NORTHWEST ARCTIC BOROUGH ASSEMBLY
RESOLUTION 16-44

A RESOLUTION OF THE NORTHWEST ARCTIC BOROUGH ASSEMBLY APPROVING ENGAGEMENT OF BDO USA LLP TO CONDUCT THE FY16 AUDIT, AND FOR RELATED PURPOSES.

WHEREAS: the Northwest Arctic Borough has engaged BDO USA, LLP and its predecessor, Mikunda Cottrell for audit services since 2005; and

WHEREAS: under Borough Code § 6.16.320, the Borough may procure qualifying professional services without competition; and

WHEREAS: the Northwest Arctic Borough Assembly wishes to authorize a contract with BDO USA, LLP and authorize an engagement of BDO to conduct the Borough’s FY16 audit in an amount not to exceed $50,000; and

NOW THEREFORE BE IT RESOLVED: the Northwest Arctic Borough Assembly approves engagement of BDO USA, LLP to conduct the Borough’s FY16 audit and authorizes the Mayor to execute an engagement letter in substantially the same form as accompanies this resolution.

PASSED AND APPROVED THIS 15th DAY OF SEPTEMBER 2016.

[Signature]
Carl Weisner, Assembly President

PASSED AND ADOPTED THIS 15th DAY OF SEPTEMBER 2016.

[Signature]
Clement Richards, Sr., Mayor

SIGNED AND ATTESTED TO THIS 15th DAY OF SEPTEMBER 2016.

[Signature]
Stella Atoruk, Borough Clerk

ATTEST:

RSN 16-44 BDO – FY16 Audit
June 29, 2016

Rosny Rizk
Treasurer
Northwest Arctic Borough
P.O. Box 1110
Kotzebue, Alaska 99752

Dear Ms. Rizk:

Agreement to Provide Services

This agreement to provide services (the “Agreement”) is intended to describe the nature and scope of our services.

Objective and Scope of the Audit

As agreed, BDO USA, LLP (“BDO” or “we”) will audit the financial statements of the governmental activities, the discretely presented component unit, each major fund and the aggregate remaining fund information, including the related notes to the financial statements, which collectively comprise the basic financial statements of the Northwest Arctic Borough, Alaska (the “Borough” or “you”) as of and for the year ending June 30, 2016.

Accounting standards generally accepted in the United States of America provide for certain required supplementary information (RSI), such as management’s discussion and analysis (MD&A), to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate context. As part of our engagement, we will apply certain limited procedures to the Borough’s RSI in accordance with auditing standards generally accepted in the United States of America (“GAAS”). These limited procedures will consist 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 obtain during our audit of the basic financial statements. We will not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The following RSI is required and will be subjected to certain limited procedures, but will not be audited:

1. Management’s Discussion and Analysis
2. Schedule of the Borough’s Information on the Net Pension Liability
3. Schedule of Borough Contributions

Also, the supplementary information accompanying the basic financial statements, as listed below, will be subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare
the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America, and our auditor’s report will provide an opinion on it in relation to the basic financial statements as a whole.

1. Schedule of expenditures of federal awards
2. Schedule of state financial assistance
3. Combing and individual fund financial statements and schedules

Responsibilities of BDO

We will conduct our audit in accordance with GAAS. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free from material misstatement, whether caused by error or fraud. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to error or fraud. Our work will be based primarily upon selected tests of evidence supporting the amounts and disclosures in the financial statements and, therefore, will not include a detailed check of all of the Borough’s transactions for the period. Because of the inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk that some material misstatements may not be detected exists, even though the audit is properly planned and performed in accordance with GAAS.

