



**CITY OF KOTZEBUE
RESOLUTION NO. 24-25**

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF KOTZEBUE
ACCEPTING THE BDO BID TO PROVIDE AUDITING SERVICES FOR THE
CALENDAR YEARS 2023, 2024, 2025 AND 2026.**

WHEREAS, BDO USA, LLP, 3601 “C” Street, Suite 600, Anchorage, Alaska 99503 (“BDO”) (f/n/a Mikunda Cottrell & Company) has provided auditing services for the City of Kotzebue for many years and BDO’s services have been of the highest quality during the time that the City of Kotzebue (“City”) has used its auditing services;

WHEREAS, BDO was the only bidder to submit a response to the City’s Invitation to Bid for Auditing Services as set forth in Exhibit “A” attached hereto;

WHEREAS, BDO has proposed in its 42-page March 29, 2024 submittal, attached hereto as part of Exhibit “A” at Pages 2 of 45 and 43 of 45 of Exhibit “A” to provide auditing services for CY2023 in the amount of \$84,300, for CY2024 in the amount of \$88,850, for CY 2025 in the amount of \$93,850 and for CY2026 in the amount of \$99,100 on the terms and conditions as set out therein; and,

WHEREAS, pursuant to Kotzebue Municipal Code, Chapter 3.04, BUDGET, appropriations for CY2024, CY2025 and CY2026 auditing services from BDO must be duly present to and approved by the City Council of the City of Kotzebue, to wit: the auditing services for CY2024, CY2025 and CY2026 are subject to appropriation by the then sitting City Council of the City of Kotzebue at the time required for such appropriations pursuant to Kotzebue Municipal Code, Chapter 3.04, BUDGET.

NOW, THEREFORE, BE IT RESOLVED, that the City Council of the City of Kotzebue authorizes the City Manager or her designee to proceed with obtaining and utilizing the auditing services of BDO for CY2023 on the terms and conditions as set out in Exhibit "A" attached hereto.

PASSED AND APPROVED by a duly constituted quorum of the City Council of the City of Kotzebue, Alaska, this 18th day of April, 2024.

CITY OF KOTZEBUE

Saima Chase, Mayor

ATTEST:

Rosie Hensley, City Clerk

Attachments: Exhibit "A" – BDO Response to ITB [45 pages]

CITY OF KOTZEBUE
INVITATION TO BID/REQUEST FOR PROPOSAL/
REQUEST FOR QUOTE
OPENING REPORT

PROPOSAL NUMBER/TITLE: ITB24-02 Audit Svc.

DATE/TIME OPENED: 4/1/24, 2024 AT 1:18 A.M./P.M.

	<u>CONTRACTOR</u>	<u>PROPOSAL AMOUNT</u>
01	<u>BDO</u>	<u>84,300.00</u>
02		
03		
04		
05		
06		
07		
08		
09		
10		

[Signature]
City Clerk

4-1-2024
Date

[Signature]
Witness

Bids frozen 4pm 3/29/24. Opened bids at 4/1/24 1:18pm

Value for Fees

We are committed to quality, value-added service.

We understand the importance of efficiencies and cost control and have specifically designed our audit, methodologies to provide your engagement team with the tools they need to perform high quality audit services in as cost effective a manner as possible.

BDO is committed to investing the necessary time to discuss the changes, challenges, and potential issues which may impact you and your business. We believe in complete transparency, which means:

- ▶ We quote services based on experience and realistic expectations to avoid unexpected fees.
- ▶ It is not our practice to bill for routine telephone discussions or questions unless they require significant research.
- ▶ If you request special services outside the scope of services outlined in this bid, we will discuss those services and provide management with a fee estimate related to such assistance.
- ▶ We will not allow concerns about fees to jeopardize our working relationship.

OUR FEE BID

Assurance	2023	2024	2025	2026
Financial Statement, Audit, and Report preparation	\$69,500	\$73,300	\$77,550	\$82,000
Per Federal major program	\$7,800	\$8,200	\$8,600	\$9,000
Per State major program	\$7,000	\$7,350	\$7,700	\$8,100

Our fee Assumption is based on approximately 450 hours for the financial statements audit and report preparation, 55 hours for each major federal program and 48 hours for each major state program.

Our fees are exclusive of out-of-pocket expenses and other costs related to providing the services mentioned. These costs, including communication, data and technology, printing, and other direct engagement costs, will be billed separately as incurred. We bill monthly and require payment upon presentation. The amount billed reflects the approximate progress made towards completion of the professional service.



DELIVERY SLIP

Station : OTZ

AWB	HAWB	Origin	Std Pcs/Wt	SCC	Shipment Des	Consignee	Clearing Agent	Customs Ref.Numb	ULD	Div.Pc	Div.Wt.	DN Details
91-73457204		ANC		1/0SOA,LTR,NON DOCUMENTS	ROSIE HENSLEY CITY CLERK					1	0.38	DN3994(1/0.38L)

Exhibit "A" to Resolution 24-25 for April 18, 2024 RCCM

above consignment(s) received in full and apparent good order and condition except as noted in the remarks section

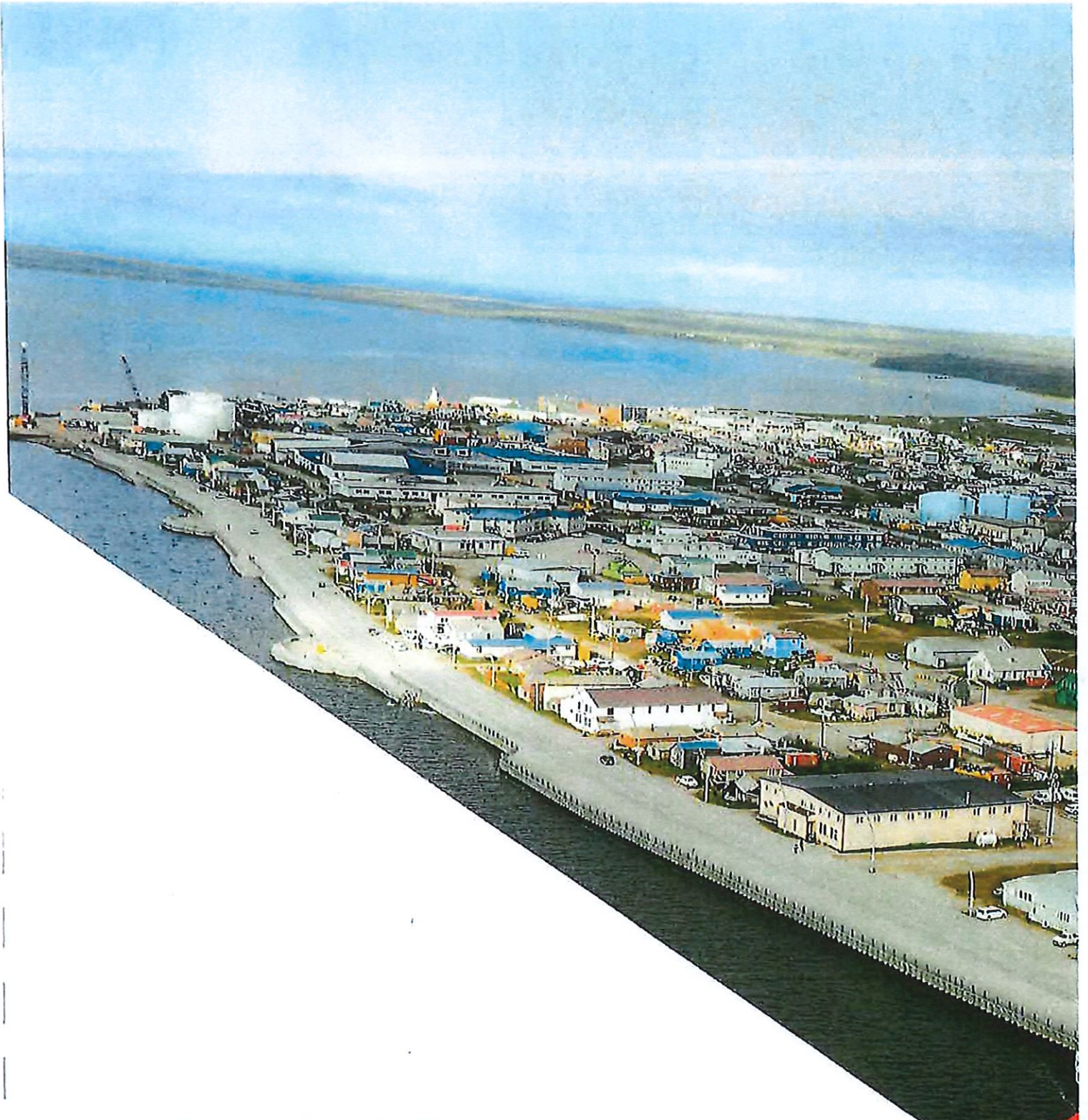
Delivered By: 1054254 _____ (Signature)

Delivered To: ROSIE _____ (Signature)

Delivered Date/TI : 27-Mar-2024 13:04:00

Vehicle Number:
Contact Address:

Remarks :



CITY OF KOTZEBUE, AK

BIKKY SHRESTHA, CPA
3601 C STREET, SUITE 600
ANCHORAGE, AK 99503
TEL: 907-770-2234
FAX: 907-278-5779 BSHRESTHA@BDO.COM
FEBRUARY 9, 2024





CITY OF KOTZEBUE

INVITATION TO BID # 2024-01

ITB Form

BUSINESS' NAME: BDO USA, P.C.
(Owner or Authorized Representative of Company)

COMPANY NAME: BDO USA, P.C.

COMPANY ADDRESS: 3601 C Street, Suite 600
Anchorage, AK 99503

(Physical Address)

Same as above
(Mailing Address)

TELEPHONE: 907-770-2234 FACSIMILE: 907-278-5779

EMAIL ADDRESS: bshrestha@bdo.com

I am an owner and/or have been authorized by my company to submit itb for Auditing Services for the City of Kotzebue. I submit the following ITB:

Request for Auditing Services

§ Please see proposed fees on page 40.

Signature of Owner or Authorized Representative


3/22/24

Date

CITY OF KOTZEBUE
NON-COLLUSION CLAUSE

1. By submission of this offer, the offeror certifies, and in the case of a joint offer, each party thereto, certifies as to its own organization, that in connection with this procurement:
 - a. The prices of this offer have been arrived at independently, without consultation, communication or agreement, for the purpose of restricting competition, as to any matter relating to such prices with any other offeror or with any competitor.
 - b. Unless otherwise required by law, the prices which have been quoted in this offer have not been knowingly disclosed by the offeror and will not knowingly be disclosed by the offeror, prior to opening in the case of an advertised procurement, or prior to award in the case of a negotiated, directly or indirectly, procurement to any other offeror or to any competitor.
 - c. No attempt has been made or will be made by the offeror to induce any other person or firm to submit or not submit an offer for that purpose of restricting competition.

2. Each person signing this offer certifies that:
 - a. He is the person in the offeror's organization responsible within that organization, for the decision as to the prices being offered, herein, and that he has not participated, and will not participate in any action contrary to 1a through 1c above.
 - b. He is not the person in the offeror's organization responsible within that organization, for the decision as to the prices being offered, herein, but that he has been authorized, in writing, to act as agent for the persons responsible for such decision in certifying that such persons have not participated and will not participate in, any action contrary to 1c above and as their agent, does hereby so certify; and he has not participated, and will not participate in any action contrary to 1a through 1c above.



Signature of Authorized Representative
Bikky Shrestha

Printed Name of Authorized Representative
BDO USA, P.C.

