

A row of empty, modern office chairs in a conference room with large windows. The chairs are black with high backs and are arranged in a line. The room has large windows in the background, and the lighting is bright. A dark grey diagonal shape is overlaid on the top left of the image, and a red vertical bar is on the left side.

Report to the School Board

KENAI PENINSULA BOROUGH SCHOOL DISTRICT

Audit Planning:
Year Ending June 30, 2021

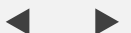
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The following communication was prepared as part of our audit, has consequential limitations, and is intended solely for the information and use of those charged with governance (e.g., School Board) and, if appropriate, management of the district and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



Welcome

June 15, 2021

School Board
Kenai Peninsula Borough School District

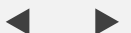
Professional standards require us to communicate with you regarding matters related to the financial statement audit that are, in our professional judgment, significant and relevant to your responsibilities in overseeing the financial reporting process. This document provides an overview of our plan for the audit of the financial statements, schedule of expenditures of federal awards and schedule of state financial assistance of Kenai Peninsula Borough School District, the District, as of and for the year ended June 30, 2021, including a summary of the nature, scope, and timing of the planned audit work.

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

Respectfully,

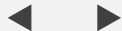
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Executive Summary



Responsibilities

BDO USA, LLP, as your auditor, is responsible for forming and expressing an opinion(s) 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, 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 *State of Alaska Audit Guide and Compliance Supplement for State Single Audits* (State 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.



Audit Strategy

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, Government Auditing Standards require that we also plan and perform the audit to obtain reasonable assurance about whether the District has complied with applicable laws, 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:

- ▶ 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,
- ▶ inherent risk within the District,
- ▶ recent developments within the regulatory environment, and general economic conditions,
- ▶ recently issued and effective accounting and financial reporting guidance,
- ▶ the District's significant accounting policies and procedures, including those requiring significant management judgments and estimates and those related to significant unusual transactions,
- ▶ the control environment and the possibility that the control system and procedures may fail to prevent or detect a material error or fraud,
- ▶ Information about systems and the computer environment in which the related systems operate,
- ▶ a continual assessment of materiality thresholds based upon qualitative and quantitative factors affecting the District, and
- ▶ internal control over compliance with requirements that could have a direct and material effect on a major federal and state program in order to determine our auditing procedures.

Planned Scope

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 of how we propose to address them:
 - Management Override of Controls
 - Revenue Recognition
 - Fraud Risk
 - Other Matters, including Significant Unusual Transactions

- ▶ We will plan and perform the audit of the financial statements for the year ended June 30, 2021, in accordance with *Government Auditing Standards* (GAS).

- ▶ We will consider the District's internal control over financial reporting as a basis for designing audit procedures for the purpose of expressing our opinion(s) on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control.

- ▶ We will perform tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions is not an objective of our audit.



Planned Scope

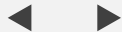
- ▶ We will plan and perform the audit of the Schedule of Expenditures of Federal Awards (SEFA) and Schedule of State Financial Assistance (SSFA) for the year ended June 30, 2021, in accordance with GAS, the Uniform Guidance and State Audit Guide and will issue an in relation to opinion.
- ▶ We will consider internal control over compliance with requirements that could have a direct and material effect on a major federal and state program in order to determine our auditing procedures for the purpose of expressing an opinion on compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance and State Audit Guide.



Overall Audit Timeline

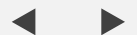
The following represents our anticipated schedule with regard to our audit of the financial statements of the District:

	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov
Planning			✓	✓				
Interim Fieldwork			✓	✓				
Year-End Fieldwork					✓	✓	✓	✓
Release Reports on Financial Statements								✓



Independence

Our engagement letter to you dated June 1, 2021, 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

As a matter of policy, we attempt to provide continuity of service to our clients to the greatest extent possible. Where engagement team rotation is necessary, we will discuss this matter with you and determine the appropriate individual to be assigned to the engagement based on particular experience, expertise, and engagement needs.

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.



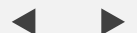
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Appendix



Implementation of New GASB Standards

New GASB Standards

In light of the COVID-19 Pandemic, the GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, to provide relief to governments. This Statement, which was effective upon the issuance date of May 8, 2020, postponed the effective dates of certain provisions in Statements that were first effective for reporting periods beginning after June 15, 2018. The effective dates of certain provisions contained in the following pronouncements were postponed by one year:

- ▶ Statement No. 84, *Fiduciary Activities*
- ▶ Statement No. 87, Leases
- ▶ Statement No. 92, *Omnibus 2020*

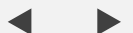
The effective date of Statement No. 87, Leases, has been postponed by 18 months.