Our audit will also be conducted in accordance with the standards for financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance or UG); the provisions of the State of Alaska Audit Guide and Compliance Supplement for State Single Audits (State Audit Guide), and will include tests of accounting records, a determination of major program(s) in accordance with the Uniform Guidance and the State Audit Guide, and other procedures we consider necessary to enable us to express such an opinion and to render the required reports. The Uniform Guidance and the State Audit Guide requires that we also plan and perform the audit to obtain reasonable assurance about whether the auditee has complied with applicable federal and state statutes, regulations, and the terms and conditions of the federal and state awards that may have a direct and material effect on each of its major programs. Our procedures will consist of the applicable procedures described in the Office of Management and Budget’s (OMB) Compliance Supplement and the State Audit Guide for the types of compliance requirements that could have a direct and material effect on each of the Borough’s major programs. As required by the Uniform Guidance and State Audit Guide, our audit will include tests of transactions related to major federal and state award programs for compliance with applicable federal and state statutes, regulations, and the terms and conditions of federal and state awards. The purpose of these procedures will be to express an opinion on the Borough’s compliance with requirements applicable to major programs in our report on compliance issued pursuant to the Uniform Guidance and the State Audit Guide.
Also, an audit is not designed to detect errors or fraud or violations of federal and state statutes and regulations that are immaterial to the financial statements or major programs. However, we will inform you of any material errors or fraud that come to our attention. We will also inform you of possible illegal acts that come to our attention unless they are clearly inconsequential. We will also include such matters in the reports required for an audit performed under the Uniform Guidance and the State Audit Guide. In addition, during the course of our audit, financial statement misstatements relating to accounts or disclosures may be identified, either through our audit procedures or through communication by your employees to us, and we will bring these misstatements to your attention as proposed adjustments. At the conclusion of our audit we will communicate to those charged with governance (as defined below) all uncorrected misstatements. Because the determination of abuse is subjective, Government Auditing Standards do not expect auditors to provide reasonable assurance of detecting abuse.

The term “those charged with governance” is defined as the persons with responsibility for overseeing the strategic direction of the Borough and obligations related to the accountability of the Borough, including overseeing the financial reporting process. For the Borough, we agree that the Borough Assembly meets that definition.

In making our risk assessments, we consider internal control relevant to the Borough’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances and to evaluate compliance with each direct and material compliance requirement applicable to each major program, but not for the purpose of expressing an opinion on the effectiveness of the Borough’s internal control. Accordingly, we will express no such opinion. An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses in internal control. However, we will communicate to you and those charged with governance in writing concerning any significant deficiencies or material weaknesses in internal control relevant to the audit of the financial statements that we identify during our audit. We will also inform you of other matters involving internal control, if any, as required by the Uniform Guidance and the State Audit Guide.

The objective of our audit is the expression of an opinion about whether the financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles and to report on the fairness of the supplementary information referred to in the third paragraph of this letter when considered in relation to the basic financial statements as a whole. The objective also includes reporting on the Borough’s:

- Internal control related to the financial statements and compliance with federal and state statutes, regulations, and the terms and conditions of the federal and state awards, noncompliance with which could have a material effect on the financial statements in accordance with Government Auditing Standards.
- Internal control related to major programs and issuance of an opinion on whether the Borough complied with federal and state statutes, regulations, and the terms and conditions of the federal and state awards that could have a direct and material effect on each major program in accordance with the Uniform Guidance and the State Audit Guide.
We will perform test of controls, as required by the Uniform Guidance and the State Audit Guide, to evaluate the effectiveness of the design and operation of controls that we consider relevant to preventing or detecting material noncompliance with each direct and material compliance requirement applicable to each of the Borough’s major federal and state award programs. However, our tests will be less in scope than would be necessary to render an opinion on these controls and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to the Uniform Guidance and the State Audit Guide.

We are also responsible for communicating with those charged with governance what our responsibilities are under GAAS, an overview of the planned scope and timing of the audit, and significant findings from the audit.

Responsibilities of Management and Identification of the Applicable Financial Reporting Framework

Our audit will be conducted on the basis that you and those charged with governance acknowledge and understand that you and those charged with governance have responsibility (1) for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; (2) for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements and relevant to federal and state award programs that are free from material misstatement, whether due to error or fraud; (3) for identifying and ensuring that the Borough complies with the laws and regulations applicable to its activities; and (4) to provide us with access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters, additional information we may request for the purpose of the audit, and unrestricted access to persons within the Borough from whom the auditor determines it is necessary to obtain audit evidence.