Company Name

3/22/24

Date
Assurance Principal

Title

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www.bdo.com

3601 C Street, Suite 600
Anchorage, AK 99503

March 29, 2024

City of Kotzebue
Chelsea Sieh, Finance Director
258A Third Avenue
PO Box 46
Kotzebue, AK 99752

Dear Ms. Sieh,

Thank you for giving BDO USA, P.C ("BDO") the opportunity to present our bid to continue to meet the auditing needs of the City of Kotzebue ("the City"). The firm selected to serve the City must demonstrate that it has the depth of resources required to perform this engagement in a timely fashion; experience in performing audits of similar size and complexity as the City's operations; familiarity with the laws and regulations that govern contracts; and the ability to understand and test internal controls, including compliance with laws and regulations. The BDO Team offers unmatched experience in relation to the services required by the City.

We will perform an audit of the City's basic financial statements in accordance with auditing standards generally accepted in the United States of America; *Government Auditing Standards* issued by the Comptroller General of the United States of America; the provisions of the Federal Single Audit Act of 1984 and the Single Audit Amendments of 1996; U.S. Office of Management and Budget (OMB) Uniform Guidance and the State of Alaska Single Audit Regulation 2AAC 45.010.

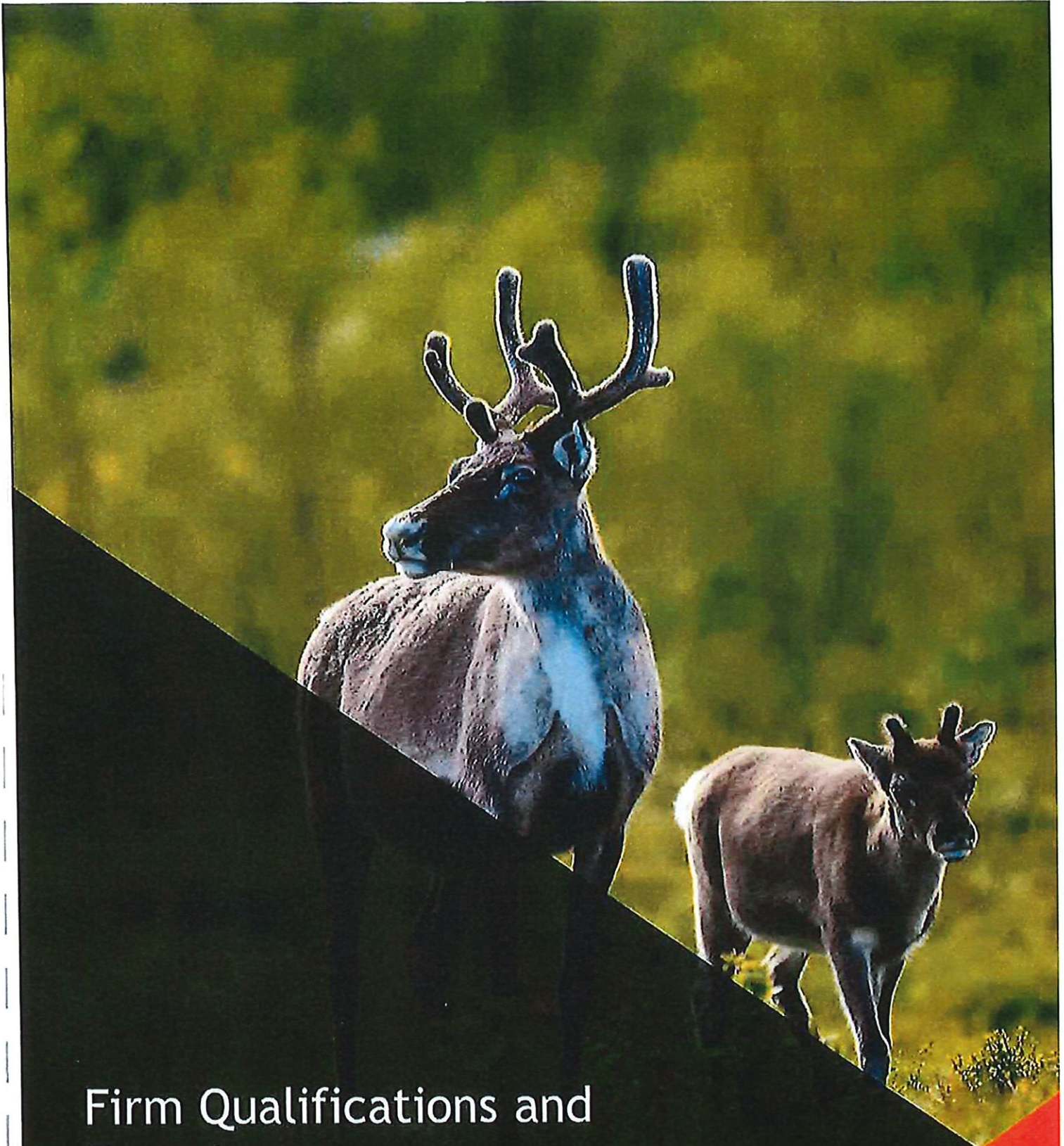
BDO USA nationally serves many government agencies. The firm has over 80 offices in the U.S. and global network of offices in 160+ countries making BDO the fifth largest international accountancy network. The Anchorage office of BDO represents one of the largest CPA practices in Alaska and offers a long history of experience working directly with Alaska municipal governments. The BDO Team's depth of resources will be further complemented with the extensive experience gained from performing hundreds of federal and state single audits for various public sector organizations. As leaders in the municipal audit market, we stand ready to support the City in carrying out its fiscal responsibilities, with minimal disruption and learning curve.

The City will continue to be a valuable client to the BDO Anchorage office and will receive the full attention of our senior resources. We anticipate substantial audit participation from the audit partner, in addition to highly qualified technical reviewers. In this bid, we have described our qualifications that we believe make us the best choice for the City. We are confident that the services we provide, our proactive service delivery approach, and our open communication style, all of which have helped us establish long-term relationships with hundreds of organizations similar to the City, are suitably matched to your needs.

We wish to again express our appreciation for the opportunity to present our bid to serve as your independent auditors and accountants. We would welcome the opportunity to discuss our bid in detail and answer any questions you may have. This bid for auditing services for the **year ended December 31, 2023**, represents a firm and irrevocable offer. The undersigned is authorized to make representations regarding this bid on behalf of the firm and certifies that all information is accurate and that this bid is valid for 90 days from February 9, 2024.

Sincerely,

Bikky Shrestha
Assurance Principal
Direct: 907-770-2234
bshrestha@bdo.com



Firm Qualifications and Experience



About BDO

FIRM HISTORY AND OVERVIEW

BDO has a 113-year record as a premier accounting, tax, and advisory organization. We are recognized for our attentive client service, experienced and accessible team members, focus on quality and efficiency, ability to adapt to and navigate successfully in a changing marketplace, and dedication to the municipal government community.

Founded as Seidman & Seidman in New York City in 1910, the firm has grown to serve clients through more than 80 offices nationwide.

HELPING PEOPLE THRIVE EVERY DAY

BDO's philosophy defines our mission to achieve sustainable professional, cultural, and economic growth, as well as meaningful recognition in the marketplace and the profession. We will accomplish this by:

- ▶ Demonstrating our core values to put people first, embrace change, choose accountability, be exceptional every day and every way, and gain empowerment through knowledge
- ▶ Investing in our people and infrastructure
- ▶ Capitalizing on market opportunities and strategic relationships
- ▶ Providing attentive client service

BDO USA, LLP

\$2.49 billion Revenues

38% Assurance **35%** Tax **27%** Advisory and Other

20 Partners **9,671** Client Service Personnel **80+** Offices
8 Partners **11,270** Total Personnel



BDO IN ALASKA

Our Anchorage office is located at 3601 C Street, Suite 600. It has been in business for over 40 years and is led by four partners who serve the region with a proud focus on Alaska-based clients. We deliver for small entities, large operations in diverse geographic regions, and everything in between. We currently serve 20 of Alaska's "Top 49ers." Our client base reflects the local market economy and is comprised of the following extensive range of sectors and industries.

- ▶ Aerospace/Aviation
- ▶ Alaska Native Tribal Entities
- ▶ Construction
- ▶ Environmental Remediation
- ▶ Government Contracting
- ▶ Healthcare
- ▶ Hospitality/Tourism
- ▶ IT
- ▶ Manufacturing/Logistics
- ▶ Media/Entertainment
- ▶ Municipal and State Governments
- ▶ Nonprofit
- ▶ Operations and Maintenance
- ▶ Postal Services
- ▶ Real Estate
- ▶ Retail and Wholesale
- ▶ School Districts
- ▶ Security Services
- ▶ Small Business
- ▶ Utilities

ALASKA BY THE NUMBERS

70+ professionals in Anchorage serving the region with a proud focus on Alaska-based clients

4 Partners

BDO Knows State and Local Government Audits

BDO has extensive experience in the public and nonprofit sectors, including governmental and tax-exempt programmatic, membership, social welfare, charitable, educational, religious, cultural, and research entities. Our professionals deliver hands-on experience and technical skills to address each of our clients' distinctive needs. *As a client of the BDO Anchorage office, you have access to these national-level resources whenever you need them.*

BDO's public sector professionals have an in-depth knowledge and understanding of applicable federal, state, and local government rules and regulations, as well as accounting and auditing standards and requirements, financial management rules and requirements, information technology system auditing standards, and economic stimulus program and reporting requirements.



Public sector-specific methodologies and program management

- ▶ Guide our highly experienced public sector auditors
- ▶ Recognize schedule and budget constraints
- ▶ Help us analyze which federal, state, or municipal accounting rules, regulations, and laws are applicable
- ▶ Encourage deeper discussions with our clients that can drive auditor insights and streamlined processes



Tailored technologies and tools

- ▶ Enable secure, encrypted document and information sharing in real time
- ▶ Drive audit efficiencies
- ▶ Foster knowledge through our customized public sector analytics dashboards



Extensive experience in auditing similar activities, programs, and funds

- ▶ Achieve GFOA top honors for ACFRs our teams have audited
- ▶ Guide knowledge of roll-up entities, such as school districts, healthcare organizations, utilities, transportation agencies, and airport authorities
- ▶ Offer leadership for state and federal single audits
- ▶ Understand current, relevant GASB guidelines and anticipate future requirements



Immersion in the public sector space

- ▶ Serve on public sector task forces, teams, and fellowships in the AICPA and GASB
- ▶ Interpret public sector issues and regulations to help our clients



Knowledge-base sharing with public sector clients

- ▶ Deliver timely information through articles, archives, webinars, and trainings

BDO Experience with Alaska Entities

Below we have provided information on our overall audit experience with Alaska government and utilities entities. For the requested reference information, please see the following page.

PUBLIC SECTOR DEPTH

BDO's Public Sector professionals have an in-depth knowledge and understanding of applicable state and local government rules and regulations, federal and industry accounting and auditing standards and requirements, financial management rules and requirements, information technology system auditing standards, and economic stimulus program and reporting requirements. Our methodologies and program management approach are designed to deliver repeatable and reliable processes that help clients achieve their goals, facilitate communications, assure accurate and timely reporting, and enable effective operations.

The City will be served by leaders of BDO's dedicated Public Sector practice. Consisting of approximately 800 audit and advisory professionals and led by members of our proposed client service team, our practice has recently performed the financial statement audits, Single Audits, and prepared the Annual Comprehensive Financial Reports for numerous municipal, state, regional, and federal government agencies.

BDO is a valued business advisor to approximately 4,000 agencies in the public sector, including educational, governmental and tax-exempt programmatic, membership, social welfare, charitable, religious, cultural, and research with asset sizes ranging from \$500,000 to approximately \$10,000,000,000. Our professionals deliver hands-on experience and technical skills to address each of our clients' distinctive needs.

