



Kenai Peninsula Borough School District

AUDIT PLANNING

June 30, 2018

The following communication was prepared as part of our audit, has consequential limitations, and is intended solely for the information and use of those charged with governance (e.g., Governing Board and Audit Committee) and, if appropriate, management of the Government and is not intended and should not be used by anyone other than these specified parties.

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June 5, 2018

Members of the School Board
Kenai Peninsula Borough School District

Professional standards require us to communicate with you regarding matters related to the financial statement audit that are, in our professional judgment, significant and relevant to your responsibilities in overseeing the financial reporting process. This document provides an overview of our plan for the audit of the financial statements of Kenai Peninsula Borough School District (the District) as of and for the year ended June 30, 2018, including a summary of the nature, scope, and timing of the planned audit work.

Responsibilities

BDO USA, LLP, as your auditor, is responsible for forming and expressing an opinion about whether the financial statements, the schedule of expenditures of federal awards and schedule of state financial assistance that have been prepared by management, with your oversight, are prepared, in all material respects, in conformity with accounting principles generally accepted in the United States of America. In addition our audit will be conducted in accordance with standards for financial audits contained in the Government Auditing Standards, issued by the Comptroller General of the United States and Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards (Uniform Guidance) and the State of Alaska Audit Guide. The audit of the financial statements does not relieve you of your responsibilities and does not relieve management of their responsibilities. The engagement letter, a copy of which has been provided to you, includes specific details regarding the auditor's and management's responsibilities.

Overall Audit Strategy and Planned Scope

Overall, our audit strategy is to assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design further audit procedures responsive to assessed risks. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. In connection with our audit, we will obtain a sufficient understanding of the District's internal control to plan the audit of the financial statements. However, such understanding is required for the purposes of determining our audit procedures and not to provide any assurance concerning such internal control. In addition, the Uniform Guidance and State Audit Guide require that we also plan and perform the audit to obtain reasonable assurance about whether the District has complied with applicable federal statutes and state, regulations and the terms and conditions of the federal and state awards that may have a direct and material effect on each of District's major federal and state programs.

We focus on areas with higher risk of material misstatement (whether due to error or fraud). Our audit strategy includes consideration of:

- a) prior year audit results together with current year preliminary analytical review, including discussions with management and those charged with governance regarding the District's operations,
- b) inherent risk within the District,
- c) recent developments within the industry, regulatory environment and general economic conditions,
- d) recently issued and effective accounting and financial reporting guidance,
- e) the District's significant accounting policies and procedures, including those requiring significant management judgments and estimates and those related to significant unusual transactions,

- f) the control environment and the possibility that the control system and procedures may fail to prevent or detect a material error or fraud,
- g) internal control over compliance with requirements that could have a direct and material effect on a major federal or 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 Uniform Guidance and/or State Audit Guide.
- h) information about systems and the computer environment in which the related systems operate, and
- i) a continual assessment of materiality thresholds based upon qualitative and quantitative factors affecting the District.

Based upon our initial assessment, our planned scope for the audit is described below:

- The areas indicated below relate to significant risks identified during our risk assessment procedures and include a brief description on how we propose to address them:
 - Fraud Risk
 - Internal Control Over Financial Reporting
 - Revenue Recognition
 - Federal and State Grants
 - Pension and Other Postemployment benefits
 - Single Audit in Accordance with the Uniform Guidance and State of Alaska Audit Guide
 - Evaluation of Related Party Relationships and Transactions

Overall Audit Timeline

Planning and interim fieldwork is anticipated to occur in June 2018 and year-end fieldwork will occur in August 2018 with release of the opinion and financial statements and reports in accordance with *Government Auditing Standards*, the Uniform Guidance and State of Alaska Audit Guide expected to occur by November 2018.

Independence Communication

Our engagement letter to you dated June 5, 2018 describes our responsibilities in accordance with professional standards and certain regulatory authorities with regard to independence and the performance of our services. This letter also stipulates the responsibilities of the District with respect to independence as agreed to by the District. Please refer to that letter for further information.

Client Service Team

The following is the contact information for the engagement partner and manager responsible:

Alex Beckman (abeckman@bdo.com), Bikky Shrestha (bshrestha@bdo.com)

We are pleased to be of service to the District and look forward to answering questions you may have regarding our audit plan as well as other matters that may be of interest to you.

Respectfully,

BDO USA, LLP