



**Kenai Peninsula Borough School
District**
(A Component Unit of the Kenai Peninsula
Borough)

Single Audit Reports
Year Ended June 30, 2018

Kenai Peninsula Borough School District
(A Component Unit of the Kenai Peninsula Borough)

Single Audit Reports
Year Ended June 30, 2018

Kenai Peninsula Borough School District
(A Component Unit of the Kenai Peninsula Borough)

Contents

	<u>Page</u>
Single Audit Section	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	1-2
Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by the <i>Uniform Guidance</i>	3-5
Independent Auditor's Report on Compliance for Each Major State Program; Report on Internal Control Over Compliance; and Report on the Schedule of State Financial Assistance Required by the <i>State of Alaska Audit Guide and Compliance Supplement for State Single Audits</i>	6-8
Schedule of Expenditures of Federal Awards	9-11
Schedule of State Financial Assistance	12
Schedule of Findings and Questioned Costs	13-14



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Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Members of the School Board
Kenai Peninsula Borough School District
Soldotna, Alaska

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Kenai Peninsula Borough School District, a component unit of Kenai Peninsula Borough, Alaska, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Kenai Peninsula Borough School District's basic financial statements, and have issued our report thereon dated November 15, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Kenai Peninsula Borough School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Kenai Peninsula Borough School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Kenai Peninsula Borough School District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Kenai Peninsula Borough School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BDO USA, LLP

Anchorage, Alaska
November 15, 2018



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Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by the *Uniform Guidance*

Members of the School Board
Kenai Peninsula Borough School District
Soldotna, Alaska

Report on Compliance for Each Major Federal Program

We have audited Kenai Peninsula Borough School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Kenai Peninsula Borough School District's major federal programs for the year ended June 30, 2018. Kenai Peninsula Borough School District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Kenai Peninsula Borough School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Kenai Peninsula Borough School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Kenai Peninsula Borough School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Kenai Peninsula Borough School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

Management of Kenai Peninsula Borough School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Kenai Peninsula Borough School District's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Kenai Peninsula Borough School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by Uniform Guidance

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Kenai Peninsula Borough School District as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Kenai Peninsula Borough School District's basic financial statements. We issued our report thereon dated November 15, 2018, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

BDO USA, LLP

Anchorage, Alaska
November 15, 2018



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Independent Auditor's Report on Compliance for Each State Major Program; Report on Internal Control Over Compliance; and Report on the Schedule of State Financial Assistance Required by the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*

Members of the School Board
Kenai Peninsula Borough School District
Soldotna, Alaska

Report on Compliance for Each Major State Program

We have audited Kenai Peninsula Borough School District's compliance with the types of compliance requirements described in the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits* that could have a direct and material effect on each of Kenai Peninsula Borough School District's major state programs for the year ended June 30, 2018. Kenai Peninsula Borough School District's major state programs are identified in the accompanying Schedule of State Financial Assistance.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Kenai Peninsula Borough School District's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*. Those standards and the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about Kenai Peninsula Borough School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination of Kenai Peninsula Borough School District's compliance.

Opinion on Each Major State Program

In our opinion, Kenai Peninsula Borough School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

Management of Kenai Peninsula Borough School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Kenai Peninsula Borough School District's internal control over compliance with the types of requirements that could have a direct and material effect on a major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Kenai Peninsula Borough School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of State Financial Assistance Required by the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Kenai Peninsula Borough School District as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Kenai Peninsula Borough School District's basic financial statements. We issued our report thereon dated November 15, 2018, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of State Financial Assistance is presented for purposes of additional analysis as required by the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits* and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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. In our opinion, the Schedule of State Financial Assistance is fairly stated in all material respects in relation to the basic financial statements as a whole.

BDO USA, LLP

Anchorage, Alaska
November 15, 2018

Kenai Peninsula Borough School District
(A Component Unit of the Kenai Peninsula Borough)

