



REPORT TO BOROUGH ASSEMBLY

# ALEUTIANS EAST BOROUGH

2025 AUDIT PLAN  
YEAR ENDING JUNE 30, 2025



# Welcome

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October 9, 2025

Honorable Mayor and Members of the Borough Assembly

Aleutians East Borough

We look forward to discussing with you the current year audit plan for Aleutians East Borough. This report provides an overview of our overall objectives for the audit, and the nature, scope, and timing of the planned audit work.

We are pleased to be of service to the Company, are committed to executing a quality audit, and look forward to discussing our audit plan, as well as other matters that may be of interest to you, during our meeting.

Respectfully,

BDO USA

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The following communication was prepared as part of our audit, has consequential limitations, and is intended solely for the information and use of those charged with governance (e.g., Board of Directors) and, if appropriate, management of the Company, and is not intended and should not be used by anyone other than these specified parties.

# Executive Summary



# Executive Summary

## **Audit timeline**

- We will perform our year-end procedures during the months of September, October, and November.

## **Audit strategy, including significant risks identified**

- Our audit strategy, including significant risks identified, for the 2025 audit is outlined in the “Areas of Significant Risk” on page 15.

**Inquiries of Borough Assembly** related to matters relevant to the audit (see page 16).



# Audit Timeline

The following represents our anticipated schedule regarding our audit of the annual financial statements of the Company:

	Aug	Sep	Oct	Nov	Dec	Jan	Feb
Planning	✓						
Fieldwork		✓	✓				
Wrap up				✓	✓		
Release Report on Financial Statements						✓	

# Audit Overview & Strategy





# Overview

Our audit strategy follows a risk-based approach, so that our audit work, including the nature, timing and extent of audit procedures planned, is focused on the areas of the financial statements where the risk of material misstatement is assessed to be significant as well as other areas of the financial statements where we have identified risks of material misstatement.

In preparation for our audit, we have discussed with Borough Assembly, and management significant matters including, but not limited to, market conditions, activities, and changes to the Company's business, systems, accounting principles and controls, and obtained management's view of potential audit risk in order to update our understanding of the Company. This is important to our identification and assessment of risks of material misstatement to the financial statements and related disclosures.

Key components of our audit objectives and strategy are highlighted within this report.

We will continue to update the resulting assessment throughout the audit. We will communicate to you any significant changes to the planned audit strategy or the significant risks initially identified and communicated herein, and the reason for such changes, as applicable, when we present the results of our audit upon completion.





# Terms of the Audit and Independence

## AUDITOR'S RESPONSIBILITY

BDO USA, P.C., as your auditor, is responsible for forming and expressing an opinion about whether the financial statements that have been prepared by management, with your oversight, are prepared, in all material respects, in accordance with the applicable financial reporting framework. We are also responsible for expressing an opinion on the schedule of expenditures of federal awards (SEFA) that has been prepared by management, with your oversight, is prepared in accordance with *Government Auditing Standards*. Our audit will be conducted in accordance with standards for financial audits contained in the *Government Auditing Standards* (GAS or Yellow Book) issued by the Comptroller General of the United States. Our audit will also be performed in accordance with Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* (Uniform Guidance) for forming and expressing an opinion on compliance.

The audits do not relieve you of your responsibilities and do not relieve management of their responsibilities.

## INDEPENDENCE

- ▶ Our engagement letter to you dated September 3 describes our responsibilities in accordance with professional standards and certain regulatory authorities and *Government Auditing Standards* regarding independence and the performance of our services. This letter also stipulates the responsibilities of the Borough with respect to independence as agreed to by the Borough. Please refer to that letter for further information.

## TERMS OF THE AUDIT

Our establishment and understanding of the terms of the audit engagement have been documented in our annual engagement letter, which was provided to you on September 3, 2025, and includes the objectives of the audit along with the responsibilities of both the auditor and of management for your reference.