Management is also responsible for preparation of the schedule of expenditures of federal awards and schedule of state financial assistance, including the notes, noncash assistance received and other required information, in accordance with the requirements of the Uniform Guidance and the State Audit Guide. Management is responsible for identifying all federal awards expended during the period including federal awards and funding increments received prior to December 26, 2014, and those received subsequent to December 26, 2014 in accordance with the audit requirements of the Uniform Guidance. You acknowledge and understand your responsibility for the preparation of all supplementary information, including the schedule of expenditures of federal awards and schedule of state financial assistance, in accordance with the applicable criteria. Management is responsible for identifying all federal and state awards received and understanding and complying with the compliance requirements, in accordance with the Uniform Guidance and the State Audit Guide. Management is also responsible for (1) establishing and maintaining effective internal control, including internal control over compliance and for evaluating and monitoring ongoing activities to help ensure that appropriate goals and objectives are met, (2) compliance with federal and state statues, regulations, and the terms and conditions of federal and state awards, (3) ensuring that there is reasonable assurance that government programs are administered in compliance with compliance requirements, and (4) ensuring
that management and financial information is reliable and properly reported. You also agree
to include our report on the supplementary information in any document that contains the
supplementary information and that indicates that we have reported on such supplementary
information. You also agree to present the supplementary information with the audited
financial statements, or, if the supplementary information will not be presented with the
audited financial statements, to make the audited financial statements readily available to
the intended users of the supplementary information no later than the date of issuance of
the supplementary information and our report thereon.

Management’s responsibilities also include identifying and informing us of significant
contractor relationships in which the contractor is responsible for program compliance and
for the accuracy and completeness of that information.

Management is responsible for adjusting the financial statements to correct material
misstatements relating to accounts or disclosures, after evaluating their propriety based on
a review of both the applicable authoritative literature and the underlying supporting
evidence from the Borough’s files; or otherwise concluding and confirming in a
report letter (as further described below) provided to us at the conclusion of our
audit that the effects of any uncorrected misstatements are both individually and in the
aggregate, immaterial to the financial statements taken as a whole. Additionally, as
required by the Uniform Guidance and the State Audit Guide, it is management’s
responsibility to follow up and take corrective action on reported audit findings and to
prepare a summary schedule of prior audit findings and a corrective action plan.

As required by GAAS, we will request certain written representations from management at
the close of our audit to confirm oral representations given to us and to indicate and
document the continuing appropriateness of such representations and reduce the possibility
of misunderstanding concerning matters that are the subject of the representations.
Because of the importance of management’s representations to an effective audit, the
Borough agrees, subject to prevailing laws and regulations, to release and indemnify BDO,
its Permitted Assignees (as defined herein under “Assignment”), and each of their
respective employees from any liability and costs relating to our services rendered under
this Agreement attributable to any knowing misrepresentations by management.

Management is also responsible for the design and implementation of programs and controls
to prevent and detect fraud, and for informing us about all known or suspected fraud
affecting the Borough involving (a) management, (b) employees who have significant roles in
internal control, and (c) others where the fraud could have a direct and material effect on
the financial statements, schedule of expenditures of federal awards, and / or schedule of
state financial assistance. Your responsibilities include informing us of your knowledge of
any allegations of fraud or suspected fraud affecting the Borough received in
communications from employees, former employees, grantors, regulators, or others. In
addition, you are responsible for identifying and ensuring that the Borough complies with
applicable federal and state statutes, regulations, and the terms and conditions of the
federal and state awards. Management is also responsible for taking timely and appropriate
steps to remedy fraud and noncompliance with provisions of federal and state statutes,
regulations and the terms and conditions of the federal and state awards, or abuse that we
report.
Management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying to us, previous financial audit attestation engagements, performance audits, or other studies related to our audit objectives. This responsibility includes communicating to us corrective actions taken to address significant findings and recommendations resulting from those audits, attestation engagements, performance audits, or studies. You are also responsible for providing management’s views on our current findings, conclusions, and recommendations, as well as your planned corrective actions for the report, and for the timing and format for providing that information.