We have extensive experience in auditing some of the largest governments in the United States and Alaska.

We have performed all the required tasks and all aspects of the services outlined in the RFP for numerous government and tax-exempt entities. The BDO team of professionals offers the hands-on experience and technical skill you can rely upon to serve the distinctive needs of City.

STATE, LOCAL AND OTHER GOVERNMENTS

Local public engagement teams

Our Alaska offices serve as auditors for many governmental units, including state agencies, cities, and counties, such as Municipality of Anchorage and Anchorage School District, Kenai Peninsula Borough and School District, City and Borough of Sitka, Aleutians East Borough, City of Kenai, City and Borough of Yakutat, Alaska International Airports System, Alaska Municipal Bond Bank Authority, and Petersburg Borough.

National practice resources serving state and local governments

In addition, various BDO offices have provided audit and/or advisory services to the City and County of Denver, California Public Employees' Retirement System, Government of the U.S. Virgin Islands, City of Las Vegas, Government of the District of Columbia, Virgin Islands Port Authority, and the Virgin Islands Power and Water Authority, Clark County Water Reclamation District, Las Vegas Valley Water Authority, State of West Virginia, City of Wilmington, Diamond State Port Corporation, Wilmington Parking Authority, New Castle County, Sussex County and Kent County, Delaware.



Experience Providing Additional Services

SINGLE AUDIT EXPERIENCE

BDO has regular experience working directly with a variety of federal and state agencies as inquiries and/or audits occur with clients. Our assurance professionals have performed hundreds of Single Audits under the requirements of OMB Circular A-133 and/or Uniform Guidance for governmental and tax-exempt entities and are also closely familiar with federal acquisition regulations.

We have fluent knowledge of cost accounting standards, cost allowability and allocability, budgeting and forward pricing, and time reporting and labor distribution systems, and have helped clients develop their indirect cost rates and structure their indirect cost pools. These reviews focus on establishing a structure to raise the indirect cost recovery for the organization while helping to verify that it remains compliant. BDO has also performed numerous extensive reviews of clients' internal controls to assess whether required controls are in place and identify areas in which controls can be strengthened.

The City will have access to BDO's wide range of resources. Your engagement leads have experience working with federal funding from the following federal agencies.

Federal Funding from Federal Agencies

- ▶ Agency for International Development
- ▶ Department of Agriculture
- ▶ Department of Commerce
- ▶ Department of Defense
- ▶ Department of Education
- ▶ Department of Energy
- ▶ Department of Health and Human Services
- ▶ Department of Homeland Security
- ▶ Department of Housing and Urban Development
- ▶ Department of the Interior
- ▶ Department of Justice
- ▶ Department of Labor
- ▶ Department of State
- ▶ Department of Transportation
- ▶ Department of Treasury
- ▶ Environmental Protection Agency
- ▶ Federal Aviation Administration
- ▶ Federal Emergency Management Agency
- ▶ General Services Administration
- ▶ National Aeronautics and Space Administration
- ▶ National Endowment for the Arts
- ▶ National Endowment for the Humanities
- ▶ Social Security Administration

Experience Providing Additional Services

The vast majority of our public sector clients require Single Audits. BDO has significant experience performing Single Audits for a variety of clients of all sizes and with a diverse program base. The strength of our Uniform Guidance audits is evident through the desk and quality reviews conducted by oversight organizations such as the General Accounting Office (GAO), federal inspectors general, and state auditors. At BDO, we:

- ▶ Work closely with federal agencies responsible for overseeing and implementing the Uniform Guidance
- ▶ Have a dedicated group of professionals who direct an education and communication program to our staff and clients
- ▶ Provide a Uniform Guidance training curriculum that meets the Government Auditing Standards continuing professional education requirements for all professionals who serve on these audits
- ▶ Offer our clients and service teams direct access to our BDO Institute for Nonprofit Excellence for technical questions or unusual issues that may arise; this enables individuals who interact directly with federal agencies to answer single audit questions from the client or our team in a timely, efficient, and consistent manner

The following is a partial listing of our recent similar public entity clients, all of which required Single Audits of various sizes and magnitudes.

Government-wide

- | | |
|--|--------------------------------|
| ▶ City and County of Denver | ▶ Aleutians East Borough |
| ▶ City of Grand Rapids | ▶ City and Borough of Sitka |
| ▶ City of Homer | ▶ City and Borough of Wrangell |
| ▶ City of Kenai | ▶ City and Borough of Yakutat |
| ▶ City of Kotzebue | ▶ City of Palmer |
| ▶ City of Wilmington | ▶ City of Sand Point |
| ▶ City of Wyoming | ▶ City of Soldotna |
| ▶ Government of the District of Columbia | ▶ City of Wasilla |
| ▶ Government of the U.S. Virgin Islands | ▶ City of Unalaska |
| ▶ Kalamazoo County | ▶ Kenai Peninsula Borough |
| ▶ Petersburg Borough | ▶ Municipality of Skagway |
| ▶ Municipality of Anchorage | |
| ▶ Sussex County | |

Alaska School Districts

- | | |
|---|---|
| ▶ Aleutians East Borough School District | ▶ Matanuska-Susitna Borough School District |
| ▶ Anchorage School District | ▶ Petersburg School District |
| ▶ Galena City School District | ▶ St. Mary's School District |
| ▶ Kenai Peninsula Borough School District | ▶ Yukon Koyukuk School District |
| ▶ Lower Yukon School District | |

Public Sector Industry Credentials

BDO INSTITUTE FOR EXCELLENCE

BDO is proud to be one of the few national accounting firms with a strategic dedication to the public sector. That commitment led us to develop the Institute to address the needs of U.S. nonprofit and public sector entities.

The Institute serves as a resource, studying and disseminating information pertaining to public sector accounting and business management. It also supports and collaborates with BDO offices around the country to develop innovative and practical accounting and operational services for our Public Sector practice and our clients. The Institute, which is in the Washington, D.C., area, provides monthly in-person or web-based informational sessions for clients and other interested parties on the latest topics and opportunities impacting the public sector.

Additionally, the Institute sponsors educational seminars locally or by webcast on such topics as new Governmental Accounting Standards Board (GASB) implementation and compliance, new Financial Accounting Standards Board (FASB) implementation and compliance, tax planning, alternate revenue streams, and management and governance topics.

CONTRIBUTIONS TO REGULATORY MATTERS

BDO's participation in regulatory and public policy affairs is extensive, involving partners' activity at the highest levels across a wide range of bodies and groups locally, nationally, and internationally. BDO partners and members of its leadership team are active as respected commentators in the blogosphere and media.

Our Public Sector practice monitors the various projects at the GASB and provides ongoing information through newsletters, webinars, and client-specific trainings to keep our clients updated on future endeavors.

Current BDO Public Sector Appointments

- ▶ **Lee Klumpp** – AICPA's State and Local Government Entities Task Force, and the firm's liaison to the AICPA Government Audit Quality Center
- ▶ **Sam Thompson** – AICPA's Ethics Enforcement Subcommittee, Alaska Government Finance Officers Association Board of Directors

Recently Completed BDO Appointments

- ▶ **Randy Watkins** – AICPA Government Audit Quality Center, Executive Committee Member; AICPA Governmental Auditing and Accounting Conference, Conference Planning Committee; AICPA Government Performance and Accountability Committee; Colorado Society of CPAs' Government Issues Forum, Past Chair
- ▶ **Neena Masih** – AICPA Nonprofit Task Force on Revenue Recognition
- ▶ **Lee Klumpp** – FASB Industry Fellow
- ▶ **Kurt Miller** – AICPA State and Local Government Training Program Update

Experience with GFOA Certificate of Achievement for Excellence

Consultation related to the achievement of the GFOA Certificate of Achievement for Excellence in Financial Reporting is very important to us as your service provider.

BDO has routinely assisted state and local governments in the successful completion of the GFOA Certificate of Achievement for Excellence in Financial Reporting. We stand willing and able to assist the City in achieving excellence in financial reporting.

Many of your service team members have served as members of the Government Finance Officers Association and as GFOA-appointed reviewers.

Public Sector Industry Credentials

THOUGHT LEADERSHIP AND CLIENT EDUCATION

We demonstrate our knowledge and experience in our relevant client work and thought leadership – from proprietary research to timely reports and industry events, BDO is at the forefront of the public sector conversation and believe in the power of industry participation. Many of our practice professionals are in the field with our clients, author articles on salient issues, and comment on breaking news. We are speakers at industry conferences and seminars, are active in organizations and trade associations, and serve as resources for trade publications.

Our goal is to bring perspective on opportunities, trends, issues and regulations that frame our approach and services to address our clients' needs.

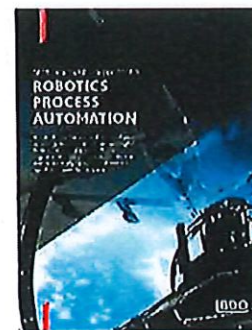
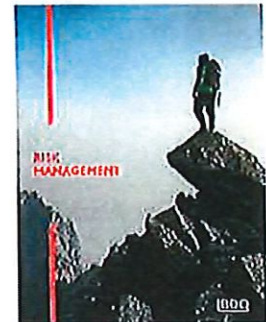
PUBLICATIONS AND TECHNICAL UPDATES

We share our knowledge through a variety of thought leadership, keeping you abreast of relevant news and hot topics that go beyond balance sheets and financial statements.

- ▶ **Public-Private Partnership (P3s)** – Drawing upon our P3 practice's 20+ year history, BDO's mobilization process can capture the unique nuances to develop tailored strategies to win alignment and approval for your development goals.
- ▶ **Significant Accounting and Reporting Matters Guide** – quarterly digest of final and proposed financial accounting standards.
- ▶ **GASB, FASB, and Single Audit Flash Reports** – information about selected developments and emerging issues are immediately e-mailed to BDO professionals for timely communication to clients.
- ▶ **Tax Newsletters and Alerts** – updates on federal, state, local, expatriate, and international developments along with other specific tax planning and strategy considerations.
- ▶ **Industry Newsletters, Alerts, Reports, Proprietary Studies, Infographics, and Surveys** – a variety of publications depicting specific industry issues, emerging trends, and developments.

Topical resources available for our clients include:

- ▶ Community Infrastructure Act: [Community Infrastructure](#)
- ▶ Community Resilience: [Community Resilience](#)
- ▶ Innovation and Transformation: [Business Innovation](#)
- ▶ Corporate Governance and Financial Reporting: [Corporate Governance](#)
- ▶ Single Audit: [Frequently Asked Questions](#)
- ▶ [OMB Uniform Guidance](#)
- ▶ [The Latest in COVID-19 Funding Compliance Guidance](#)



Public Sector Industry Credentials

If there are complex transactions or considerations, our Professional Practice leaders stand ready to help investigate the relevant standards and requirements. In addition, they have a direct line of communication with GASB leaders to help resolve technical matters. We will facilitate a meeting with you, a GASB representative and your BDO team to ensure the matter is understood, documented, and resolved.

The following listing is representative of developments and emerging issues we make available to our clients.

