



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

Single Audit Reports
Year Ended June 30, 2013

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

Single Audit Reports
Year Ended June 30, 2013

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

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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 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, 2013, 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 October 4, 2013.

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 *Governmental 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, AK
October 4, 2013



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3601 C Street, Suite 600
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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 *OMB Circular A-133*

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 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, 2013. 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 the requirements of laws, regulations, contracts, and grants 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 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 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, 2013.

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 *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. *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 *OMB Circular A-133*. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

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, 2013, 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 October 4, 2013, 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 *OMB Circular A-133* 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, AK
October 4, 2013



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Independent Auditor's Report on Compliance For Each Major Program; Report on Internal Control Over Compliance; and Report on the Schedule 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 Office of Management and Budget *State of Alaska Audit Guide and Compliance Supplement for State Single Audits Compliance Supplement* 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, 2013. 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 *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, 2013.

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 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, 2013, 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 October 4, 2013, 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 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 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, AK
October 4, 2013

Kenai Peninsula Borough School District

Schedule of Expenditures of Federal Awards

<i>Year Ended June 30, 2013</i>	Catalog of Federal Domestic Assistance Number	Grant Number	Expenditures
U.S. Department of Education:			
Direct:			
Gear Up Kenai Peninsula	84.334A	P334A110121	\$ 148,835
Title VII, Indian Education	84.060A	S060A100799	306,742
Total U.S. Department of Education - Direct			455,577
Passed through Alaska Department of Education and Early Development:			
Title 1, Part A Cluster:			
NCLB - Title I	84.010	IP 13.024.01	1,676,968
NCLB - Title I-A Highly Qualified	84.010	IP 13.024.01	412
NCLB - Title I-A 1% Parent Involvement	84.010	IP 13.024.01	16,132
NCLB - Title I-A 10% Professional Development	84.010	IP 13.024.01	195,627
NCLB - Title I-A 20% SES	84.010	IP 13.024.01	103,922
Title I, School Improvement 1003 (a)	84.010A	CA 13.024.01	46,126
Total Title I, Part A Cluster			2,039,187
Special Education Cluster:			
Title VI-B	84.027A	SE 12.024.01	1,721,734
Preschool Disabled	84.173A	SE 12.024.01	54,303
Total Special Education Cluster			1,776,037
Migrant Education, Parent Advisory Council			
Migrant Education, Book	84.011A	MB 12.024.01	1,650
NCLB - Title I-C Migrant	84.011A	IP 12.024.01	261,530
Total CFDA 84.011			263,786
McKinney - Vento Homeless			
Alternative Schools	84.196A	FR 13.024.01	25,247
Title I-D, Delinquent (Transitional)	84.027	SH 13.024.01	1,227
Carl Perkins Basic	84.013A	CO 12.024.01	10,518
Education Jobs	84.048A	EK 12.024.01	216,359
NCLB - Title III-A English Language Acquisition	84.410A	EJ 12.021.01	37,993
NCLB - Title II-A, Training & Recruiting	84.365A	IP 12.024.01	15,313
NCLB - Title II-A, Training & Recruiting	84.367	IP 12.024.01	1,070,276
Total passed through Alaska Department of Education and Early Development			5,455,943
Passed through University of Alaska Fairbanks:			
Upward Bound - Seward	84.047A	P047A121760	11,656
Upward Bound - Nikiski	84.047A	P047A121760	13,077
Total CFDA 84.047			24,733
Alaska Statewide Mentor Project			
Alaska Statewide Mentor Project	84.411	U411B110072	199,612
Total passed through University of Alaska Fairbanks			224,345

Kenai Peninsula Borough School District
Schedule of Expenditures of Federal Awards, continued

<i>Year Ended June 30, 2013</i>	Catalog of Federal Domestic Assistance Number	Grant Number	Expenditures
Passed Through Association of Alaska School Boards -			
Artist Tops - Tebughna	84.356K		\$ 1,600
Artist Tops - Port Graham	84.356K		960
Artist Tops - Nanwalek	84.356K		1,600
Total CFDA 84.356K			<u>4,160</u>
Passed Through Alaska Staff Development Network -			
School Leadership	84.363A	U363A80070	28,975
Total U.S. Department of Education			<u>6,169,000</u>
National Aeronautics and Space Administration -			
Passed Through National Space Grant Foundation -			
Summer of Innovation	43.008		<u>2,500</u>
National Endowment for the Arts -			
Passed through Alaska Department of Education and			
Early Development:			
Artist in Schools - McNeil Canyon	45.025	AIS0004	625
Artist in Schools - Nikiski North Star	45.025	AIS0013	550
Artist in Schools - Nikiski Midde / High	45.025	AIS0023	802
Artist in Schools - K-Beach	45.025	AIS0024	775
Total National Endowment of the Arts			<u>2,752</u>
U.S. Department of Agriculture:			
Passed through Alaska Department of Education and			
Early Development:			
Child Nutrition Cluster:			
National School Breakfast Program	10.553	MA 13.024.01	2,885
National School Breakfast Program	10.553	MA 13.024.01	436,669
National School Lunch Program	10.555	MA 13.024.01	1,704,983
Commodities	10.555		139,253
Total Child Nutrition Cluster			<u>2,283,790</u>
Fresh Fruit & Vegetable Program	10.582	FF 12.024.02	120,722
Total U.S. Department of Agriculture			<u>2,404,512</u>