At the conclusion of the engagement, we will complete the appropriate sections of and electronically certify the Data Collection Form that summarizes our audit findings. We will provide a final copy of our reports in a PDF file to the Borough; however, it is management’s responsibility to upload the PDF version of the reporting package (including financial statements, schedule of expenditures of federal awards, summary schedule of prior audit findings, auditor’s reports, and corrective action plan) and complete the appropriate sections of the Data Collection Form. Management is responsible for electronically certifying the Data Collection Form and electronically submitting the completed Data Collection Form to the Federal Audit Clearinghouse (FAC). The financial reporting package must be text searchable, unencrypted, and unlocked to be accepted by the FAC. It is management’s responsibility to provide the reporting package to pass-through entities, if required. The Data Collection Form and the reporting package must be submitted electronically within the earlier of 30 days after receipt of the auditor’s reports or nine months after the end of the audit period, unless a longer period is agreed to in advance by the oversight agency for audit. Both BDO and management are responsible for ensuring that in their respective parts of the reporting package there is no protected personally identifiable information. We understand that we must make copies of the Data Collection Form and reporting package available for public inspection.

**Expected Form and Content of the Auditor’s Report**

At the conclusion of our audit, we will submit to you a report, based on our audit and the report of the component auditors, containing our opinion as to whether the financial statements, taken as a whole, are fairly presented based on accounting principles generally accepted in the United States of America. If, during the course of our work, it appears for any reason that we will not be in a position to render an unmodified opinion on the financial statements, the Uniform Guidance compliance, or the State Audit Guide compliance, or that our report will require an Emphasis of Matter or Other Matter paragraph, we will discuss this with you. It is possible that, because of unexpected circumstances, we may determine that we cannot render a report or otherwise complete the engagement. If, for any reason, we are unable to complete the audit or are unable to form or have not formed an opinion, we may decline to express an opinion or decline to issue a report as a result of the engagement. If, in our professional judgment, the circumstances require, we may resign from the engagement prior to completion.

The reports on internal control and compliance will each include a statement that the purpose of these reports is solely to describe the scope of our testing of internal control and compliance and the results of that testing based on the requirements of Government
Auditing Standards (GAS), the Uniform Guidance, and the State Audit Guide and are not suitable for any other purpose.

Client Reacceptance Matters

BDO is retaining the Borough as a client in reliance on information obtained during the course of our continuing client reacceptance procedures. Lia Patton has been assigned the role of engagement partner and is responsible for directing the engagement and issuing the appropriate report on the Borough’s financial statements.

Email Communication

BDO disclaims and waives, and you release BDO from, any and all liability for the interception or unintentional disclosure of email transmissions or for the unauthorized use or failed delivery of emails transmitted or received by BDO in connection with the services we are being engaged to perform under this Agreement.

External Computing Options

If, at your request, BDO agrees to use certain external commercial services, including but not limited to services for cloud storage, remote control, and/or file sharing options (collectively “External Computing Options”), that are outside of BDO’s standard security protocol, you acknowledge that such External Computing Options may be associated with heightened security and privacy risks. Accordingly, BDO disclaims and waives, and you release BDO from, any and all liability arising out of or related to the use of such External Computing Options.

Ownership of Working Papers

The working papers prepared in conjunction with our audit are the property of BDO, constitute confidential information, and will be retained by us in accordance with BDO’s policies and procedures.

However, pursuant to authority given by law or regulation, we may be requested to make certain working papers available to the Borough’s oversight agency, or its designee, a federal agency providing direct or indirect funding, or the U.S. Government Accountability Office for purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities. We will notify you of any such request. If requested, access to such working papers will be provided under the supervision of BDO personnel and at a location designated by BDO. Furthermore, upon request, we may provide photocopies of selected working papers to the aforementioned parties. These parties may intend or decide to distribute the photocopies of information contained therein to others, including other governmental agencies.

Reproduction of Audit Report

If the Borough plans any reproduction or publication of a document that includes our report, or any portion of it, and that is assembled differently from any paper or electronic version that we may have assembled and provided to you (e.g., by the addition of financial
statements and/or accompanying information that you have produced), a copy of the entire
document in its final form should be submitted to us in sufficient time for our review and
written approval before printing. You also agree to provide us with a copy of the final
reproduced material for our written approval before it is distributed. If, in our professional
judgment, the circumstances require, we may withhold our written approval.

Posting of Audit Report and Financial Statements on Your Website

You agree that, if you plan to post an electronic version of the financial statements and audit
report on your website, you will ensure that there are no differences in content between the
electronic version of the financial statements and audit report on your website and the signed
version of the financial statements and audit report provided to management by BDO. You
also agree to indemnify BDO from any and all claims that may arise from any differences
between the electronic and signed versions.