- ▶ We will plan and perform the audit of the financial statements for the year ended June 30, 2025 in accordance with *Government Auditing Standards*.
- ▶ We will plan and perform the audit of the SEFA for the year ended June 30, 2025, in accordance with GAS and will issue an opinion on compliance.
- ▶ We will perform tests of compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions is not an objective of our audit.
- ▶ We will consider the AEB's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing an opinion on compliance and to test and report on internal control over compliance in accordance with GAS and the Uniform Guidance.

# Determining Our Planned Audit Strategy

We focus on areas with higher risk of material misstatement to the financial statements, whether due to error or fraud.

In addition, *Government Auditing Standards* require that we also plan and perform the audit to obtain reasonable assurance about whether the Borough has complied with applicable laws, regulations and the terms and conditions of the federal awards that may have a direct and material effect on each of The Borough's major federal programs.

Our audit strategy includes consideration of the following:

- ▶ Prior year audit results including discussions with management and the Borough Assembly regarding the Company's operations, business activities, and risks.
- ▶ Inherent risk within the Company (i.e., the susceptibility of the financial statements to material error or fraud) without regard to the effect of controls.
- ▶ A continual assessment of materiality thresholds based upon qualitative and quantitative factors affecting the Company.
- ▶ Recent developments within the industry, regulatory environment, and general economic conditions.
- ▶ Recently issued and effective accounting and financial reporting guidance.
- ▶ The Borough's significant and critical accounting policies and procedures, including those requiring significant management judgments and estimates and those related to significant unusual transactions.
- ▶ The control environment, risk management and monitoring activities, and the possibility that internal controls may fail to prevent or detect a material misstatement due to error or fraud.
- ▶ The use of information systems and service organizations in the financial reporting process and overall IT environment.
- ▶ Internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing an opinion on compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance.

# Determining Our Planned Audit Strategy (cont.)

- ▶ Extent to which we plan to use others, outside the core engagement team, to perform certain planned audit procedures or evaluate audit results related to significant risks that may require specialized skills or knowledge.
- ▶ We will consider the Borough's internal control over financial reporting as a basis for designing audit procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the Borough's effectiveness of internal control.
- ▶ Internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing an opinion on compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance and State Audit Guide.

We will communicate to you any significant changes to the planned audit strategy, or to the significant risks initially identified, that may occur during the audit due to the results of audit procedures or in response to external factors, such as changes in the economic environment.

# Detail of Significant Risks & Additional Audit Considerations



# Areas of Significant Risk

Our areas of significant risk, which are risks with both a higher likelihood of occurrence and a higher magnitude of effect that require special audit considerations, are as follows.



IT Segregation of Duties

Management Override of Controls

Revenue Recognition - Grants



# Planned Use of Other Auditors and Persons Not Employed by BDO USA, P.C.

We plan to use the work of other auditors and persons not employed by BDO USA, P.C. in the 2025 audit. The table below represents the names, locations, and planned responsibilities.

## Planned Use of Persons Not Employed by BDO USA, P.C.

Name	Location	Planned responsibilities
<i>BDO RISE Private Limited (BDO RISE India)</i>	<i>India</i>	<ul style="list-style-type: none"><li>• Perform substantive audit testing</li></ul>

*The use of other auditors and persons not employed by BDO USA, P.C. outside the core engagement team, are under the direct supervision of the core engagement team and engagement partner in accordance with applicable auditing standards.*

*BDO RISE Private Limited (BDO RISE India) is a subsidiary of BDO USA, P.C.*

# Inquiries of Those Charged with Governance



# Obtaining Information from Those Charged with Governance

We perform inquiries related to fraud and other matters to help inform our audit strategy and execution of our audit procedures. As part of the upcoming meeting with you, we would like to discuss the following topics with you to understand any matters of which you believe we should be aware, including, but not limited to:

- ▶ Your views about the risk of material misstatements due to fraud, including the risk of management override of controls
- ▶ How you exercise oversight over the Company's assessment of fraud risks and the establishment of controls to address these risks
- ▶ Your awareness of any actual, alleged or suspected fraud or illegal acts affecting the Company
- ▶ Your awareness of tips or complaints regarding the Company's financial reporting and your response to such tips and complaints
- ▶ Your awareness of other matters relevant to the audit including, but not limited to, violations or possible violations of laws or regulations
- ▶ Your awareness of noncompliance with laws and regulations to include consideration of noncompliance with provisions of contracts and grant agreements.
- ▶ Your awareness of any investigations or legal proceedings that have been initiated or are in process with respect to the period under audit.
- ▶ Your awareness of any significant communications between the Company and regulators
- ▶ Your understanding of the Company's relationships and transactions with related parties that are significant to the Company
- ▶ Any business relationships between a BDO firm and the Company or its affiliates
- ▶ Whether the Company has entered into any significant unusual transactions
- ▶ Your awareness of any other information that is important to the identification and assessment of risks of material misstatement

# Government Accounting Standards Update

Included is a listing of relevant recent government accounting pronouncements with mandatory effective dates. Any standards issued after the date of this communication are unlikely to impact the next annual period's financial statements but should be considered in accordance with GASB Statement No. 100, *Accounting Changes and Error Corrections*. Early adoption is generally permitted for all the accounting standards summarized herein, but each standard has specific transition guidance and early adoption may have been limited to certain periods or circumstances.

Government Accounting Standards Update	Effective Date
GASB Statement No. 101, <i>Compensated Absences</i>	Fiscal years beginning after December 15, 2023
GASB Statement No. 102, <i>Certain Risk Disclosures</i>	Fiscal years beginning after June 15, 2024
GASB Statement No. 103, <i>Financial Reporting Model Improvements</i>	Fiscal years beginning after June 15, 2025. If a primary government chooses early implementation of this Statement, all component units also should implement this Statement in the same year.
GASB Statement No. 104, <i>Disclosure of Certain Capital Assets</i>	Fiscal years beginning after June 15, 2025

# Other Topics





# BDO's System of Quality Management

An audit firm's effective system of quality management ("SoQM") is crucial for supporting the consistent performance of high-quality audits and reviews of financial statements, or other assurance or related services engagements under professional standards, and applicable legal and regulatory requirements.

Accordingly, BDO has implemented a SoQM designed to provide reasonable assurance that its professionals fulfill their responsibilities and conduct engagements in accordance with those standards and requirements. The firm's SoQM supports the consistent performance of quality audits through many ongoing activities including, at least annually, certification by leaders with responsibility for key controls and related processes. Our Assurance Quality Management team performs regular reviews and testing of key controls and processes throughout the SoQM and identifies and communicates areas for improvement. In addition, our Audit Quality Advisory Council supports our SoQM by providing guidance and input on audit quality initiatives.

As required by International Standard on Quality Management 1 (ISQM 1) under the International Auditing and Assurance Standards Board (IAASB), BDO has conducted an evaluation of the effectiveness of its system of quality management and concluded, as of July 31, 2024, that, except for certain deficiencies related to the execution of its issuer audits, that system provides the reasonable assurance that our professionals will perform audits and reviews of financial statements or related assurance services engagements in accordance with professional standards, and applicable legal and regulatory requirements. BDO has either implemented or is designing remedial actions to address those deficiencies prior to our next evaluation.



We will continue to provide you with updates on our progress. Currently, you may find discussion of BDO's system of quality management within our annual [Audit Quality Reports](#), the most recent of which is accessible [here](#).

**[CLICK HERE TO ACCESS IAASB ISQM-1 IN ITS ENTIRETY >](#)**

## About BDO USA

Our purpose is helping people thrive, every day. Together, we are focused on delivering exceptional and sustainable outcomes and value for our people, our clients, and our communities. BDO is proud to be an ESOP company, reflecting a culture that puts people first. BDO professionals provide assurance, tax, and advisory services for a diverse range of clients across the U.S. and in over 160 countries through our global organization.

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Material discussed is meant to provide general information and should not be acted on without professional advice tailored to your needs.

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