Understanding the Impacts of GASB Statement No. 84, Fiduciary Activities	Shows how to identify fiduciary activities, determine appropriate reporting, and review questions from implementation guide
GASB Statement No. 87, Leases, Implementing the Standard	Provides examples and review questions from implementation guide
GASB Statement No. 91, Conduit Debt Obligations	Provides examples of accounting requirements and disclosures
GASB Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements	Provides examples of accounting requirements and disclosures
GASB Statement No. 96 - Subscription-based Information Technology Arrangements	Provides examples of accounting requirements and disclosures
GASB Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans	Provides examples of accounting requirements and disclosures
Accounting for Pension and OPEB Plans	Notes disclosures and required supplementary information
GASB Financial Reporting Deficiencies	Reviews common financial reporting deficiencies found in ACFRs
Government Risks and Trends	Reviews current developments in the government environment
Accounting and Financial Reporting for Investments	Reviews accounting and disclosure requirements (GASB Statements No. 40, 72, and 79)
Accounting and Disclosures for Debt	Reviews accounting for debt issuance, refundings, and disclosures, and reviews latest GASB standards related to debt, including GASB Statements No. 86 and 88
GASB Statement No. 34 Conversions	Reviews components of a conversion from the governmental funds to the governmental activities
Understanding Procurement Standards Under the Uniform Guidance (UG)	Reviews UG procurement requirements
Schedule of Expenditures of Federal Awards (SEFA)	Reviews required content and format of the SEFA
Safeguarding Against Fraud	Reviews common types of fraud found in governments and identifies methods to prevent and/or detect those frauds
IT Auditors Training Updates	Provides overview of IT auditing and update on latest requirements (e.g., cybersecurity, data analytics, and prevention and detection of fraud)
Financial Reporting Model	Reviews exposures; aimed at improving financial reporting



Independence





Independence

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, the Government Accountability Office (GAO) Independence rules, and as defined by Government Auditing Standards with respect to the City of Kotzebue.

BDO represents and covenants that our firm is independent with respect to the City and that the firm and all staff of the firm shall remain independent with respect to the City for the duration of the contract. Should any other professional relationships be entered into between BDO and the City, we shall provide notice to the City in writing.

BDO has had no professional relationships with the City of Kotzebue in the past five years.

SUPPLEMENTAL RESOURCES AVAILABLE TO ASSIGNED PERSONNEL

BDO commits significant resources to keep our Assurance professionals up-to-date on current and evolving accounting, reporting, and auditing developments. Our training includes monthly web-based programs covering current accounting and auditing topics. Managers and partners attend national conferences conducted by BDO's top technical professionals annually. Level-specific training sessions are conducted nationally and locally and address the needs of our professionals at various points in their careers.



Independence and Client Confidentiality

We are required to be independent of our audit clients and their affiliates both in fact and in appearance. We have several safeguards in place to make sure this is the case.

AUDIT INDEPENDENCE

As your audit principal, it will be Bikky Shrestha's responsibility to authorize any non-audit services that we may be asked to provide to you; this includes corporate tax services. Our colleagues are aware that they must obtain Bikky's prior approval before undertaking such work on your behalf.

Prior to accepting any non-audit engagement, we would discuss our potential appointment with the audit committee, explaining any threats to our independence and the safeguards we propose to minimize such threats to an acceptable level. This allows both parties to be confident that, by accepting such an appointment, our independence is not impaired.

If any of our staff believe that they might be conflicted, they have a duty to make the circumstances known to the principals. Any staff with financial, business, or personal relationships with you will not be allowed to be part of the audit team.

The firm fully complies with the auditing profession's ethical standards on independence.

OUR APPROACH TO DEALING WITH COMMERCIAL CONFLICTS OF INTEREST

We recognize that commercial conflicts can arise from time to time—for example, due to a corporate transaction. We will always consider these conflicts on a case-by-case basis. For every case, we will seek permission to discuss with the other party before proceeding.

If both parties are content for us to act, we will agree on the necessary safeguards, which may involve the use of separate teams and offices.

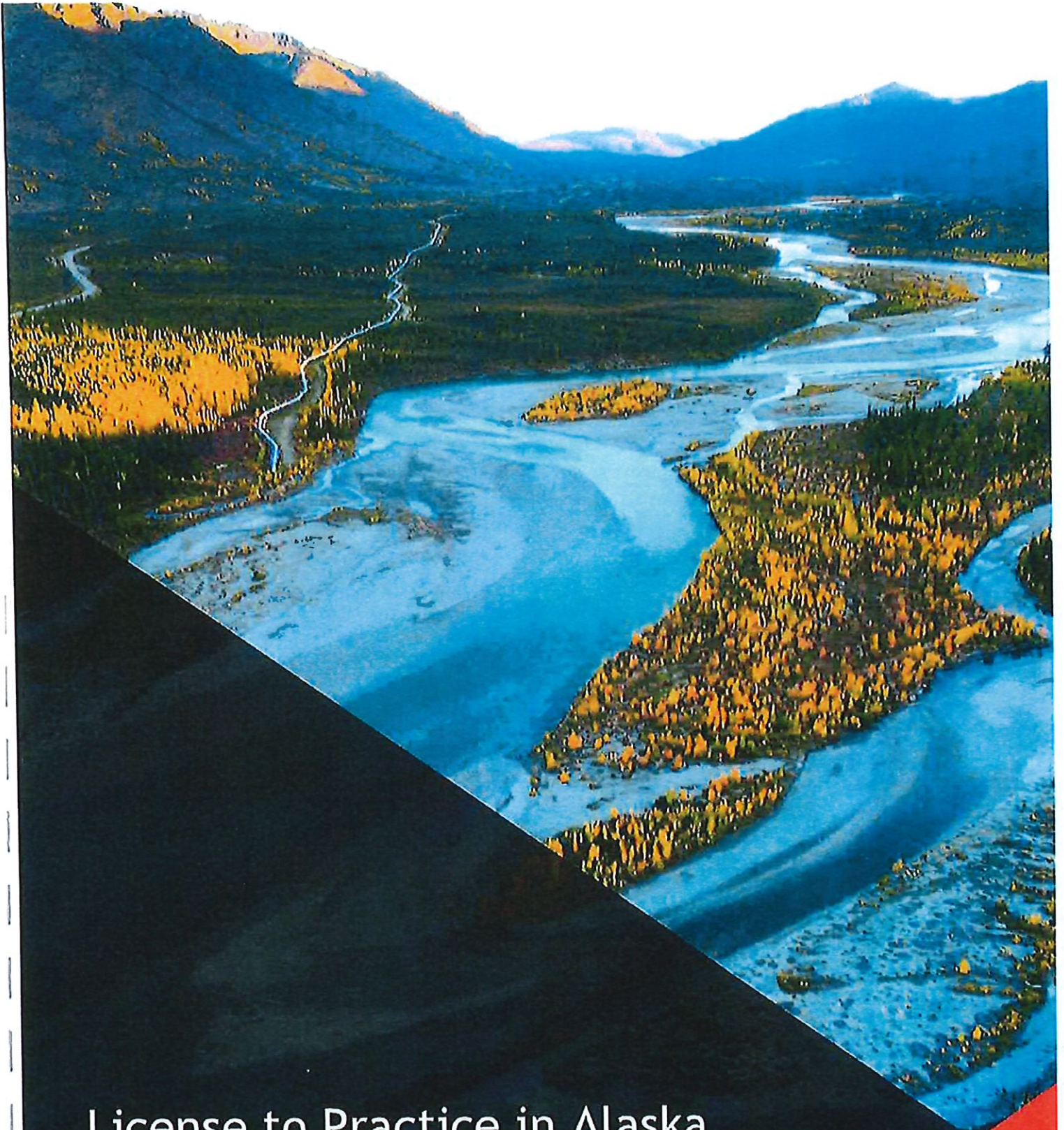
If it is not appropriate for us to act for both parties, we will aim to reach the fairest solution by recognizing the respective position of each party and their ability to engage the services of another provider.

POTENTIAL CONFLICTS

We have made appropriate conflict of interest inquiries in accordance with our quality assurance procedures and can confirm that our appointment by you will not give rise to any conflicts.

CONFIDENTIALITY

We confirm that when you give us confidential information, we shall always keep it confidential, except as required by law, regulation, or professional pronouncements applicable to our engagement.



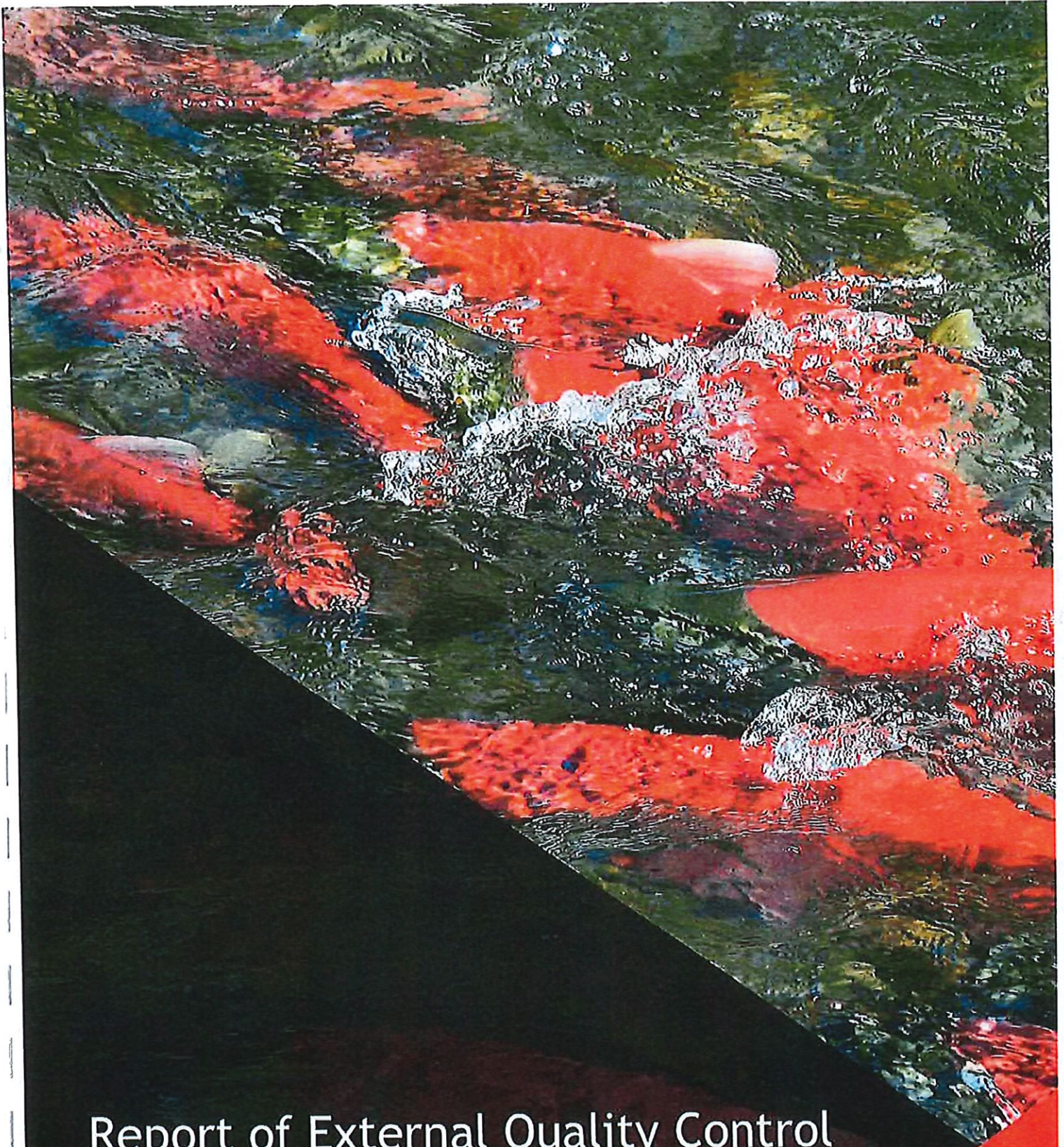
License to Practice in Alaska



BDO License to Practice in Alaska

BDO USA, P.C. affirms that we are properly licensed to practice as a certified public accountant in the State of Alaska. The key personnel who will conduct or oversee the contracted services contemplated under this Item to Bid hold current and appropriate professional licenses to practice in Alaska.





