

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

Single Audit Reports

Year Ended June 30, 2011

(This page left blank intentionally)

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

Single Audit Reports

Table of Contents

	<u>Page</u>
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 with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	3-5
Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance and in Accordance with <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
Summary Schedule of Prior Audit Findings	15
Corrective Action Plan	16

(This page left blank intentionally)

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, 2011, which collectively comprise Kenai Peninsula Borough School District's basic financial statements, and have issued our report thereon dated October 3, 2011. 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

Management of Kenai Peninsula Borough School District is responsible for establishing and maintaining effective 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 *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.

Members of the School Board  
Kenai Peninsula Borough School District

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, 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 3, 2011

Independent Auditor's Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance With OMB Circular A-133

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

Compliance

We have audited Kenai Peninsula Borough School District, a component unit of Kenai Peninsula Borough Alaska's compliance with the types of compliance requirements described in the *OMB Circular A-133 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, 2011. 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 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 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, 2011.

Members of the School Board  
Kenai Peninsula Borough School District

Internal Control Over Compliance

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 federal programs. In planning and performing our audit, we considered Kenai Peninsula Borough School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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.

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 deficiencies, 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, 2011, and have issued our report thereon dated October 3, 2011. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise Kenai Peninsula Borough School District's basic financial statements. 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 3, 2011

Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance 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 Kenai Peninsula Borough School District, a component unit of the Kenai Peninsula Borough, Alaska'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, 2011. 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 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, 2011.

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, 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.

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 deficiencies, 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 Kenai Peninsula Borough School District, as of and for the year ended June 30, 2011, and have issued our report thereon dated October 3, 2011. Our audit was performed for the purpose of forming our 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 3, 2011

**KENAI PENINSULA BOROUGH SCHOOL DISTRICT**

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2011

<u>Federal Grantor/Pass-Through Grantor</u>	<u>Federal CFDA Number</u>	<u>Pass Through Grantor's Number</u>	<u>Amount Expended During the Year Ended 06/30/11</u>
U.S. Department of Education - Direct:			
Gear Up Kenai Peninsula	84.334A	P334A050216	\$ 109,566
Title VII, Indian Education	84.060A	S060A100799	<u>268,190</u>
Total U.S. Department of Education - Direct			<u>377,756</u>
Passed through Alaska Department of Education:			
Education of Homeless Children and Youth Cluster:			
McKinney - Vento Homeless	84.196	FR 11.024.01	13,580
McKinney - Vento Homeless - ARRA	84.387	FR 11.024.01	<u>21,109</u>
Total Education of Homeless Children and Youth Cluster			<u>34,689</u>
Title I, Part A Cluster:			
NCLB - Title I	84.010	IP 11.024.01	1,707,296
NCLB - Title I-A Highly Qualified	84.010	IP 11.024.01	993
NCLB - Title I-A 1% Parent Involvement	84.010	IP 11.024.01	9,138
NCLB - Title I-A 10% Professional Development	84.010	IP 11.024.01	194,239
NCLB - Title I-A 20% SES	84.010	IP 11.024.01	60,200
Title I, School Improvement	84.010A	CA 11.024.01	<u>18,862</u>
Total CFDA 84.010			<u>1,990,728</u>
NCLB - Title I - ARRA	84.389	IP 11.024.01	<u>805,530</u>
Total Title I, Part A Cluster			<u>2,796,258</u>
Education Technology State Grants Cluster:			
NCLB - Title II-D Enhancing Education Through Technology	84.318	IP 11.024.01	33,321
Title II-D Competetive ARRA, Artifact Tools	84.318X	ER 11.024.01	<u>48,918</u>
Total CFDA 84.318			<u>82,239</u>
NCLB - Title II-D Enhancing Education Through Technology - ARRA	84.386A	IP 11.024.01	<u>26,753</u>
Total Education Technology State Grants Cluster			<u>108,992</u>