Review of Documents for Sale of Debt or Other Securities

The audited financial statements and our report thereon should not be provided or
otherwise made available to recipients of any document to be used in connection with the
sale of debt or other securities (including securities offerings on the Internet) without first
submitting copies of the document to us in sufficient time for our review and written
approval. If, in our professional judgment, the circumstances require, we may withhold our
written approval.

Availability of Records and Personnel

You agree that all records, documentation, and information we request in connection with
our audit will be made available to us (including those pertaining to related parties), that
all material information will be disclosed to us, and that we will have the full cooperation
of, and unrestricted access to, your personnel during the course of the engagement.

You also agree to ensure that any third-party valuation reports that you provide to us to
support amounts or disclosures in the financial statements (a) indicate the purpose for
which they were intended, which is consistent with your actual use of such reports; and (b)
do not contain any restrictive language that would preclude us from using such reports as
audit evidence.

Assistance by Your Personnel and Internet Access

We also ask that your personnel prepare various schedules and analyses for our staff.
However, except as otherwise noted by us, no personal information other than names
related to Borough employees and/or customers should be provided to us. In addition, we
ask that you provide high-speed Internet access to our engagement team, if practicable,
while working on the Borough’s premises. This assistance will serve to facilitate the progress
of our work and minimize costs to you.
Peer Review Reports

Government Auditing Standards requires that we provide you with a copy of our most recent quality control review report. Our latest peer review report accompanies this letter.

Other Services

We are always available to meet with you and other executives at various times throughout the year to discuss current business, operational, accounting, and auditing matters affecting the Borough. Whenever you feel such meetings are desirable, please let us know. We are also prepared to provide services to assist you in any of these areas. We will also be pleased, at your request, to attend governing board meetings.

Independence

Professional and certain regulatory standards require us to be independent, in both fact and appearance, with respect to the Borough in the performance of our services. Any discussions that you have with personnel of BDO regarding employment could pose a threat to our independence. Therefore, we request that you inform us prior to any such discussions so that we can implement appropriate safeguards to maintain our independence.

Dispute Resolution Procedure

All the provisions of this agreement will be governed by the laws of the State of Alaska.

If any dispute, controversy, or claim arises out of, relates to, or results from the performance or breach of this Agreement, excluding claims for non-monetary or equitable relief (collectively, the "Dispute"), either party may, upon written notice to the other party, request non-binding mediation. A recipient party of such notice may waive its option to resolve such Dispute by non-binding mediation by providing written notice to the party requesting mediation and then such parties hereto shall resolve such Dispute by binding arbitration as described below. Such mediation shall be assisted by a neutral mediator acceptable to both parties and shall require the commercially reasonable efforts of the parties to discuss with each other in good faith their respective positions and different interests to finally resolve such Dispute. If the parties are unable to agree on a mediator within twenty (20) days from delivery of the written notice, either party may invoke the mediation service of the American Arbitration Association (the "AAA").

Each party may disclose any facts to the other party or to the mediator that it, in good faith, considers reasonably necessary to resolve the Dispute. However, all such disclosures shall be deemed in furtherance of settlement efforts and shall not be admissible in any subsequent proceeding against the disclosing party. Except as agreed to in writing by both parties, the mediator shall keep confidential all information disclosed during mediation. The mediator shall not act as a witness for either party in any subsequent proceeding between the parties.

Unless waived, such mediation shall conclude after the parties have engaged in good faith settlement negotiations, but nonetheless are unable to resolve the Dispute through the mediation process. The attorneys' fees and costs incurred by each party in such mediation
shall be borne solely by such party, except that the fees and expenses of the mediator, if any, shall be borne equally by the parties.