Report of External Quality Control





BDO Quality Control Review

BDO RESOURCES

Our firm has membership in the Government Audit Quality Center of the AICPA. Nationally, our firm has direct representation on the AICPA expert panel, as well as regular participation on focus groups, technical review and conference participation.

QUALITY CONTROL

Under the guidelines established and controlled by the AICPA, BDO's audits, workpapers, reports and all other areas concerning quality control are reviewed and examined through the AICPA peer review process. A copy of our latest AICPA peer review letter is included in this bid. In addition, as members of the AICPA Government Audit Quality Center, BDO peer reviews specifically included a review of government and non-profit engagements.

Like virtually all national firms, BDO has been the subject of various government investigations with regard to client service work. However, none of these have resulted in sanctions against the firm. In addition, on a national level, some of our professionals are currently or have been under review in AICPA Ethics or other regulatory investigations, which are the normal consequences of litigation. We pride ourselves on our record as it is outstanding for a firm of this size.

The Anchorage office has had no significant contract disputes requiring mediation or arbitration, nor have we been the subject of any litigation. There are no disciplinary actions taken or pending against the Anchorage office during the past three years with state regulatory bodies, professional organizations, or as a result of federal or state desk or field reviews.

ADDITIONAL RESOURCES

In addition to formal and informal training, our Firm subscribes to several leading industry technical guides and resources which provide reference materials at our fingertips. The resources include access to the CCH accounting research manager, PPC Checkpoint materials (probably the number 1 utilized resource in public accounting firms nationwide), as well as direct GASB subscriptions, GFOA technical guides and resources, as well as membership in the Government Audit Quality Center of the AICPA. Nationally, our firm has direct representation on the AICPA expert panel, as well as regular participation on focus groups, technical review and conference participation.

PEER REVIEW REPORT

As a member of the AICPA, we are subject to triennial external peer reviews of the portion of our auditing practice applicable to non-SEC issuers.

Our 2021 peer review concluded that the system of quality for the firm's accounting and auditing practice applicable to non-SEC issuers was suitably designed, and the firm had complied with its own quality guidelines. The peer review also concluded the system provided 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. Our firm received a rating of pass.

Peer Review Letter



Report on the Firm's System of Quality Control

November 22, 2021

To the Partners of BDO USA, LLP and the National Peer Review Committee

We have reviewed the system of quality control for the accounting and auditing practice of BDO USA, LLP (the firm) applicable to engagements not subject to PCAOB permanent inspection in effect for the year ended March 31, 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 (the 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/summary. 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 engagements performed under *Government Auditing Standards*, including compliance audits under the Single Audit Act; audits of employee benefit plans, an audit performed under FDICIA, an audit of a broker-dealer, and examinations of service organizations (SOC 1 and SOC 2 engagements).

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 BDO USA, LLP applicable to engagements not subject to PCAOB permanent inspection in effect for the year ended March 31, 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*. BDO USA, LLP has received a peer review rating of *pass*.

Baker Tilly US, LLP

Baker Tilly US, LLP, trading as Baker Tilly, is a member of the global network of Baker Tilly International Ltd., the members of which are separate and independent legal entities.

Peer Review Letter



National Peer
Review Committee

December 09, 2021

Wayne Berson
BDO USA, LLP
12505 Park Potomac Ave Ste 700
Potomac, MD 20854-6801

Dear Wayne Berson:

It is my pleasure to notify you that on December 09, 2021, the National Peer Review Committee accepted the report on the most recent System Review of your firm. The due date for your next review is September 30, 2024. This is the date by which all review documents should be completed and submitted to the administering entity.

As you know, the report had a peer review rating of pass. The Committee asked me to convey its congratulations to the firm.

Thank you for your cooperation.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael Wagner".

Michael Wagner
Chair, National PRC

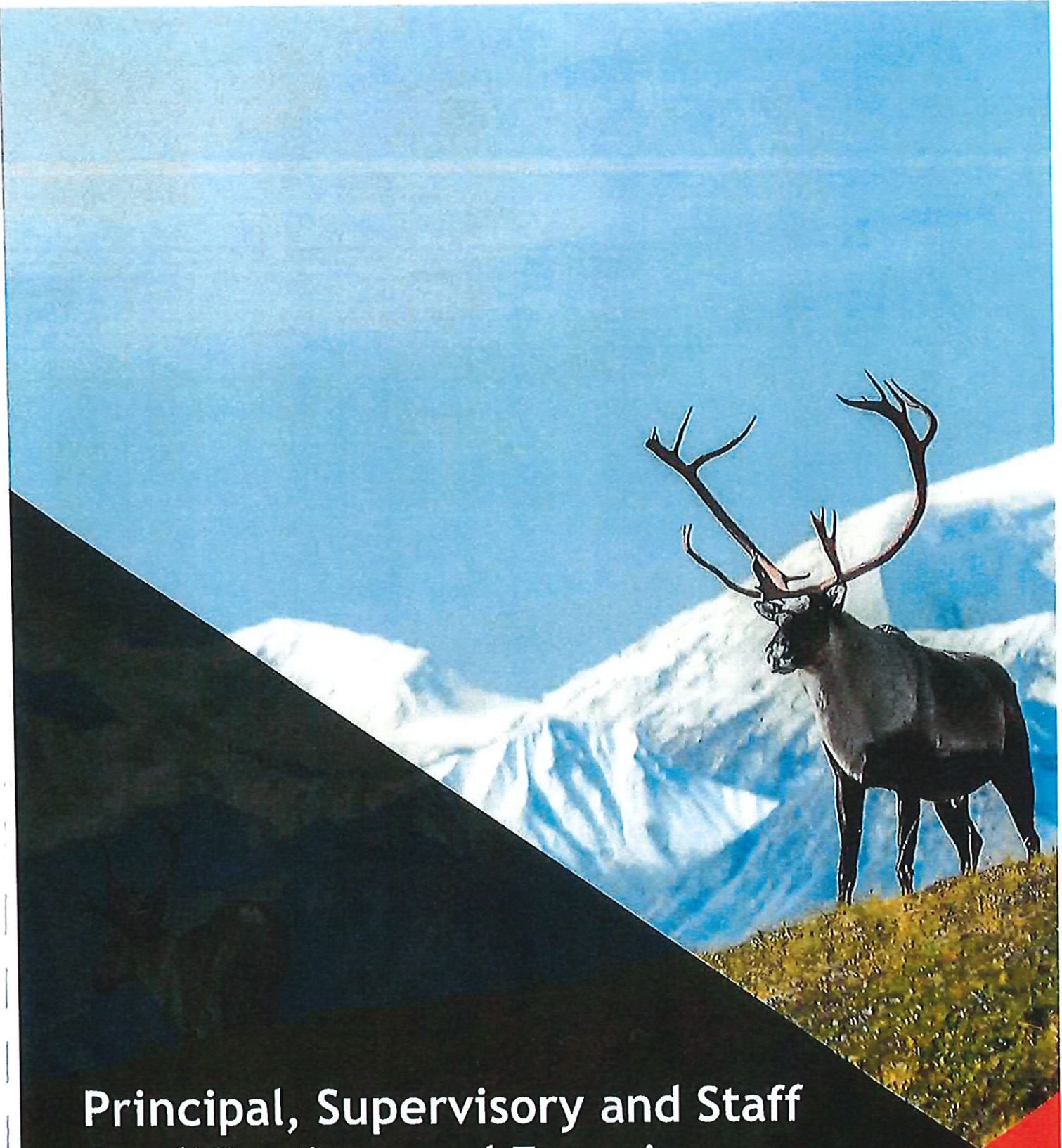
+1.919.402.4502

cc: Jeffrey Gendreau, Michael Fawley

Firm Number: 900010063586

Review Number: 584260

220 Leigh Farm Road, Durham, NC 27707-8110
T: +1.919.402.4502 F: +1.919.419.4713
aicpaglobal.com | cimaglobal.com | aicpa.org | cima.org



Principal, Supervisory and Staff Qualifications and Experience



Personnel Information

PARTNER, SUPERVISORY AND STAFF QUALIFICATIONS AND EXPERIENCE

The audit team that BDO will provide has the necessary experience and knowledge to provide superior service, work well with the City's management and each other, communicate with City personnel on an ongoing basis regarding progress and the status of all activities and report preparation, and maintain the enthusiasm and commitment to complete all tasks, and deliver all audit reports and other deliverables. We are confident that our audit team will both meet and exceed the City's expectations.

BDO is an equal opportunity employer and has an Affirmative Action plan that complies with Federal law.

Following we have listed the key personnel we will assign to perform the proposed engagement and described each of their relevant roles and experience. We believe that their significant knowledge, experience, and understanding of their clients' management, financial operations, and information systems make them extremely well-qualified to provide the requested audit services and will translate into direct benefits for the City.

All of your Anchorage based leadership team are licensed CPAs in Alaska.

Responsibilities of the Engagement Principal

Bikky Shrestha

The engagement principal will maintain an intimate knowledge of the engagement – its objectives, requirements, and processes – so that the management review and deliverables can be completed in a timely manner. He will perform the principal review and will be working actively with you and the engagement team to ensure the success of the engagement. He will also be available to assist the engagement team in resolving technical issues. Finally, he will personally present the results of the audit to the City.

Responsibilities of the Quality Control Reviewer

Joy Merriner

The technical reviewer will ensure compliance of the audit with various applicable standards developed by the AICPA and *Government Auditing Standards* issued by the Government Accountability Office, and provide additional support throughout the engagement. If management review is determined deficient, they will consult with the engagement principal to determine how to correct the noted deficiency. The manager responsible for the fieldwork will correct the deficiency.

The technical reviewer will not be on site for the audit. Her primary role will be as a technical resource during all parts of the audit.

Responsibilities of the Manager

Michelle Kiese

For this engagement, the director will assist the engagement principal by directly supervising the audit team. She will be primarily responsible for compliance with applicable regulations and applicable auditing standards. The director will perform on-site reviews, as well as office reviews. In addition, she will ensure that the audit is completed promptly in accordance with the scheduled completion dates.

Responsibilities of the Senior and Staff

Marcus Brown

The audit senior and staff will have experience in performing audits of governmental entities and internal control and compliance reviews. The audit senior will also have the technical skills to perform any of the audit steps independently, as well as conduct entrance and exit conferences. The audit staff will perform tests of details, transactions, reconciliations, and compliance as outlined and directed by the senior.

The senior will be on-site for the duration of fieldwork to coordinate daily requests and oversee the team.

The senior and staff will be dedicated entirely to the completion of the City audit work during your engagement.



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BIKKY SHRESTHA, CPA

Assurance Principal

EXPERIENCE SUMMARY

Bikky has more than 18 years of public accounting experience and has been with BDO for 18 years. He manages audits of boroughs, cities, school districts, Alaska Native Tribal organizations, Alaska Native Corporations, and closely-held corporations, and is proud to have served the City for 4 years. Bikky has extensive experience with compliance audits performed in accordance with Uniform Guidance and the State of Alaska Audit Guide and Compliance Supplements for State Single Audits. He is well versed in audit matters and challenges facing governmental organizations. Audits of municipal governments, cities and school districts have been a major focus throughout Bikky's career in public accounting.

Bikky coordinates audits with clients and audit teams, manages and develops client relationships, and performs and manages audits. He serves as the main contact person and provides the technical knowledge in implementing new GASB standards and new federal and state compliance rules. Bikky also performs technical reviews and presents financial statements and required communications to audit committees.

He was chosen to attend the BDO Leadership Institute in 2018 and serves as the office lead for training on single audits, healthcare audit considerations, and audits of tribal governments. He serves as a focus consulting reviewer at the national level with BDO.

