

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

Single Audit Reports

Year Ended June 30, 2012

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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, 2012, which collectively comprise Kenai Peninsula Borough School District's basic financial statements, and have issued our report thereon dated October 25, 2012. 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 25, 2012

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 U.S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. 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, 2012.

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, 2012, and have issued our report thereon dated October 25, 2012 which contained an unqualified opinion on those financial statements. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise Kenai Peninsula Borough School District's 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 financial statements.

Members of the School Board
Kenai Peninsula Borough School District

The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

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 25, 2012

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, 2012. 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, 2012.

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 the government 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, 2012, and have issued our report thereon dated October 25, 2012 which contained an unqualified opinion on those financial statements. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise Kenai Peninsula Borough School District's financial statements. 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements.

Members of the School Board
Kenai Peninsula Borough School District

The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements, or to the prepare the 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 financial statements as a whole.

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 25, 2012

KENAI PENINSULA BOROUGH SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2012

<u>Federal Grant Title</u>	<u>Catalog of Federal Domestic Assistance Number</u>	<u>Grant Number</u>	<u>Expenditures</u>
U.S. Department of Education:			
Direct:			
Gear Up Kenai Peninsula	84.334A	P334A050216	\$ 42,215
Gear Up Kenai Peninsula	84.334A	P334A110121	64,912
Total CFDA 84.334			<u>107,127</u>
 Title VII, Indian Education	 84.060A	 S060A100799	 <u>316,983</u>
Total direct			<u>424,110</u>
 Passed through State of Alaska Department of Education and Early Development:			
Education of Homeless Children and Youth - McKinney - Vento Homeless	84.196	FR 12.024.01	14,991
 Title I, Part A Cluster:			
NCLB - Title I	84.010	IP 12.024.01	1,954,006
NCLB - Title I-A Highly Qualified	84.010	IP 12.024.01	798
NCLB - Title I-A 1% Parent Involvement	84.010	IP 12.024.01	28,401
NCLB - Title I-A 10% Professional Development	84.010	IP 12.024.01	217,021
NCLB - Title I-A 20% SES	84.010	IP 12.024.01	55,870
Title I, School Improvement	84.010A	CA 12.024.01	6,291
Total CFDA 84.010			<u>2,262,387</u>
 Education Technology State Grants - NCLB - Title II-D Enhancing Education Through Technology	 84.318	 IP 12.024.01	 11,074
 Special Education Cluster:			
Title VI-B	84.027A	SE 12.024.01	2,340,332
Preschool Disabled	84.173A	SE 12.024.01	65,355
Total Special Education Cluster			<u>2,405,687</u>
 Migrant Education, Book	 84.011	 MB 12.024.01	 2,648
Migrant Education, Parent Advisory Council	84.011	MP 12.024.01	453
NCLB - Title I-C Migrant	84.011	IP 12.024.01	275,338
Total CFDA 84.011			<u>278,439</u>
 Title I-D, Delinquent (Transitional)	 84.013A	 CO 12.024.01	 5,040
Title I-D, Delinquent (Transitional)	84.013A	CO 12.024.02	16,667
Total CFDA 84.013			<u>21,707</u>

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

<u>Federal Grant Title</u>	<u>Catalog of Federal Domestic Assistance Number</u>	<u>Grant Number</u>	<u>Expenditures</u>
U.S. Department of Education, continued:			
Passed through State of Alaska Department of Education and Early Development, continued:			
Carl Perkins Basic	84.048A	EK 12.024.01	\$ 250,081
Education Jobs	84.410A	EJ 12.021.01	1,368,815
NCLB - Title III-A English Language Acquisition	84.365	IP 12.024.01	26,413
NCLB - Title II-A, Training & Recruiting	84.367	IP 12.024.01	1,207,288
State Fiscal Stabilization Fund, ARRA	84.394A	SF 12.024.01	<u>385,097</u>
Total passed through State of Alaska, Department of Education and Early Development			<u>8,231,979</u>
Passed through University of Alaska Fairbanks - TRIO Cluster:			
Upward Bound - Seward	84.047	11-0052	6,022
Upward Bound - Nikiski	84.047	11-0049	7,947
Upward Bound - Nanwalek	84.047	11-0043	<u>5,738</u>
Total CFDA 84.047			<u>19,707</u>
Passed Through Alaska Staff Development Network - School Leadership	84.363A	U363A80070	26,524
Passed Through Association of Alaska School Boards - Artist Tops	84.356D		<u>6,795</u>
Total U.S. Department of Education			<u>8,709,115</u>
National Endowment for the Arts -			
Passed through State of Alaska, Department of Education and Early Development, Alaska State Council on the Arts -			
Artist in the Schools	45.025	12IAIS0017	<u>335</u>

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

<u>Federal Grant Title</u>	<u>Catalog of Federal Domestic Assistance Number</u>	<u>Grant Number</u>	<u>Expenditures</u>
U.S. Department of Agriculture:			
Passed through State of Alaska, Department of Education and Early Development:			
Child Nutrition Cluster -			
National School Breakfast Program	10.553	MA 11.024.01	\$ 401,592
National School Lunch Program	10.555	MA 11.024.01	1,710,361
Commodities	10.555		<u>118,288</u>
Total Child Nutrition Cluster			<u>2,230,241</u>
Fresh Fruit & Vegetable Program	10.582	FF 12.024.02	<u>139,935</u>
Total U.S. Department of Agriculture			<u>2,370,176</u>
Total Expenditures of Federal Awards			\$ <u><u>11,079,626</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, 2012

<u>Name of Grant/Program</u>	<u>Program Number</u>	<u>Expenditures</u>
Department of Administration:		
* TRS On Behalf		\$ 15,417,040
* PERS On Behalf		2,053,581
Passed through Kenai Peninsula Borough -		
* PERS On Behalf		333,193
Total Department of Administration		<u>17,803,814</u>
Department of Education and Early Development:		
Passed through Alaska State Council on the Arts -		
Artist in Schools	12IAIS0017	335
* Foundation		71,912,349
* HB-108 Discretionary Funding		1,388,134
* Pupil Transportation		6,241,927
Quality Schools		270,389
Alternative Schools	SH 12.024.01	26,300
Youth In Detention - Marathon	EY 12.024.02	67,081
Youth In Detention - Spring Creek	EY 12.024.01	157,609
Total Department of Education and Early Development		<u>80,064,124</u>
Department of Labor and Workforce Development:		
Career and Technical Education	12-0009	25,562
Youth First Initiative	12-1309	80,858
Total Department of Labor and Workforce Development		<u>106,420</u>
Total State Financial Assistance		\$ <u><u>97,974,358</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, 2012

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 Agriculture	10.553/10.555	Child Nutrition Cluster
Department of Education	84.394	State Fiscal Stabilization Fund
Department of Education	84.410	Education Jobs, ARRA

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

\$332,389

Auditee qualified as low-risk auditee?

yes no

KENAI PENINSULA BOROUGH SCHOOL DISTRICT

Summary Schedule of Prior Audit Findings

Year Ended June 30, 2012

There were no prior year audit findings.

KENAI PENINSULA BOROUGH SCHOOL DISTRICT

Corrective Action Plan

Year Ended June 30, 2012

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