

CRAIG CITY SCHOOL DISTRICT

Letter to the Governing Board

Year Ended June 30, 2021

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Year Ended June 30, 2021

October 5, 2021

Members of the School Board
Craig City School District
Craig, Alaska

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Craig City School District for the year ended June 30, 2021, 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 June 2, 2021. 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 the District are described in Note I to the financial statements. As discussed in Note V.F. to the financial statements, the District changed accounting policies related to Student Activities by adopting Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, in 2021. Accordingly, the cumulative effect of the accounting change as of the beginning of the year is reported in the Statement of Net Position. We noted no transactions entered into by 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 allowance account on accounts receivable is based on historical collections and collectability of customer balances. We evaluated the key factors and assumptions used to develop the allowance account in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimates of the District's forfeitures related to PERS and TRS 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 assets 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 forfeiture balances and related amortization in determining that it is reasonable in relation to the financial statements as a whole.

Governmental Activities 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 taken as a whole.

Management's estimates of the District's proportionate share of the collective net pension/OPEB 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 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/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.

Financial Statement Disclosures

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

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

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 noted the following misstatements that were corrected by management:

- \$39,462 understatement of local revenues in School Operating Fund because CARES expenditures were netted against City contributions.
- \$57,140 overstatement of revenue and expenditures in School Operating Fund due to recording shared services reimbursements and related expenditures from other school districts.

Summarized below are misstatements that management has determined to be immaterial, both individually and in the aggregate, to the financial statements as a whole. These misstatements were not corrected by management:

- \$8,496 overstatement of accounts payable in the School Operating Fund.
- \$10,856 understatement of cash in the School Operating Fund due to stale dated activity.
- \$5,620 overstatement of accounts receivable in the School Operating Fund.
- \$2,202 overstatement of accounts payable in the Summer Food Service Program Special Revenue.
- \$7,031 overstatement of accounts payable in the Food Service Program Special Revenue Fund.

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 dated October 5, 2021.

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 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, 2021 financial statements, compliance section for definitions of deficiencies, significant deficiencies, material weaknesses and any related findings.

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 District's 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

During the audit we provided technical accounting assistance associated with Governmental Accounting Standards Board (GASB) guidance for certain reporting items, including the summarization and recording of capital assets in the government-wide financial statements. 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 Schedules of District's Proportionate Share of the Net Pension and OPEB Liabilities and Contributions for the Public Employees' Retirement System and the Teachers' Retirement System, and the Schedule of Revenues, Expenditures, Changes in Fund Balance – Original and Final – Budget and Actual – School Operating Fund which is 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, Other Governmental Funds – Combining Balance Sheet and Statements of Revenues, Expenditures and Changes in Fund Balance – Budget to Actual, the Pace Statewide Correspondence Program, 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 year 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 Craig City 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
October 5, 2021