

CRAIG CITY SCHOOL DISTRICT

Letter to the Governing Board

Year Ended June 30, 2023

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Letter to the Governing Board

Year Ended June 30, 2023

October 26, 2023

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, 2023. 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 July 5, 2023. 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 Craig City School District are described in Note I. to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2023. We noted no transactions entered into by Craig City 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 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 unit

Management's estimates of the calculation of the right to use asset and lease liability are based on an incremental borrowing rate for the present value of calculation of the lease payments. We evaluated the key factors and assumptions used to develop present value calculations in determining that it is reasonable in relation to the financial statements as a whole.

Management's estimate of the useful lives and depreciation is based on 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 and OPEB liabilities/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 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.

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 noted the following misstatements that were corrected by management:

- \$7,600,063 total debits and credits across 161 various accounts to account for balances as of December 31, 2022 to bring into the new accounting system.
- \$296,607 to correct accounts receivable across 23 various funds due to grants not being reconciled.
- \$16,661 overstatement of fuel inventory in the School Operating Fund.
- \$28,386 understatement of PERS on-behalf in the School Operating Fund.
- \$309,243 understatement of TRS on-behalf in the School Operating Fund.
- \$69,677 understatement of City In-kind services in the School Operating Fund.
- \$26,377 understatement of E-rate revenue in the School Operating Fund.
- \$757,860 in various misstated payroll liability and payroll expense accounts.

#### 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 26, 2023.

#### 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 Craig City School 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.

#### 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 Craig City School 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, and lessee accounting. 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 Schedules of 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 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 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 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 information and use of 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 26, 2023