PROFESSIONAL AFFILIATIONS

American Institute of Certified Public Accountants
Alaska Society of Certified Public Accountants
Asian Alaskan Cultural Center (Board Secretary)

EDUCATION

B.S., Business Administration, emphases in Accounting, Western Oregon University

Bikky meets or exceeds the minimum professional requirements each year for audit and attest, and government auditing standards engagements.



JOY MERRINER, CPA

Office Managing Partner, Assurance

jmerriner@bdo.com
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EXPERIENCE

Joy has 20+ years of public accounting experience, working on audits, consulting projects, and reviews in various industries. She is the office lead partner for a diverse group private companies, governments, benefit plans and nonprofit organizations in Alaska with annual revenues ranging from \$1 million to over \$1 billion.

Joy frequently provides training and assistance for Boards of Directors on governance, strategic planning, internal control, fiduciary duty, and single audit requirements. She serves on the National BDO Government team as both a reviewer and course instructor. In this role, she assists with the development of firm policies and templates related to audits of governments, develops course content for national and client trainings, and reviews audit policy associated with new standards and issues. Joy also serves as a technical specialist on audits in accordance with *Government Auditing Standards* and State and Federal Single Audits. In addition, she is a Focus Consulting Reviewer and specialist related to utilities and regulated operations.

Upon graduating from Wellesley with a degree in Economics, Joy worked for the Federal Reserve Bank of Boston. Before joining BDO, she was in the consulting sector, working mostly with various nonprofit organizations, state offices and granting agencies. This background gives her a unique perspective on business, the government-sector environment, and the risks and opportunities that face her clients.

Joy serves on the Board of the Anchorage Chamber of Commerce, is past Chair, and serves on the Executive Committee. She is a frequent speaker at industry trainings and conferences, including with the Alaska Government Finance Officers Association. She also serves as a national trainer for BDO in the government industry and at national training conferences. Joy graduated in 2017 from the BDO Leadership Institute, where she received the MVP Leadership Award.

PROFESSIONAL AFFILIATIONS

- Alaska Government Finance Officers Association
- Alaska Society of Certified Public Accountants
- American Institute of Certified Public Accountants
- Anchorage Chamber of Commerce - Board of Directors (2013 - present), Executive Committee
- Chartered Global Management Accountant
- Honorary Commander of the Air Force at Joint Base Elmendorf-Richardson, AK

EDUCATION

- B.A. Economics, Wellesley College, Massachusetts
- B.A. Education, Wellesley College, Massachusetts
- M.B.A. Candidate, University of Washington Foster School of Business 2023

Joy meets or exceeds the minimum professional requirements each year for audit and attest, and government auditing standards engagements.



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MICHELLE KIESE, CPA

Assurance Director

EXPERIENCE SUMMARY

Michelle has over 14 years of public accounting experience and has been with BDO for 14 years. She serves as the Anchorage office's lead manager for the local and state government sector. Her clients include municipalities, school districts, government hospitals, and state agencies, and she is proud to have served the Borough for seven years. Michelle has extensive experience performing audits in accordance with Government Auditing Standards, the Federal Uniform Guidance, and the State of Alaska Audit Guide and Compliance Supplement for State Single Audits.

Michelle is well versed in auditing the more complex areas under GASB, including investments, capital assets, municipal debt, solid waste landfills, pensions and OPEB (both from the employer and plan perspective), pollution remediation obligations, and self-insured healthcare plans. She is very knowledgeable of financial reporting and disclosure requirements under GASB, as well as both federal and state regulatory reporting requirements. Michelle is also one of the Anchorage office's lead managers for Federal Uniform Guidance Single Audits.

Michelle plays an active role in BDO's on-campus new hire recruiting program and has served as an in-house instructor on a host of governmental accounting and financial reporting topics, including audits performed in accordance with Federal Uniform Guidance and State of Alaska Audit Guide and Compliance Supplement for State Single Audits.

PROFESSIONAL AFFILIATIONS

Alaska Government Finance Officers Association
Alaska Society of Certified Public Accountants
American Institute of Certified Public Accountants

EDUCATION

B.S., Accounting, Winona State University

Michelle meets or exceeds the minimum professional requirements each year for audit and attest, and government auditing standards engagements.



MARCUS BROWN

Assurance Senior Associate

EXPERIENCE SUMMARY

Marcus serves as one of the Anchorage office's lead associates in the state and local government industry.

Marcus has experience in the state and local government industry serving boroughs, cities, and school districts. In his time at BDO, Marcus has audited multiple financial accounts and disclosures, including investments, capital assets, municipal debt, grants, receivables, sales taxes and utility charges for service. Marcus is very familiar with performing audits in accordance with the *Federal Uniform Guidance and the State of Alaska Audit Guide and Compliance Supplement for State Single Audits*, as well as with *Government Auditing Standards*.

EDUCATION

B.B.A., Accounting, University of Alaska Fairbanks

Marcus meets or exceeds the minimum professional requirements each year for audit and attest, and government auditing standards engagements.

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Continuing Professional Education

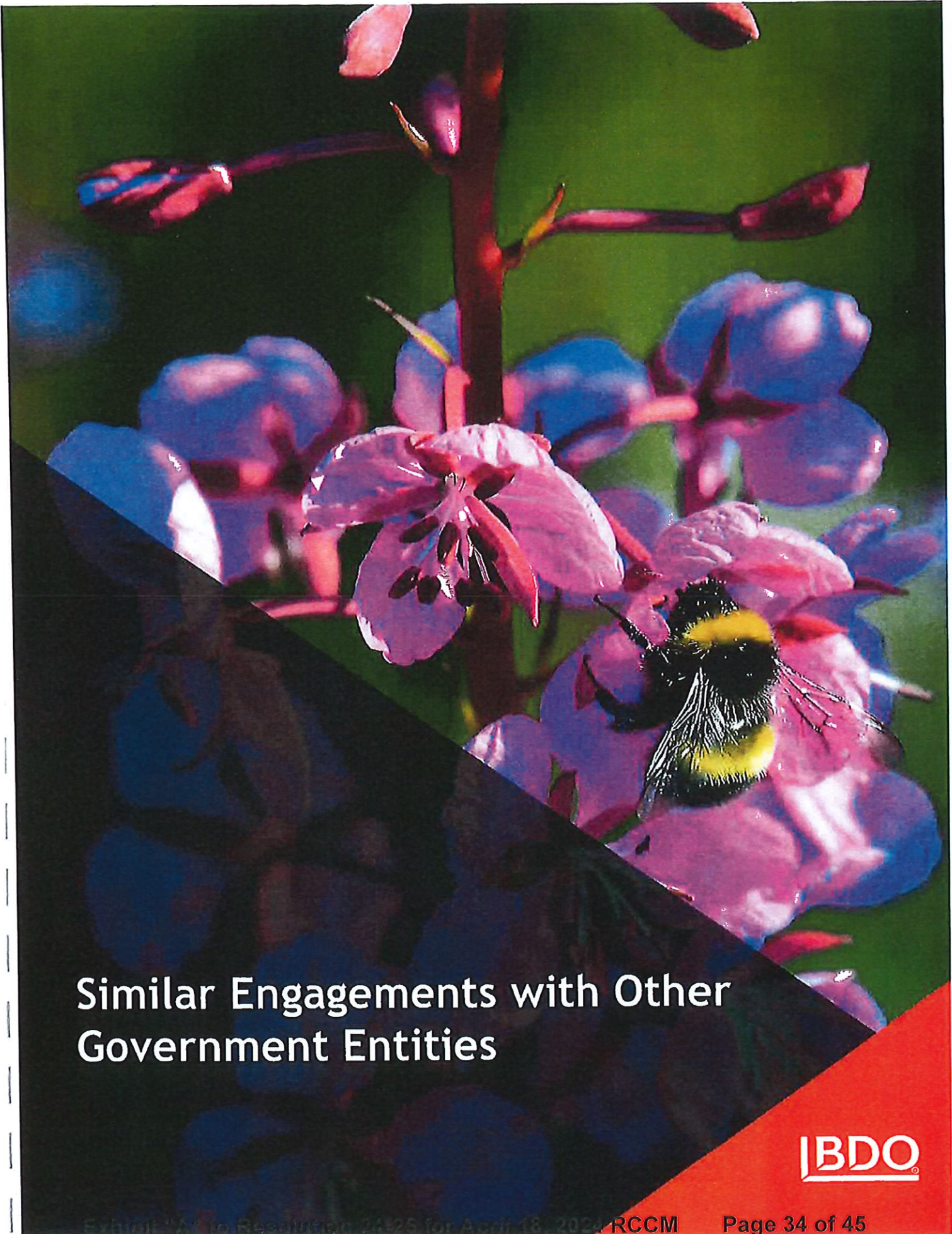
BDO USA, P.C. requires all professionals to comply with PCAOB, AICPA, and state guidelines with respect to continuing education and CPA licensure. In addition, BDO USA requires all professionals to obtain no less than 120 hours of continuing education over three calendar years, with a minimum of 20 hours each year, and offers a broad range of excellent in-house continuing professional education courses.

BDO participates triennially in a peer review process led by an external team that consists of individuals in a peer accounting firm to ensure that all continuing education requirements have been achieved. In addition to the external triennial review process, BDO USA, P.C. participates annually in a continuing education review led by an internal inspections team to validate that continuing education requirements have been fulfilled on a State level as well as validate that all requirements have been fulfilled by the AICPA, PCAOB, YellowBook & EBP as outlined by the respective governing bodies.

That monitoring includes:

- ▶ Pre-issuance reviews of selected engagement workpapers, reports, and financial statements.
- ▶ Analysis and assessment of: (a) new professional pronouncements, (b) results of independence testing, (c) continuing professional education undertaken by professional personnel as it relates to State, AICPA and Firm CPE requirements, (d) decisions related to acceptance and continuance of client relationships and engagements, and (e) focus group sessions with Firm personnel.
- ▶ Policies and procedures for inspection of local offices and selected engagements to provide reasonable assurance that the Firm's policies and procedures for quality control are suitably designed and being effectively applied

To further monitor state and other requirements, BDO has a CPE tracking and reporting tool available to all client service professionals, People & Culture representatives, and Compliance members of the firm to allow real time tracking of required continuing education. This tracking and reporting system is pre-programmed with the CPE rules of every state in the United States. In addition to tracking State requirements, this tool also tracks Yellow Book requirements, PCAOB requirements, In-Firm requirements, as well as a variety of other certifications.