Any Dispute not resolved first by mediation between the parties (or if the mediation process is waived as provided herein) shall be decided by binding arbitration. The arbitration proceeding shall take place in the city in which the BDO office providing the majority of services involved exists, unless the parties agree in writing to a different locale. The arbitration shall be governed by the provisions of the laws of the State of Alaska, which shall be applied without reference to conflicts of law rules. In any arbitration instituted hereunder, the proceedings shall proceed in accordance with the then current Arbitration Rules for Professional Accounting and Related Disputes of the AAA, except that the Arbitration Panel (as defined below) shall permit discovery that is consistent with the scope of discovery typically permitted by the Federal Rules of Civil Procedure and/or is otherwise customary in light of the complexity of the Dispute and the amount in controversy. Any Dispute regarding discovery, or the relevance or scope thereof, shall be determined by the Arbitration Panel (as defined below).

The arbitration shall be conducted before a panel of three persons, one selected by each party, and the third selected by the two party-selected arbitrators (the “Arbitration Panel”). The party-selected arbitrators shall be treated as neutrals. The Arbitration Panel shall have no authority to award non-monetary equitable relief, but nothing herein shall be construed as a prohibition against a party from pursuing non-monetary equitable relief in a state or federal court. The parties also waive the right to punitive damages and the arbitrators shall have no authority to award such damages or any other damages that are not strictly compensatory in nature. In rendering their award, the Arbitration Panel shall issue in writing findings of fact and conclusions of law. The Arbitration Panel shall not have authority to grant an award that is not supported by substantial evidence or that is based on an error of law, and such absence of substantial evidence or such error of law may be reviewed on appeal to vacate an award based on the standard of review otherwise applicable in the Federal Appellate Court responsible for the jurisdiction in which the arbitration is venued, and without regard to any heightened standard of review otherwise applicable to an arbitration decision rendered by the AAA. The confidentiality provisions applicable to mediation shall also apply to arbitration. The award issued by the Arbitration Panel may be confirmed in a judgment by any federal or state court of competent jurisdiction. No payment of any award or posting of any bond of any kind whatsoever is required to be made or posted until such Dispute is finally determined.

In no event shall a demand for arbitration be made after the date on which the initiation of the legal or equitable proceeding on the same Dispute would be barred by the applicable statute of limitations or repose. For the purposes of applying the statute of limitations or repose, receipt of a written demand for arbitration by the AAA shall be deemed the initiation of the legal or equitable proceeding based on such Dispute.

Fees

Our charges to the Borough for the services described above for the year ending June 30, 2016 will be $40,000 plus actual out of pocket costs. The fee anticipates that the Borough will draft its own financial statements. In addition, it is based on the following assumptions: your personnel will prepare certain schedules and analyses for us and make available to us
documents for our examination as and when requested; there will be no significant changes in internal controls, accounting systems, key personnel, or structure of the organization; there will be no significant additions of funds or disposal/divestiture of activities; and there will not be any unanticipated increases in current operations requiring significant additional audit time. Should we encounter any unforeseen problems that will warrant additional time or expense, you will be notified of the situation and, if possible, the added cost.

This engagement includes only those services specifically described in this Agreement; any additional services not specified herein will be agreed to in a separate letter. In the event you request us to respond to, or we receive and respond to, a validly issued subpoena, court order, government regulatory inquiry, or other similar request or legal process against the Borough or its management for the production of documents and/or testimony relative to information we obtained and/or prepared during the course of this or any prior engagements, you agree to compensate us for all time we expend in connection with such response, at our regular rates, and to reimburse us for all related out-of-pocket costs (including outside lawyer fees) that we incur.

Our fees and costs will be billed periodically, and are payable within 30 days of the invoice date. If we do not receive any notice of dispute within 10 days of your receipt of the invoice, we will conclude that you have seen the invoice and find it acceptable. Invoices that are unpaid 30 days past the invoice date are deemed delinquent and we reserve the right to charge interest on the past due amount at the lesser of (a) 1.0% per month or (b) the maximum amount permissible by applicable law. Interest shall accrue from the date the invoice is delinquent. We reserve the right to suspend our services, withhold delivery of any deliverables, or withdraw from this engagement entirely if any of our invoices are delinquent. In the event that any collection action is required to collect unpaid balances due to us, you agree to reimburse us for all our costs of collection, including without limitation, attorneys' fees.

If we elect to terminate our services for nonpayment, or for any other reason provided for in this Agreement, our engagement will be deemed to have been completed upon written notification of termination, even if we have not completed our report. You will be obligated to compensate us for all of our time expended, and to reimburse us for all of our out-of-pocket expenses and internal charges incurred, through the date of termination.