Earlier application of the standards is encouraged and is permitted to the extent specified in each pronouncement as originally issued.

GASB Statement No. 84, *Fiduciary Activities*

Effective Dates	Date per Pronouncement	Date as amended per GASB Statement No. 95
	Reporting Periods Beginning After 12/15/2018	Reporting Periods Beginning After 12/15/2019

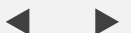
- ▶ Establishes criteria for reporting fiduciary activities that focuses on whether the government controls the assets and the fiduciary relationship with the beneficiaries.
- ▶ Four fiduciary funds will be used: Pension and OPEB trust funds; Investment trust funds; Private-purpose trust funds; and Custodial funds.
- ▶ Custodial funds replace agency funds for activities that are not held in trust.
- ▶ For activities other than a Pension or OPEB plan for which a trust agreement exists, an investment trust fund or private purpose trust fund will be used.
- ▶ For stand-alone business-type activities, fiduciary activities should be reported in separate fiduciary fund financial statements, unless resources are expected to be held three months or less.



GASB Statement No. 87, *Leases*

Effective Dates	Date per Pronouncement (as amended)	Date as amended per GASB Statement No. 95
	Fiscal Years Beginning After 12/15/2019	Fiscal Years Beginning After 6/15/2021

- ▶ Requires recognition of certain lease assets and liabilities for leases that are currently classified as operating leases.
- ▶ New definition of a lease - a contract that conveys the right to use another entity's nonfinancial asset for a period in an exchange or exchange-like transaction.
- ▶ Eliminates the distinction between operating and capital leases.
- ▶ Excludes short-term leases, leases that transfer ownership and service concession arrangements that are covered by GASB Statement No. 60.
- ▶ Lessees would recognize a lease liability and an intangible right-to-use lease asset which would be amortized in a systematic and reasonable manner over the shorter of the lease term or the useful life of the underlying asset.
- ▶ Lessors would recognize a lease receivable and deferred inflow of resources which would be recognized as revenue in a systematic and rational manner over the term of the lease.

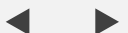


GASB Statement No. 92, Omnibus 2020

Effective Dates	Date per Pronouncement	Date as amended per GASB Statement No. 95
	Key Provisions Effective as Noted Below	Except for Provisions Effective upon Statement Issuance, all other Provisions are Delayed One Year

Key Provisions of the Statement are as follows:

- ▶ Effective Upon Statement Issuance- February 5, 2020:
 - The effective date for interim financial reporting of Statement No. 87, Leases, and Implementation Guide No. 2019-3, Leases, is for fiscal years beginning after December 15, 2019.
 - Clarifies that for public entity risk pools, amounts recoverable from reinsurers or excess insurers related to paid claims and claims adjustment expenses may be reported as a reduction of expenses.
 - The terms derivative and derivatives should be replaced with derivative instrument and derivative instruments, respectively.
- ▶ Effective for Fiscal Years Beginning After June 15, 2020:
 - Clarification of the reporting of intra-entity transfers of assets between a government employer or noncontributing entity to a defined benefit pension or other postemployment (OPEB) plan that are within the same reporting entity.
- ▶ Effective for Reporting Periods Beginning After June 15, 2020:
 - Clarification that a government that reports a fiduciary activity for assets that are accumulated for purposes of providing pension or OPEB through certain defined benefit plans should recognize liabilities in accordance with Statement No. 84.
- ▶ Effective for Government Acquisitions Occurring in Reporting Periods Beginning After June 15, 2020:
 - In a government acquisition, liabilities and assets related to the acquired entity's asset retirement obligations (AROs) should be measured using the accounting and financial reporting requirements of Statement No. 83, when the AROs fall within the scope of that standard.






Industry Resources

Accounting, Audit and Other Compliance Considerations for Public Sector Entities Related to COVID-19

The global pandemic is having unprecedented impacts on federal, state, local, tribal and territory governments. Our [COVID-19 resource center](#) helps organizations stay abreast of the latest developments and mitigate risk during this time of uncertainty. For government organizations, the stakes are high as agencies and elected officials work overtime to flatten the curve, save lives and ensure the safety of the American people.


While circumstances are changing daily, our FAQs for the Public Sector answer the most frequently asked questions by government organizations, along with resources to help them respond and plan around each on.



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