

**KENAI PENINSULA BOROUGH
SCHOOL DISTRICT
(A Component Unit of the
Kenai Peninsula Borough)**

Single Audit Reports

Year Ended June 30, 2009

KENAI PENINSULA BOROUGH SCHOOL DISTRICT
(A Component Unit of the Kenai Peninsula Borough)

Single Audit Reports

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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 Accounting Standards

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

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, a component unit of Kenai Peninsula Borough, as of and for the year ended June 30, 2009, which collectively comprise Kenai Peninsula Borough School District's basic financial statements and have issued our report thereon dated October 14, 2009. We conducted our audit in accordance with 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Kenai Peninsula Borough School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Kenai Peninsula Borough School District's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal controls.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be presented or detected by the entity's internal control.

Members of the School Board
Kenai Peninsula Borough School District

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Kenai Peninsula Borough School District's financial statements are free of 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*.

This report is intended solely for the information and use of Kenai Peninsula Borough School District's management, members of the School Board, others within the entity and appropriate federal and State agencies and is not intended to be and should not be used by anyone other than these specified parties.

Mikunda, Cottrell & Co.

Anchorage, Alaska
October 14, 2009

Independent Auditor's Report on Compliance With Requirements Applicable to Each Major Program, Internal Control over Compliance and Supplementary Schedule of Expenditures of Federal Awards in Accordance With OMB Circular A-133

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

Compliance

We have audited the compliance of Kenai Peninsula Borough School District, a component unit of Kenai Peninsula Borough, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. 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. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Kenai Peninsula Borough School District's management. Our responsibility is to express an opinion on Kenai Peninsula Borough School District's compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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. Our audit does not provide a legal determination on Kenai Peninsula Borough School District's compliance with those requirements.

In our opinion, Kenai Peninsula Borough School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Members of the School Board
Kenai Peninsula Borough School District

Internal Control Over Compliance

The management of Kenai Peninsula Borough School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Kenai Peninsula Borough School District'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 our opinion on compliance, 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 *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by any entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

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, 2009, which collectively comprise Kenai Peninsula Borough School District's basic financial statements, and have issued our report thereon dated October 14, 2009. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Members of the School Board
Kenai Peninsula Borough School District

This report is intended solely for the information and use of Kenai Peninsula Borough School District's management, members of the school board, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Mikunda, Cottrell & Co.

Anchorage, Alaska
October 14, 2009

Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program, Internal Control Over Compliance and Supplementary Schedule of State Financial Assistance in Accordance with 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

Compliance

We have audited the compliance of Kenai Peninsula Borough School District, a component unit of the Kenai Peninsula Borough, Alaska, with the types of compliance requirements described in the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits* that are applicable to each of its major state programs for the year ended June 30, 2009. Kenai Peninsula Borough School District's major state programs are identified in the accompanying Schedule of State Financial Assistance. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major state programs is the responsibility of Kenai Peninsula Borough School District's management. Our responsibility is to express an opinion on Kenai Peninsula Borough School District's compliance based on our audit.

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. Our audit does not provide a legal determination of Kenai Peninsula Borough School District's compliance with those requirements.

In our opinion, Kenai Peninsula Borough School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major state programs for the year ended June 30, 2009.

Members of the School Board
Kenai Peninsula Borough School District

Internal Control Over Compliance

The management of Kenai Peninsula Borough School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to state programs. In planning and performing our audit, we considered Kenai Peninsula Borough School District's internal control over compliance with requirements that could have a direct and material effect on a major state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirements of a state program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a state program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a state program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a state program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of State Financial Assistance

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, 2009, which collectively comprise Kenai Peninsula Borough School District's basic financial statements, and have issued our report thereon dated October 14, 2009. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of State Financial Assistance is presented for purposes of additional analysis as required by *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 has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Members of the School Board
Kenai Peninsula Borough School District

This report is intended solely for the information and use of Kenai Peninsula Borough School District's management, members of the School Board and the State of Alaska, and is not intended to be and should not be used by anyone other than these specified parties.

Mikunda, Cottrell & Co.

Anchorage, Alaska
October 14, 2009

KENAI PENINSULA BOROUGH SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2009

Federal Grantor/Pass-Through Grantor	Federal CFDA Number	Pass Through Grantor's Number	Amount Expended During the Year Ended 06/30/09
U.S. Department of Education - Direct:			
Gear Up Kenai Peninsula	84.334A	P334A050216	\$ 119,302
Title VII, Indian Education	84.060A	S060A080799	<u>306,186</u>
Total U.S. Department of Education - Direct			<u>425,488</u>
Passed Through Alaska			
Department of Education:			
Carl Perkins Basic	84.048A	EK 09.024.01	165,376
McKinney - Vento Homeless	84.196	FR 09.024.01	33,348
Migrant Education Book	84.011A	MB 09.024.01	2,155
NCLB - Title I	84.010	IP 09.024.01	1,828,649
NCLB - Title I-A Highly Qualified	84.010	IP 09.024.01	2,906
NCLB - Title I-A 10% Professional Development	84.010	IP 09.024.01	216,445
NCLB - Title I-A 1% Parent Involvement	84.010	IP 09.024.01	19,407
NCLB - Title I-C Migrant	84.011	IP 09.024.01	255,170
NCLB - Title II-A, Training & Recruiting	84.367	IP 09.024.01	803,032
NCLB - Title II-D Enhancing Educ. Thru Tech	84.318	IP 09.024.01	60,899
NCLB - Title III-A English Language Acquisition	84.365	IP 09.024.01	8,326
NCLB - Title IV Drug Free Schools	84.186	IP 09.024.01	84,891
NCLB - Title V-A, Innovative Education	84.298	IP 09.024.01	<u>152,356</u>
			<u>3,432,081</u>
Title I-A Academic Achievement	84.010A	AA 09.024.01	5,000
Title II-D - Competitive Wave VI	84.318X	ET09.024.03	3,711
Fresh Fruit & Vegetable Program	10-582	FF 09.024.02	10,535
Preschool Disabled	84.173A	SE 09.024.01	65,994
Alternative Schools	84.186A	SH 09.024.01	23,000
Youth Risk Behavior Survey	93.938	YR 09.024.01	5,620
Title I-D, Delinquent (Transitional)	84.013A	CO 09.024.01	10,244
Title I-D, Delinquent (Transitional)	84.013A	CO 09.024.02	36,056
Title VI-B	84.027A	SE 09.024.01	<u>1,994,704</u>
Total Passed Through Alaska Department of Education			<u>5,787,824</u>