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2018

Federal Grantor/Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass Through Identifying Number	Provided to Subrecipients	Total Federal Expenditures
U.S. Department of Education				
Direct:				
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334A		\$ -	50,503
Indian Education Grants to Local Educational Agencies	84.060A		-	481,868
Total U.S. Department of Education - Direct			<u>-</u>	<u>532,371</u>
Passed through Alaska Department of Education and Early Development:				
Title I Grants to Local Educational Agencies				
NCLB - Title I-A Basic	84.010	IP 18.KPSD.01	-	1,220,258
NCLB - Title I-A 1% Parent Involvement	84.010	IP 18.KPSD.01	-	15,624
NCLB - Title I-A Pre-K	84.010	IP 18.KPSD.01	-	950,809
Total CFDA 84.010			<u>-</u>	<u>2,186,691</u>
Supporting Effective Instruction State Grants				
Higher Ed/Library Assessment Literacy	84.367B	HE 18.KPSD.02	-	20,010
NCLB - Title II-A, Training & Recruiting	84.367	IP 18.KPSD.01	-	740,134
Total CFDA 84.367			<u>-</u>	<u>760,144</u>
Special Education Cluster:				
Title VI-B	84.027	SE 18.KPSD.01	-	2,045,834
Preschool Disabled, One Time	84.027	SA 18.KPSD.01	-	7,627
Total CFDA 84.027			<u>-</u>	<u>2,053,461</u>
Preschool Disabled	84.173	SE 18.KPSD.01	-	35,743
Total Special Education Cluster			<u>-</u>	<u>2,089,204</u>
Migrant Education State Grant Program				
Migrant Education, Book	84.011A	MB 18.KPSD.01	-	15,794
Migrant Education, Parent Advisory Council	84.011	MB 18.KPSD.02	-	3,774
NCLB - Title I-C Migrant	84.011	IP 18.KPSD.01	-	469,554
Total CFDA 84.011			<u>-</u>	<u>489,122</u>
Education for Homeless Children and Youth	84.196	FR 18.KPSD.01	-	20,043
Title I State Agency Program for Neglected and Delinquent Children and Youth	84.013	IP 18.KPSD.01	-	13,548
Student Support and Academic Enrichment Program	84.424A	IP 18.KPSD.01	-	43,451
Career and Technical Education	84.048	EK 18.KPSD.01	-	215,369
English Language Acquisition State Grants	84.365	IP 18.KPSD.01	-	17,709
Total passed through Alaska Department of Education and Early Development			<u>-</u>	<u>5,835,281</u>
Alaska Native Education Program				
Passed through the University of Fairbanks - Educator Rising	84.356	S356A150061	-	14,527
Total U.S. Department of Education			<u>-</u>	<u>6,382,179</u>

Kenai Peninsula Borough School District
(A Component Unit of the Kenai Peninsula Borough)

Schedule of Expenditures of Federal Awards, continued
Year Ended June 30, 2018

Federal Grantor/Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass Through Identifying Number	Provided to Subrecipients	Total Federal Expenditures
U.S. Department of Commerce:				
UAF-Marine Aquatic Education and Sea Week Activities	11.417		-	16,018
Total U.S. Department of Commerce			-	16,018
U.S. Department of Health and Human Services:				
Passed through Alaska Department of Education and Early Development:				
Substance Abuse and Mental Health Services				
Projects of Regional - and National Significance				
Project AWARE - Youth Mental Health	93.243	AW 18.KPSD.01	-	36,872
Project AWARE - Youth Mental Health	93.243	AW 18.KPSD.02	-	251,467
Total CFDA 93.243			-	288,339
Total U.S. Department of Health and Human Services			-	288,339
Promotion of the Arts Partnership Agreements				
Passed through Alaska State Council on the Arts -				
Artist in Schools	45.025	FY18AIS0010	-	750
U.S. Department of Agriculture:				
Passed through Alaska Department of Education and Early Development:				
Child Nutrition Cluster:				
National School Lunch Program - After School Snack	10.553	MA 18.024.01	-	1,959
National School Lunch Program - Breakfast Program	10.553	MA 18.024.01	-	451,454
Total CFDA 10.553			-	453,413
Commodities	10.555		-	155,795
National School Lunch Program - Lunch Program	10.555	MA 18.024.01	-	1,813,277
Total CFDA 10.555			-	1,969,072
Total Child Nutrition Cluster			-	2,422,485

Kenai Peninsula Borough School District
(A Component Unit of the Kenai Peninsula Borough)

Schedule of Expenditures of Federal Awards, continued
Year Ended June 30, 2018

Federal Grantor/Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass Through Identifying Number	Provided to Subrecipients	Total Federal Expenditures
U.S. Department of Agriculture, continued:				
Passed through Alaska Department of Education and Early Development:				
NSLP Equipment Assistance Grant	10.579	NS 18.KPSD.01	-	10,000
State Administrative Expenses for Child Nutrition	10.560	FD 18.KPSD.01	-	13,289
Fresh Fruit & Vegetable Program	10.582	FF 18.KPSD.00	-	122,759
Total U.S. Department of Agriculture			-	2,568,533
Total Expenditures of Federal Awards			\$ -	9,255,819

Note 1. Basis of Presentation

The above schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Kenai Peninsula Borough School District under programs of the federal government for the year ended June 30, 2018. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Kenai Peninsula Borough School District, it is not intended to and does not present the financial position, changes in net position or cash flows of Kenai Peninsula Borough School District.