Kenai Peninsula Borough School District
Schedule of Expenditures of Federal Awards, continued

<i>Year Ended June 30, 2013</i>	Catalog of Federal Domestic Assistance Number	Grant Number	Expenditures
U.S. Department of Health and Human Services:			
Passed through Alaska Department of Education and Early Development:			
Fourth R Evaluation	93.092	RC 13.024.01	\$ 4,600
Fourth R Evaluation	93.092	RC 13.024.02	<u>2,000</u>
Total U.S. Department of Health and Human Services			<u>6,600</u>
Total Expenditures of Federal Awards			<u>\$ 8,585,364</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, 2013	Program Number	Expenditures
Department of Administration:		
* TRS On Behalf		\$ 19,868,298
* PERS On Behalf		2,629,710
Passed through Kenai Peninsula Borough -		
* PERS On Behalf		409,945
Total Department of Administration		22,907,953
Department of Education and Early Development:		
* Foundation		75,563,384
* SB 160 One-time State Funding		1,734,738
Quality Schools		275,933
* Student Transportation		7,604,516
Artist in Schools - McNeil Canyon	AIS0004	625
Artist in Schools - Nikiski North Star	AIS0013	550
Artist in Schools - Nikiski Midde / High	AIS0023	803
Artist in Schools - K-Beach	AIS0024	775
Alternative Schools	SH 13.024.01	41,635
Youth In Detention - Marathon	EY 13.024.02	69,143
Youth Risk Behavior Study	YR 13.024.01	9,750
Total Department of Education and Early Development		85,301,852
Department of Commerce, Community, and Economic Delvelopment:		
Passed through Kenai Peninsula Borough:		
* School District Equipment	13-DC-446	897,767
I-Touch Project for Lower Peninsula Schools	13-DC-004	52,500
Nikiski High - Printer / Cutter / Software	13-RR-012	15,000
Total passed through Kenai Peninsula Borough		965,267
Support Student Nutrition Services	13-DM-195	40,000
Nutritional Alaskan Foods for Schools	13-NAF-025	26,161
Total Department of Commerce, Community and Economic Development		1,031,428
Department of Labor and Workforce Development -		
AYF FY13 Kenai SD - Career Guide	13-210	85,000
Total State Financial Assistance		\$ 109,326,233

* 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
(A Component Unit of the Kenai Peninsula Borough)

Schedule of Findings and Questioned Costs
Year Ended June 30, 2013

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	___ yes	<u>X</u> no
Significant deficiency(ies) identified?	___ yes	<u>X</u> (none reported)

Noncompliance material to financial statements noted? ___ yes X no

Federal Awards

Internal control over major programs:

Material weakness(es) identified?	___ yes	<u>X</u> no
Significant deficiency(ies) identified?	___ yes	<u>X</u> (none reported)

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

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? ___ yes X no

Identification of major programs:

<i>CFDA Number</i>	<i>Name of Federal Program or Cluster</i>	<i>Agency</i>
84.060	Title VII, Indian Education	U.S. Department of Education
84.010	Title I, Part A Cluster	U.S. Department of Education
84.367	Title II-A, Training and Recruiting	U.S. Department of Education

Dollar threshold used to distinguish between Type A and Type B programs: \$ 300,000

Auditee qualified as low-risk auditee? X yes ___ no

State Financial Assistance

Internal control over major programs:

Material weakness(es) identified?	___ yes	<u>X</u> no
Significant deficiency(ies) identified?	___ yes	<u>X</u> (none reported)

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

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

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

Schedule of Findings and Questioned Costs
Year Ended June 30, 2013

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

None reported.

Section III - Federal Award Findings and Questioned Costs

None reported.

Section IV - State Award Findings and Questioned Costs

None reported.

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

Summary Schedule of Prior Audit Findings
Year Ended June 30, 2013

Federal

There were no prior year audit findings.

State

There were no prior year audit findings.

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

**Corrective Action Plan
Year Ended June 30, 2013**

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