Similar Engagements with Other Government Entities

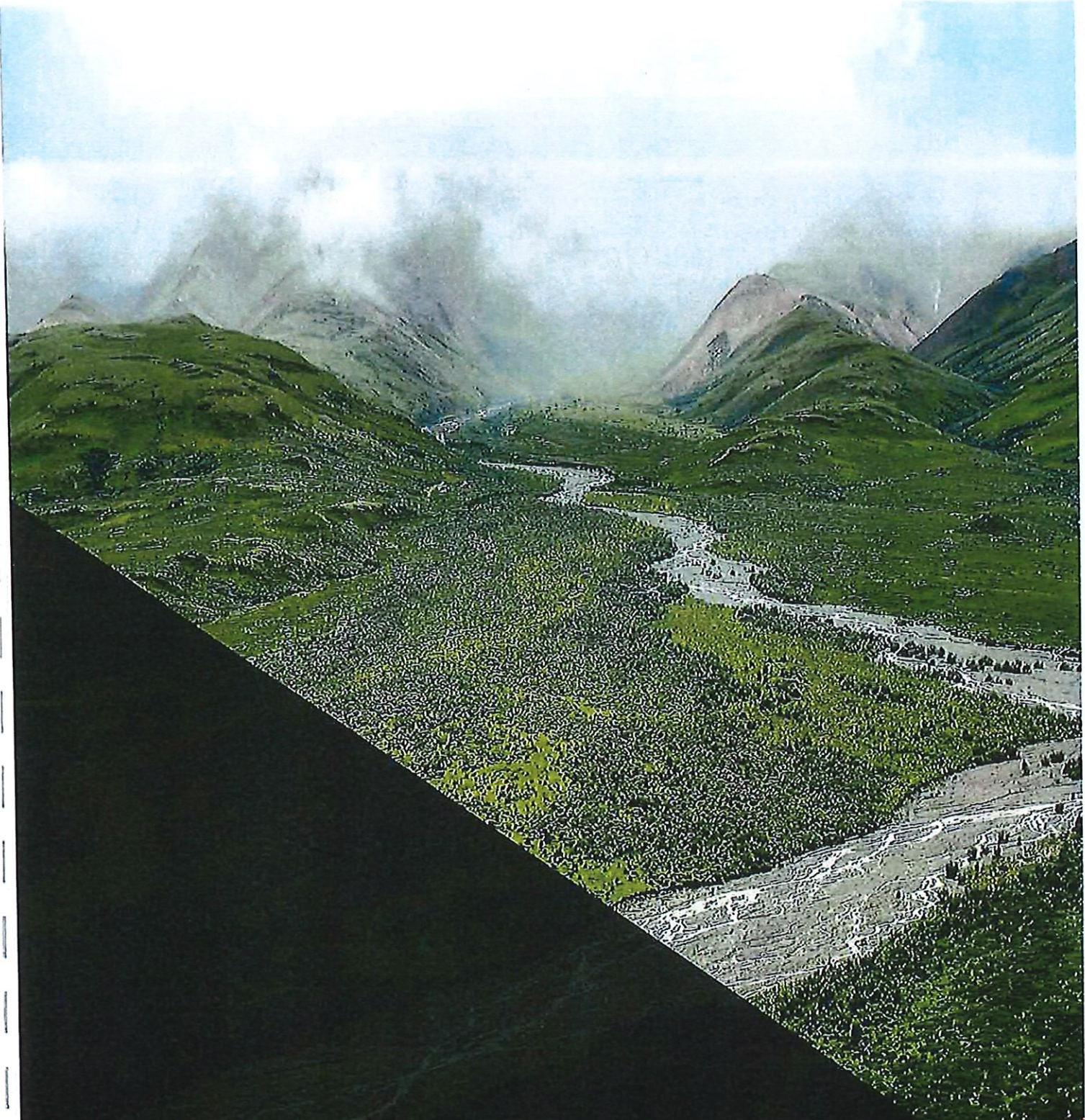


Similar Engagements

BDO Anchorage office serves as the independent auditing firm for more municipal governments than any other firm in Alaska, making us uniquely qualified to serve the City of Kotzebue. In the last five years, BDO Anchorage has performed approximately 150 Alaska public sector audits. Though ranging in size and degree of complexity, all of these share common issues and concerns; each following the same GASB standards, offering similar services, and participating in many of the same grant and entitlement programs.

The following represents five engagements similar to the audit of the City of Kotzebue. As a matter of policy, we do not disclose project costs for other clients.

Client Name	Years of Service	Scope of Work	Client Contact	Engagement Partner
Petersburg Borough	22	Audit, Federal and State Single Audit, GASB implementation assistance, drafting of financial statements	Jody Tow, Finance Director 907-772-4511	Bikky Shrestha
Aleutian East Borough	6	Audit, Federal and State Single Audit, GASB implementation assistance, drafting of financial statements	Anne Bailey, Borough Administrator 907-274-7580	Bikky Shrestha
City of Homer	22	Audit, Federal and State Single Audit	Elizabeth Walton, Finance Director 907-235-8121	Bikky Shrestha
Kenai Peninsula Borough	29	Audit, Federal and State Single Audit	Brandi Harbaugh, Finance Director 907-714-2171	Joy Merriner
City of Kenai	29	Audit, Federal and State Single Audit, GASB implementation assistance, drafting of financial statements	Terry Eubank, Finance Director 907-283-8227	Joy Merriner



Specific Audit Approach





THE BDO **ADVANTAGE**

We have over 40 years of experience auditing municipal governments, school districts, and healthcare facilities in Alaska, and bring a tailored, distinct, and efficient approach to our engagements. BDO is invested in the public sector. Accordingly, we use a governmental audit approach that seeks to reconcile the required risk assessment standards with ever-changing rules and regulations.

Our audit approach may vary in scope from one year's audit to the next, depending on changes in accounting standards, the City's operations, and the results of each year's risk analysis.

AUDIT QUALITY



WORKING ON WHAT MATTERS

- ▶ Our automations enable our people to focus on more strategic work. The use of cutting-edge data analytics in our risk-based audit approach enables our auditors to target risks and testing to the critical areas of the audit.

FOCUSED INSIGHT



CLARITY AND COLLABORATION

- ▶ Our project management tools and global portal help prevent surprises and provide a snapshot of audit progress.
- ▶ Our teams have access to dedicated user enablement support to provide a smooth client experience.

SEAMLESS AUDIT



PEOPLE AND PROCESS ENHANCEMENT

- ▶ Our engagement-level automations, continuous process evaluation, and ongoing enhancements help us guide the workflow and process of the audit. This drives consistency in the execution of the audit.

GREATER PRECISION

The BDOADVANTAGE

Our team is invested in helping people thrive every day. We leverage technology to advance our audits and equip our professionals with a deeper understanding of our clients to create a seamless experience for the City's team.

THE BDOADVANTAGE DIGITAL AUDIT SUITE CONSISTS OF:



Global Audit Platform. Our proprietary all-in-one platform is used by every BDO Member Firm around the world, contributing to a globally consistent audit approach. Our team uses this tool to scope and execute your audit and apply our risk-based audit methodology, resulting in a high-quality audit for your stakeholders.



Audit Automations. Our proprietary technology tools automate repetitive tasks for confirmations, sampling, and workspace and report checking, allowing us to more confidently identify and address high-risk areas.



Data-driven Analysis. Our custom analytics program allows our team to closely examine every aspect of your data from the preliminary analytical review through execution of the audit. Industry-specific and tailored analytic tests help us identify risks, better understand your business, and generate insightful questions, as well as reduce sample sizes.



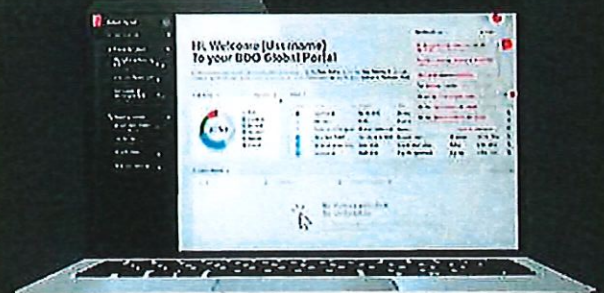
Project Management and Business Insights. Our secure, digital portal gives you real-time status updates on your audit and allows you to work seamlessly with your audit team. Our business insight dashboards help us evaluate the status of your audit. Together, these tools create clear and concise communications.

PROJECT MANAGEMENT AND BUSINESS INSIGHTS

Dashboards



BDO Global Portal

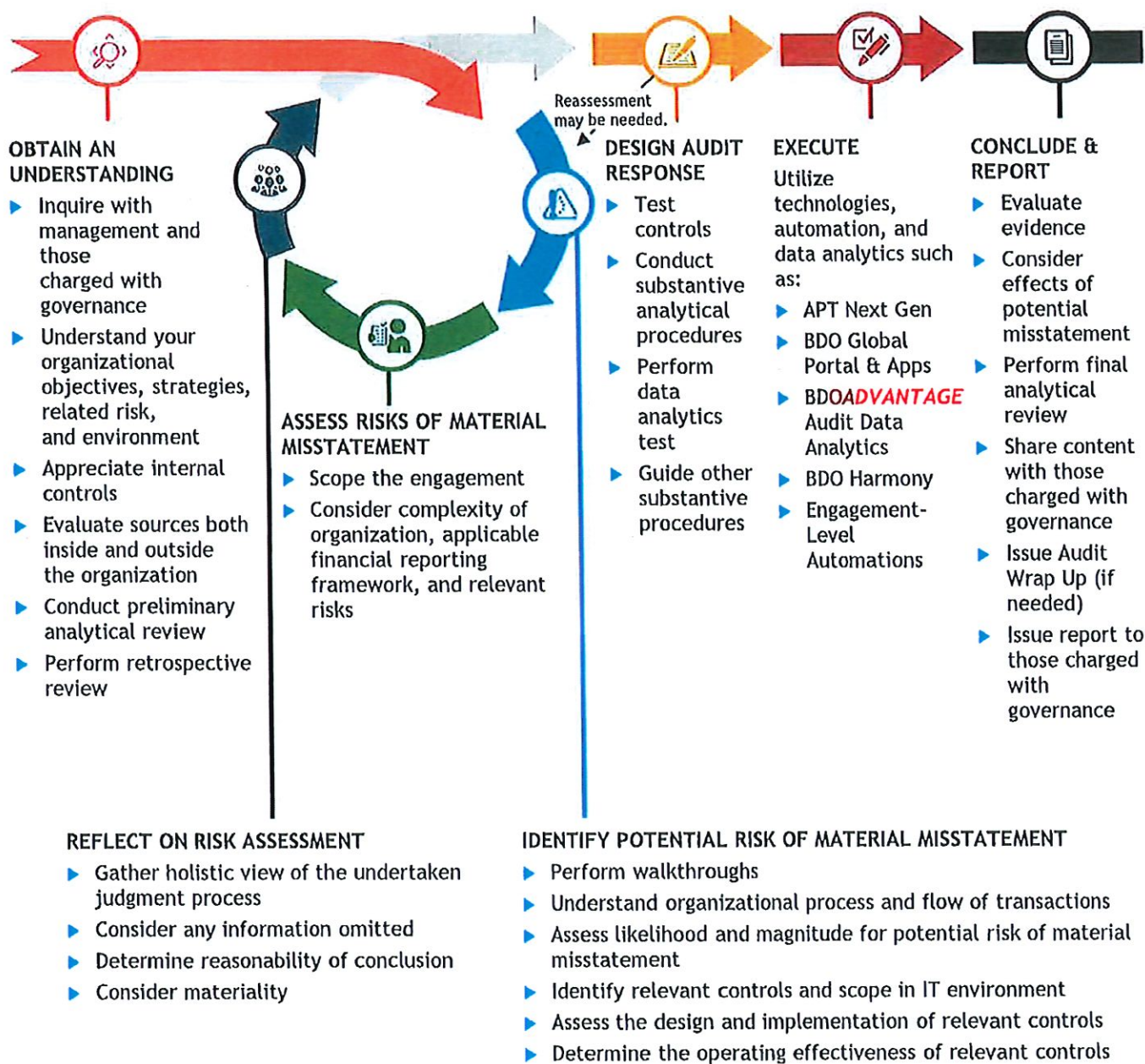


[Click here to learn more about the BDO Global Portal](#)

Audit Approach for City of Kotzebue

BDO will deliver our audit methodology that combines the professional judgment of responsive partners who have sector and technical experience, a risk-based audit approach, audit innovation through advanced technologies and data analytics, and a continuous focus on audit quality.

This combination of personal service, risk focus, and progressive technology will enable us to understand your organization and identify risks of material misstatement.





