



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

Single Audit Reports
Year Ended June 30, 2016

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

Single Audit Reports
Year Ended June 30, 2016

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 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, 2016, 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 21, 2016.

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, Alaska
November 21, 2016



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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, 2016. 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, 2016.

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 *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, 2016, 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 21, 2016, 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 21, 2016



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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 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, 2016. 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, 2016.

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, 2016, 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 21, 2016, 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 21, 2016

KENAI PENINSULA BOROUGH SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards

<i>Year Ended June 30, 2016</i>	Catalog of Federal Domestic Assistance Number	Grant Number	Expenditures
U.S. Department of Education:			
Direct:			
Gear Up Kenai Peninsula	84.334A	P334A110121-15	\$ 120,315
Title VII, Indian Education	84.060A	S060A150799	<u>432,543</u>
Total U.S. Department of Education - Direct			<u>552,858</u>
Passed through Alaska Department of Education and Early Development:			
Title 1, Part A:			
NCLB - Title I-A Basic	84.010	IP 16.KPSD.01	1,078,148
NCLB - Title I-A 1% Parent Involvement	84.010	IP 16.KPSD.01	16,172
NCLB - Title I-A Pre-K	84.010	IP 16.KPSD.01	<u>840,077</u>
Total CFDA 84.010			<u>1,934,397</u>
Higher Ed/Library Assessment Literacy	84.367B	HE 16.KPSD.01	130,760
NCLB - Title II-A, Training & Recruiting	84.367	IP 16.KPSD.01	<u>692,015</u>
Total CFDA 84.367			<u>822,775</u>
Special Education Cluster:			
Title VI-B	84.027	SE 16.KPSD.01	2,291,920
Preschool Disabled	84.173	SE 16.KPSD.01	<u>62,174</u>
Total Special Education Cluster			<u>2,354,094</u>
Migrant Education, Parent Advisory Council	84.011	MB 16.KPSD.01	3,497
Migrant Education, Book	84.011A	MB 16.KPSD.01	6,081
NCLB - Title I-C Migrant	84.011	IP 16.KPSD.01	<u>176,626</u>
Total CFDA 84.011			<u>186,204</u>
McKinney - Vento Homeless	84.196A	FR 16.KPSD.01	14,381
Title I-D, Delinquent (Transitional)	84.013	IP 16.KPSD.01	15,846
Carl Perkins Basic	84.048	EK 16.KPSD.01	217,131
NCLB - Title III-A English Language Acquisition	84.365	IP 16.KPSD.01	<u>23,149</u>
Total passed through Alaska Department of Education and Early Development			<u>5,567,977</u>
Passed through University of Alaska Fairbanks:			
TRIO Cluster:			
Upward Bound - Seward	84.047A	P047A121760	13,529
Upward Bound - Nikiski	84.047A	P047A121760	<u>12,408</u>
Total TRIO Cluster and CFDA 84.047			<u>25,937</u>

KENAI PENINSULA BOROUGH SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards, continued

<i>Year Ended June 30, 2016</i>	Catalog of Federal Domestic Assistance Number	Grant Number	Expenditures
Alaska Statewide Mentor Project	84.411	U411B110072	\$ 203,457
Total passed through University of Alaska Fairbanks			<u>229,394</u>
Total U.S. Department of Education			<u>6,350,229</u>
U.S. Department of Health and Human Services:			
Passed through Alaska Department of Education and			
Early Development:			
Fourth R Training	93.092	RC 15.024.01	<u>6,600</u>
Project AWARE - Youth Mental Health	93.243	AW 16.KPSD.01	289,072
Project AWARE - Youth Mental Health First Aid Training	93.243	AW 16.KPSD.01	<u>2,346</u>
Total CFDA 93.243			<u>291,418</u>
Total U.S. Department of Health and Human Services			<u>298,018</u>
U.S Department of Commerce:			
Sub Award from National Telecommunications and Internet			
Administration (NTIA) through Connected Nation, through			
Connect Alaska, a sub entity			
AASB - Consortium for Digital Learning	11.558	02-50-M09071	<u>8,083</u>
National Endowment for the Arts -			
Passed through Alaska Department of Education and			
Early Development:			
Artist in Schools	45.025	FY16AIS0006	<u>500</u>
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 16.024.01	2,655
National School Lunch Program - Breakfast Program	10.553	MA 16.024.01	466,588
National School Lunch Program - Lunch Program	10.555	MA 16.024.01	1,729,383
National School Lunch Program - Commodities	10.555	MA 16.024.01	<u>120,207</u>
Total Child Nutrition Cluster			<u>2,318,833</u>

KENAI PENINSULA BOROUGH SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards, continued

<i>Year Ended June 30, 2016</i>	Catalog of Federal Domestic Assistance Number	Grant Number	Expenditures
Distance Learning and Telemedicine	10.855	AK748-A16	\$ 170,397
NSLP - Equipment Assistance	10.579	NS 16.KPSD.01	4,900
Fresh Fruit & Vegetable Program	10.582	FF 16.KPSD.01	<u>95,585</u>
Total U.S. Department of Agriculture			<u>2,589,715</u>
Total Expenditures of Federal Awards			<u>\$ 9,246,545</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 Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2: Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the 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

Schedule of State Financial Assistance
Year Ended June 30, 2016

<u>State Grantor</u>	<u>Program Number</u>	<u>Amount Expended</u>
Department of Administration:		
* TRS On Behalf		\$ 8,560,061
* PERS On Behalf		1,120,671
* PERS On Behalf passed through Kenai Peninsula Borough		<u>186,610</u>
Total Department of Administration		<u>9,867,342</u>
Department of Education and Early Development:		
* Foundation		80,288,271
* Pupil Transportation		8,150,227
Quality Schools		285,377
Digital Teaching Initiative	DT 16.KPSD.01	200,443
Alternative Schools	BH 16.KPSD.01	18,535
Broadband Assistance Grant	SBG 16.024.12	23,421
Youth In Detention - Kenai Youth Facility	EY 16.KPSD.01	69,143
Passed through Alaska State Council on the Arts:		
Artist in Schools	FY16AIS0006	<u>500</u>
Total Department of Education and Early Development		<u>89,035,917</u>
Department of Commerce, Community and Economic Development:		
Nutritional Alaskan Foods in Schools	13-NAFS-025	92,100
Nutritional Alaskan Foods in Schools	14-NAFS-025	79,599
Nutritional Alaskan Foods in Schools	15-NAFS-370	58,118
* KPB School District - Areawide School Equipment	15-DC-416	382,904
KPB School District-Chapman School Kindergarten iPad Project	15-DC-414	<u>225</u>
Total Department of Commerce, Community and Economic Development		<u>612,946</u>
Total State Financial Assistance		<u>\$ 99,516,205</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 government for the year ended June 30, 2016. 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, 2016**

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 no
 Significant deficiency(ies) identified? yes (none reported)

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified? yes no
 Significant deficiency(ies) identified? yes (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 no

Identification of major federal programs:

<i>CFDA Number</i>	<i>Name of Federal Program or Cluster</i>	<i>Agency</i>
84.027/84.173	Special Education Cluster	U.S. Department of Education
84.048	Carl Perkins	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? yes no

State Financial Assistance

Internal control over major state programs:

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

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

Dollar threshold used to determine 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, 2016

**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.