KENAI PENINSULA BOROUGH SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards, continued

Federal Grantor/Pass-Through Grantor	Federal CFDA Number	Pass Through Grantor's Number	Amount Expended During the Year Ended 06/30/09
Passed Through University of AK:			
UAF-Upward Bound - Seward	84.047A	FP 800679	\$ 6,862
UAF-Upward Bound - Nikiski	84.047A	FP 800677	10,271
UAF-Upward Bound - Nanwalek	84.047A	FP 800678	<u>5,525</u>
Total Passed Through Univ. of AK			<u>22,658</u>
Total U.S. Department of Education			<u>6,235,970</u>
U.S. Department of Agriculture:			
Passed Through Alaska Department of Education:			
National School Lunch Program	10.555	MA 09.024.01	1,457,676
Breakfast Program	10.553	MA 09.024.01	179,246
Commodities	10.550		<u>94,193</u>
Total U.S. Department of Agriculture			<u>1,731,115</u>
National Aeronautics and Space Administration -			
Passed Through National Science Teachers Association -			
NASA Explorer School Program	43.001	40813	<u>3,305</u>
Total Expenditures of Federal Awards			\$ <u><u>7,970,390</u></u>

Note 1. Basis of Presentation

The above schedule of expenditures of federal awards includes the federal grant activity of Kenai Peninsula Borough School District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

KENAI PENINSULA BOROUGH SCHOOL DISTRICT

Schedule of State Financial Assistance

Year Ended June 30, 2009

<u>State Grantor</u>	<u>Program Number</u>	<u>Amount Expended During the Year Ended 06/30/08</u>
Department of Administration:		
* TRS On Behalf		\$ 13,021,959
* PERS On Behalf		<u>2,206,037</u>
Total Department of Administration		<u>15,227,996</u>
Department of Education and Early Development:		
* Foundation		62,317,926
Quality Schools		245,599
* Pupil Transportation		5,335,064
Youth In Detention - Kenai Youth Facility	EY 09.024.01	65,223
Youth In Detention - Spring Creek	EY 09.024.02	<u>152,133</u>
Total Department of Education and Early Development		<u>68,115,945</u>
Department of Commerce, Community and Economic Development:		
Passed through the Kenai Peninsula Borough:		
KPB School District - Equipment and Supplies for District Schools	07-DC-311	12,331
KPB School District - Mini Projects for Youth Education Development	07-DC-313	44,935
KPB School District - Equipment and Supplies for District Schools	08-DC-310	190,088
KPB School District - Tyonek School Books and Supplies	08-DC-312	1,841
KPB School District - Equipment and Supplies for District Schools	09-DC-220	<u>86,383</u>
Total Department of Commerce, Community and Economic Development		<u>335,578</u>
Department of Labor and Workforce Development -		
Youth First Initiative	8-1216	<u>77,418</u>
Total State Financial Assistance		\$ <u>83,756,937</u>

* State major program

Note 1: Basis of Presentation

The accompanying schedule of state financial assistance includes the state grant activity of Kenai Peninsula Borough School District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of State of Alaska Guide and Compliance Supplement for State Single Audits. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in preparation of, the basic financial statements.

KENAI PENINSULA BOROUGH SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year Ended June 30, 2009

I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued

Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? yes none reported
- Noncompliance material to financial statements noted? yes no

Federal Financial Assistance

Internal control over major programs:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? yes none reported

Type of auditor's report issued on compliance for major programs?

Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?

yes no

Identification of major programs:

<u>Agency</u>	<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
Department of Education	84.010	Title I Part A
	84.060	Indian Education
Department of Agriculture	10.555/10/553	Child Nutrition Cluster

Dollar threshold used to distinguish between Type A and Type B programs:

\$300,000

Auditee qualified as low-risk auditee?

yes no

State Financial Assistance

Internal control over major programs:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? yes none reported

KENAI PENINSULA BOROUGH SCHOOL DISTRICT

Schedule of Findings and Questioned Costs, continued

Summary of Auditor's Results, continued

State Financial Assistance, continued

Type of auditor's report issued on compliance
for major programs? Unqualified

Dollar threshold used to distinguish a state
major program? \$300,000

II. Financial Statement Findings

None reported.

III. Federal Award Findings and Questioned Costs

None reported.

IV. State Award Findings and Questioned Costs

None reported.

KENAI PENINSULA BOROUGH SCHOOL DISTRICT

Summary Schedule of Prior Audit Findings

Year Ended June 30, 2009

There were no prior year audit findings.

KENAI PENINSULA BOROUGH SCHOOL DISTRICT

Corrective Action Plan

Year Ended June 30, 2009

There are no current year findings; therefore no corrective action plan is required.