Note 2: Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3: Indirect Cost Rate

The Kenai Peninsula Borough School District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Kenai Peninsula Borough School District
(A Component Unit of the Kenai Peninsula Borough)

Schedule of State Financial Assistance
Year Ended June 30, 2018

State Grantor	Program Number	Amount Expended
Department of Administration		
* TRS On Behalf		\$ 7,664,800
* PERS On Behalf		631,378
PERS On Behalf passed through Kenai Peninsula Borough		<u>106,060</u>
Total Department of Administration		<u>8,402,238</u>
Department of Education and Early Development		
* Public School Funding Program		79,312,743
* Pupil Transportation		8,074,746
Alternative Schools	BH 18.KPSD.01	48,289
Artist in Schools	FY18AIS0010	750
Broadband Assistance Grant	SBG 18.024.12	6,115
NSLP Equipment Assistance Grant	NS 18.KPSD.01	4,711
Quality Schools		286,790
Safe Childrens Act	SC18.KPSD.01	38,835
Suidcide Awareness, Prevention & Postvention	SP 18.KPSD.01	35,369
Youth In Detention - Kenai Youth Facility	EY18.KPSD.01	<u>73,776</u>
Total Department of Education and Early Development		<u>87,882,124</u>
Alaska Mental Health Trust Authority		
Interactive Learning for West Homer Elementary Intervention Classroom	8900	<u>7,763</u>
Total Alaska Mental Health Trust Authority		<u>7,763</u>
Department of Commerce, Community and Economic Development		
Nutritional Alaskan Foods in Schools	13-NAFS-025	<u>239</u>
Total Department of Commerce, Community and Economic Development		<u>239</u>
Total State Financial Assistance		<u>\$ 96,292,364</u>

* State major program

Note 1: Basis of Presentation

The accompanying schedule of state financial assistance (the "Schedule") includes the state grant activity of Kenai Peninsula Borough School District under programs of the State of Alaska for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of the State of Alaska Audit Guide and Compliance Supplement for State Single Audits. Because the Schedule presents only a selected portion of the operations of Kenai Peninsula Borough School District, it is not intended to and does not present the financial position, changes in net position or cash flows of Kenai Peninsula Borough School District.

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting.

Kenai Peninsula Borough School District
(A Component Unit of the Kenai Peninsula Borough)

Schedule of Findings and Questioned Costs
Year Ended June 30, 2018

Section I - Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? yes X no
 Significant deficiency(ies) identified? yes X (none reported)

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified? yes X no
 Significant deficiency(ies) identified? yes X (none reported)

Type of auditor's report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? yes X no

Identification of major federal programs:

<i>CFDA Number</i>	<i>Name of Federal Program or Cluster</i>	<i>Agency</i>
84.010	Title I Grants to Local Educational Agencies	U.S. Department of Education
84.367	Supporting Effective Instruction State Grants	U.S. Department of Education

Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000

Auditee qualified as low-risk auditee? X yes no

State Financial Assistance

Internal control over major state programs:

Material weakness(es) identified? yes X no
 Significant deficiency(ies) identified? yes X (none reported)

Type of auditor's report issued on compliance for major state programs: Unmodified

Dollar threshold used to determine a state major program: \$ 500,000

Kenai Peninsula Borough School District
(A Component Unit of the Kenai Peninsula Borough)

Schedule of Findings and Questioned Costs, continued
Year Ended June 30, 2018

**Section II - Financial Statement Findings Required to be Reported in Accordance with
*Government Auditing Standards***

There were no findings related to the financial statements which are required to be reported in accordance with the standards applicable to financial audits contained in *Government Auditing Standards*.

Section III - Federal Award Findings and Questioned Costs

There were no findings and questioned costs for federal awards (as defined in in 2 CFR 200.516(a)) that are required to be reported.

Section IV - State Award Findings and Questioned Costs

There were no findings and questioned costs for State awards (as defined in the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*) that are required to be reported.