Assignment

BDO shall have the right to assign its rights to perform a portion of the services described above to any of its independent Alliance members, affiliates (including, where applicable, member firms of the international BDO network), agents, or contractors (a “Permitted Assignee”) without the Borough's prior consent. If such assignment is made, the Borough agrees that, unless it enters into an engagement letter directly with the Permitted Assignee, all of the applicable terms and conditions of this Agreement shall apply to the Permitted Assignee. We agree that we shall not permit the Permitted Assignee to perform any work until it agrees to be bound by the applicable terms and conditions of this Agreement. We further agree that we will remain primarily responsible for the services described above, unless we and the Borough agree otherwise, and we will properly supervise the work of the Permitted Assignee to ensure that all such services are performed in accordance with applicable professional standards. From time to time, and depending on the circumstances,
Permitted Assignees located in other countries may participate in the services we provide to the Borough. In some cases, we may transfer information to or from the United States or another country. Although applicable privacy laws may vary depending on the jurisdiction, and may provide less or different protection than those of the Borough’s home country, we require that all Permitted Assignees enter into contractual agreements to maintain the confidentiality of the Borough’s information and observe our policies concerning any confidential client information that we provide to them.

Third-Party Use

BDO will perform the professional services provided in connection with this engagement solely for the benefit and use of the Borough. BDO does not anticipate and does not authorize reliance by any other party on its professional services. Any amendment to this provision must be made through a written document signed by the Borough and BDO.

Miscellaneous

This Agreement is intended to cover only the services specified herein, although we look forward to many more years of pleasant association with the Borough. This engagement is a separate and discrete event and any future services will be covered by a separate agreement to provide services.

Many banks have engaged a third party to electronically process cash or debt audit confirmation requests, and a few of those banks have mandated the use of this service. To the extent applicable, the Borough hereby authorizes BDO to participate in this electronic confirmation process through the third party’s website (e.g., by entering the Borough’s bank account information to initiate the process and then accessing the bank’s confirmation response) and agrees that BDO shall have no liability in connection therewith.

Whenever possible, each provision of this Agreement shall be interpreted in such a manner as to be effective and valid under applicable laws, regulations, or published interpretations, but if any provision of this Agreement shall be deemed prohibited, invalid, or otherwise unenforceable for any reason under such applicable laws, regulations, or published interpretations, such provisions shall be ineffective only to the extent of such prohibition, invalidity, or unenforceability and such revised provision shall be made a part of this Agreement as if it was specifically set forth herein. Furthermore, the provisions of the foregoing sentence shall not invalidate the remainder of such provision or the other provisions of this Agreement.

This Agreement may be transmitted in electronic format and shall not be denied legal effect solely because it was formed or transmitted, in whole or in part, by electronic record; however, this Agreement must then remain capable of being retained and accurately reproduced, from time to time, by electronic record by the parties to this Agreement and all other persons or entities required by law. An electronically transmitted signature to this Agreement will be deemed an acceptable original for purposes of consummating this Agreement and binding the party providing such electronic signature.
We believe the foregoing correctly sets forth our understanding; however, if you have any questions, please let us know. If you find the foregoing arrangements acceptable, please acknowledge this by signing and returning to us a copy of this Agreement and retaining a copy for your files.

Very truly yours,

BDO USA, LLP

BDO USA, LLP

Acknowledged:

NORTHWEST ARCTIC BOROUGH

By: Rosny Rizk, Treasurer

By: Clement Richards, Sr., Mayor

Date: 6/30/2016

Date: 7/7/2016
SYSTEM REVIEW REPORT

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, 2015. 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. As a part of our peer review, we considered reviews by regulatory entities, if applicable, in determining the nature and extent of our procedures. 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. 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. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at www.aicpa.org/prsummary.

As required by the standards, engagements selected for review included engagements performed under Government Auditing Standards, audits of employee benefit plans, audits performed under FDICIA, audits of carrying broker-dealers and examinations of service organizations (Service Organization Control (SOC) 1 and 2 engagements).

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, 2015, 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 Minneapolis KPMG

Minneapolis, Minnesota
December 2, 2015