entered into by Annette Islands 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

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 facts 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.

Governmental 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.

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

Management's estimate of the compensated absences balance, which includes accrued leave, sick leave, and related benefits, is based upon historical payroll data. We evaluated the methods, assumptions, and data used to develop the estimate in determining that it is reasonable in relation to the financial statements taken 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 clearly trivial, and communicate them to the appropriate level of management. During the course of our audit we identified the following misstatement which was not corrected by management:

- \$65,458 overstatement of expenses related to the beginning net position balance in the government-wide financial statements resulting from a change in accounting standards – GASB No. 101, *Compensated Absences*.

Disagreements with Management

For 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 our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter November 25, 2025.

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 Districts' 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.

Other Audit Findings or 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 Districts' auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

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 Matters

We applied certain limited procedures to the Budgetary Comparison Schedules, 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 the 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, combining and individual nonmajor fund financial statements, schedule of compliance, schedule of expenditures of federal awards and accompanying notes, and schedule of state financial assistance and accompanying notes as identified in the table of contents of the basic financial statements, 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 School Board and management of Annette Islands School District and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

Otman, Rogers & Co.

Anchorage, Alaska