CONTINUOUS REPORTING

We will communicate with management and those charged with governance on a regular basis as requested:

- ▶ Meet with the City Council to discuss the audit plan and approach prior to the start of the audit and provide a work plan .
- ▶ Provide a written update each week to the Municipal Audit Committee and Municipal Clerk's Office designee to discuss audit progress.
- ▶ Meetings with management weekly to discuss and review audit status, audit results, findings and recommendations.
- ▶ Annual audit closing meetings to discuss audit findings and resolve any outstanding issues.
- ▶ Sharing of intended content of Audit Committee documents, to the extent appropriate, before they are formally issued.
- ▶ Formal report of results of the audit to the Municipal Audit Committee.
- ▶ Debrief meeting at the conclusion of the audit with management to identify efficiency improvements, request feedback on the audit process, understand impacts of future accounting pronouncements, and prepare a plan for the next audit cycle.
- ▶ Ad-hoc meetings and telephone conversations as necessary throughout the year to discuss financial and strategic challenges as they arise.

COMMUNICATING WITH THOSE CHARGED WITH GOVERNANCE

We will strive for open lines of communication between the City and Bikky Shrestha.

At a minimum, we intend to participate in a planning meeting and will continue to attend meetings with the Audit Committee throughout the year as requested. During fieldwork, we will contact the Chair of the Audit Committee directly if any significant items require discussion.

We would expect to issue two formal Audit Committee reports:

- ▶ A planning document issued prior to your mid-year, outlining our strategy for the audit and identifying technical issues that will affect the full-year accounts.
- ▶ A document issued at the conclusion of the audit process addressing salient matters arising from the process, audit adjustments, and key audit and accounting issues.

SINGLE AUDIT APPROACH

BRIEF DESCRIPTION, UNIFORM GUIDANCE AND STATE SINGLE AUDIT APPROACH

GOVERNMENT AUDITING STANDARDS - LEGAL AND REGULATORY COMPLIANCE

BDO's auditors will perform tests of compliance with laws and regulations as part of *Government Auditing Standards*. Our auditors will also work with management and draw on our municipal, school district, and healthcare experience to identify significant provisions of laws, regulations, contracts, and grant agreements that are applicable to the City, then perform procedures to determine whether compliance was achieved. This may include compliance with debt agreements, arbitrage, labor laws and regulations, environmental regulations, and payroll tax. Our goal is to note those items that might have a material impact on our audit and ability to achieve compliance.

BDO will select samples of tax filings, recalculate or verify debt covenants, test arbitrage calculations, and confer with attorneys regarding other compliance concerns. We will also send confirmations to the Department of Labor, Equal Employment Opportunity Commission, and Human Rights Commission to search for outstanding claims.

UNIFORM GUIDANCE AND STATE SINGLE AUDIT

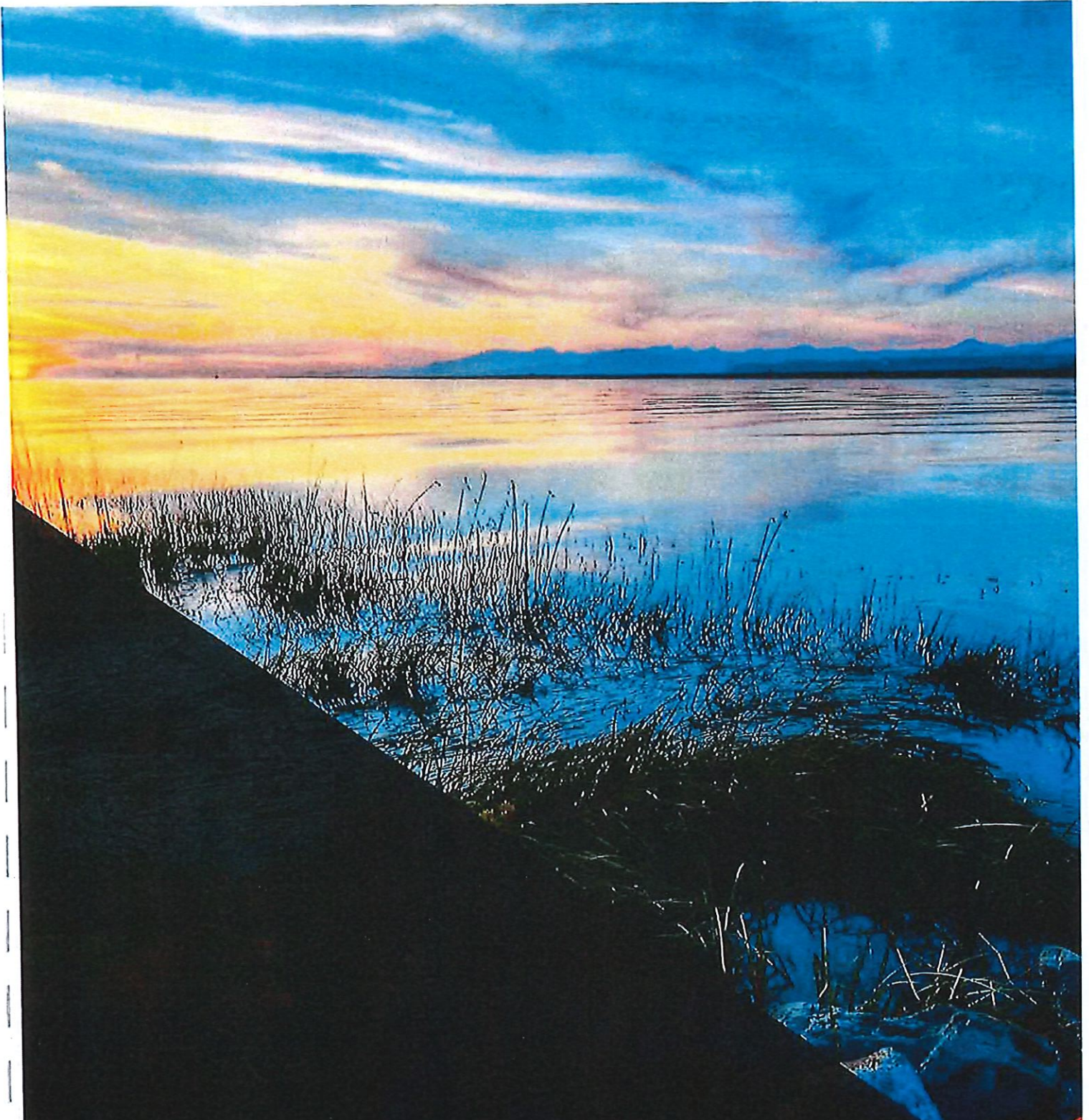
The Uniform Guidance and the State of Alaska Single Audit Guide and Compliance Supplement require auditors to obtain an understanding of the entity's internal control over compliance for federal and state programs to support assessments of low control risk for major programs and to perform internal control tests. An assessment will be made for each requirement applicable to each major program. We will design and review specific tests of the internal controls to verify that the key controls are in place and operating effectively.

There are 12 compliance requirements enumerated in the Uniform Guidance, and five outlined for state compliance. We will determine for each major program which of the compliance requirements apply, to what extent, and how material each is to the major program(s). If the requirement applies, we will perform tests of compliance with the applicable law, regulation, or terms of the grant agreement.

As a condition of receiving federal awards, non-federal entities agree to comply with laws, regulations, and the provisions of contract and grant agreements, and to maintain internal control to provide reasonable assurance of compliance with these requirements.

Auditors are required to obtain an understanding of a non-federal entity's internal control over the compliance requirements for each of the major programs sufficient to plan the audit to support a low assessed level of control risk, plan the testing of internal control over major programs to support a low assessed level of control risk for the assertions relevant to the compliance requirements for each major program, and, unless internal control is deemed likely to be ineffective, perform testing of internal control as planned.

Objectives of Internal Control Pertaining to Compliance Requirements for Federal and State Programs		
<p>Transactions are properly recorded and accounted for to:</p> <ul style="list-style-type: none"> ▶ Permit the preparation of federal or state financial reports. ▶ Maintain accountability over assets ▶ Demonstrate compliance with laws, regulations, and other compliance requirements. 	<p>Transactions are executed in compliance with:</p> <ul style="list-style-type: none"> ▶ Laws, regulations, and the provisions of contracts or grant agreements that could have a direct and material effect on a federal or state program. ▶ Any other laws and regulations that are identified in the <i>OMB Compliance Supplement and State Single Audit Guide</i>. 	<p>Funds, property, and other assets are safeguarded against loss from unauthorized use or disposition.</p> <p>Reporting is accurate, requirements are met, match calculations are reviewed, and subrecipient information is correctly monitored.</p>



Professional Fees



Value for Fees

We are committed to quality, value-added service.

We understand the importance of efficiencies and cost control and have specifically designed our audit, methodologies to provide your engagement team with the tools they need to perform high quality audit services in as cost effective a manner as possible.

BDO is committed to investing the necessary time to discuss the changes, challenges, and potential issues which may impact you and your business. We believe in complete transparency, which means:

- ▶ We quote services based on experience and realistic expectations to avoid unexpected fees.
- ▶ It is not our practice to bill for routine telephone discussions or questions unless they require significant research.
- ▶ If you request special services outside the scope of services outlined in this bid, we will discuss those services and provide management with a fee estimate related to such assistance.
- ▶ We will not allow concerns about fees to jeopardize our working relationship.

OUR FEE BID

Assurance	2023	2024	2025	2026
Financial Statement, Audit, and Report preparation	\$69,500	\$73,300	\$77,550	\$82,000
Per Federal major program	\$7,800	\$8,200	\$8,600	\$9,000
Per State major program	\$7,000	\$7,350	\$7,700	\$8,100

Our fee Assumption is based on approximately 450 hours for the financial statements audit and report preparation, 55 hours for each major federal program and 48 hours for each major state program.

Our fees are exclusive of out-of-pocket expenses and other costs related to providing the services mentioned. These costs, including communication, data and technology, printing, and other direct engagement costs, will be billed separately as incurred. We bill monthly and require payment upon presentation. The amount billed reflects the approximate progress made towards completion of the professional service.

Fee Assumptions

ASSUMPTIONS

Our fee estimate is based on the following assumptions:

- ▶ Key documents are provided on the dates agreed and there are no significant delays outside of our control
- ▶ Your personnel prepare schedules and analyses as requested and are available to assist us as needed
- ▶ Prior year workpapers will be made available for our review
- ▶ Financial statements and supporting schedules for all entities are prepared in-house by management
- ▶ No significant changes occur in the internal accounting controls, accounting systems, key personnel, or structure of the organization
- ▶ There are no material acquisitions

OUR INVESTMENT IN THE CITY

BDO is willing to invest in a long-term business relationship with you. Accordingly, we will:

- ▶ Absorb certain initial-year and non-recurring transition costs, including learning your accounting systems and working with you to prepare for the audit preparation services
- ▶ Make every effort to ensure the process will occur with minimum disruption and transparency
- ▶ Schedule update meetings with you throughout the year
- ▶ Provide technical updates for your finance team

FUTURE YEAR FEES

Given our basic assumptions, we will commit to no annual fee increases for the first three engagement years. Should a significant new accounting pronouncement, acquisition, or complex financing transaction occur, we would revisit a fair fee structure if additional unforeseen time is necessary.

PROFESSIONAL HOURLY RATES

Although we do not anticipate any out-of-scope fees related to transition, below are our standard average hourly bill rates. We evaluate these rates each year to take inflation and salary increases into consideration.

Professional Level	Assurance
Principal	375
Director	300
Manager	225
Senior Associate	175
Associate	125



At BDO, our purpose is helping people thrive, every day. Together, we are focused on delivering exceptional and sustainable outcomes – for our people, our clients and our communities. Across the U.S., and in over 160 countries through our global organization, BDO professionals provide assurance, tax and advisory services for a diverse range of clients.

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