**KENAI PENINSULA BOROUGH SCHOOL DISTRICT**

Schedule of Expenditures of Federal Awards, continued

<u>Federal Grantor/Pass-Through Grantor</u>	<u>Federal CFDA Number</u>	<u>Pass Through Grantor's Number</u>	<u>Amount Expended During the Year Ended 06/30/11</u>
Passed through Alaska Department of Education:			
Special Education Cluster:			
Title VI-B	84.027A	SE 11.024.01	\$ 2,327,332
Preschool Disabled	84.173A	SE 11.024.01	68,838
Title VI-B - ARRA	84.391	SE 11.024.01	1,687,552
Preschool Disabled - ARRA	84.391	SE 11.024.01	<u>99,302</u>
Total Special Education Cluster			<u>4,183,024</u>
Migrant Education, Book	84.011	MB 11.024.01	2,842
Migrant Education, Parent Advisory Council	84.011	MP 11.024.01	400
NCLB - Title I-C Migrant	84.011	IP 11.024.01	<u>279,361</u>
Total CFDA 84.011			<u>282,603</u>
Title I-D, Delinquent (Transitional)	84.013A	CO 11.024.01	3,526
Title I-D, Delinquent (Transitional)	84.013A	CO 11.024.02	<u>14,430</u>
Total CFDA 84.013			<u>17,956</u>
Carl Perkins Basic	84.048A	EK 11.024.01	241,141
Carl Perkins Vocational Education CTE	84.048A	EK 11.024.01	<u>401</u>
Total CFDA 84.048			<u>241,542</u>
NCLB - Title III-A English Language Acquisition	84.365	IP 11.024.01	10,334
NCLB - Title II-A, Training & Recruiting	84.367	IP 11.024.01	1,421,202
State Fiscal Stabilization Fund, ARRA	84.394A	SF 11.024.01	<u>2,572,579</u>
Total passed through Alaska Department of Education			<u>11,669,179</u>
TRIO Cluster -			
Passed through University of Alaska Fairbanks			
UAF-Upward Bound - Seward	84.047	11-0052	6,658
UAF-Upward Bound - Nikiski	84.047	11-0049	7,592
UAF-Upward Bound - Nanwalek	84.047	11-0043	<u>6,303</u>
Total CFDA 84.047			<u>20,553</u>

**KENAI PENINSULA BOROUGH SCHOOL DISTRICT**

Schedule of Expenditures of Federal Awards, continued

<u>Federal Grantor/Pass-Through Grantor</u>	<u>Federal CFDA Number</u>	<u>Pass Through Grantor's Number</u>	<u>Amount Expended During the Year Ended 06/30/11</u>
Passed Through Alaska Staff Development Network - School Leadership	84.363A	U363A80070	\$ <u>43,773</u>
Total U.S. Department of Education			<u>12,111,261</u>
National Endowment for the Arts - Passed through Alaska State Council on the Arts - Artist in the Schools	45.025	10IAIS0005	<u>360</u>
Department of Health and Human Services Centers for Disease Control and Prevention - Passed through Alaska Department of Education - Alternative Schools	93.938	SH 11.024.01	10,597
Youth Risk Behavior Survey	93.938	YR 11.024.02	<u>415</u>
Total CFDA 93.938			<u>11,012</u>
U.S. Department of Agriculture: Child Nutrition Cluster - Passed Through Alaska Department of Education: National School Lunch Program	10.553	MA 11.024.01	348,714
National School Lunch Program	10.555	MA 11.024.01	<u>1,685,955</u>
Total Child Nutrition Cluster			<u>2,034,669</u>
Commodities	10.565		130,804
Fresh Fruit & Vegetable Program	10.582	FF 11.024.02	<u>43,644</u>
Total U.S. Department of Agriculture			<u>2,209,117</u>
Total Expenditures of Federal Awards			\$ <u>14,331,750</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, 2011

	<u>Program Number</u>	Amount Expended During the Year Ended <u>06/30/11</u>
Department of Administration:		
* TRS On Behalf		\$ 12,261,269
* PERS On Behalf		<u>1,354,014</u>
Total Department of Administration		<u>13,615,283</u>
Department of Education and Early Development:		
Passed through Alaska State Council on the Arts:		
Artist in Schools	10IAIS0005	2,675
Artist in Schools	10IAIS0033	<u>342</u>
Total passed through Alaska State Council on the Arts		<u>3,017</u>
* Foundation		69,123,351
* Pupil Transportation		5,492,563
Quality Schools		263,359
Youth Risk Behavior Survey	YR 11.024.01	8,300
Youth In Detention - Kenai Youth Facility	EY 11.024.02	66,451
Youth In Detention - Spring Creek	EY 11.024.01	<u>156,140</u>
Total Department of Education and Early Development		<u>75,113,181</u>
Department of Commerce, Community and Economic Development:		
Passed through the Kenai Peninsula Borough:		
KPB School District - Equipment and Supplies for District Schools	09-DC-220	147,508
KPB School District - Equipment and Supplies for District Schools	11-DC-249	<u>25,000</u>
Total Department of Commerce, Community and Economic Development		<u>172,508</u>
Department of Labor and Workforce Development -		
Youth First Initiative	11-1309	<u>85,000</u>
Total State Financial Assistance		\$ <u><u>88,985,972</u></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, 2011

**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?  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?  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	84.010/84.389	Title I Part A Cluster
Department of Education	84.027/84.173/84.391	Special Education Cluster
Department of Education	84.367	Title II-A Training and Recruiting
Department of Education	84.394	State Fiscal Stabilization Fund
Department of Education	84.318/84.386	Education Technology State Grants Cluster

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

\$429,953

Auditee qualified as low-risk auditee?

yes  no

**KENAI PENINSULA BOROUGH SCHOOL DISTRICT**

Schedule of Findings and Questioned Costs, continued

**Summary of Auditor's Results, continued**

**State Financial Assistance**

Internal control over major 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 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, 2011

There were no prior year audit findings.

**KENAI PENINSULA BOROUGH SCHOOL DISTRICT**

Corrective Action Plan

Year Ended June 30, 2011

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