



REPORT TO MEMBERS OF THE SCHOOL
BOARD

KENAI PENINSULA BOROUGH SCHOOL DISTRICT

AUDIT PLANNING: YEAR ENDING JUNE 30, 2022



Contents

QUICK ACCESS TO THE
FULL REPORT

<u>WELCOME</u>	3
<u>EXECUTIVE SUMMARY</u>	4
<u>APPENDIX</u>	12

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., Members of the School Board) and, if appropriate, management of the School District, and is not intended and should not be used by anyone other than these specified parties.

Welcome

June 22, 2022

Members of the School Board

Kenai Peninsula Borough School District

Professional standards require us to communicate with you regarding matters related to the 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 School District) as of and for the year ending June 30, 2022, including a summary of the nature, scope, and timing of the planned audit work.

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

Respectfully,

BDO USA, LLP

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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 the 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 School 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 School 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 School 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 School District's operations,
- ▶ inherent risk within the School District,
- ▶ recent developments within the industry, regulatory environment and general economic conditions,
- ▶ recently issued and effective accounting and financial reporting guidance,
- ▶ the School 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 School 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 or normal risks identified during our risk assessment procedures:
 - Fraud Risk
 - Internal Control over Financing Reporting
 - Cash and investments
 - Revenue Recognition
 - Accounts Receivable and Allowances
 - Federal and State Grants
 - Capital Assets
 - Implementation of GASB Statement 87 - Leases
 - Pension and Other Post employment Benefits and Related Disclosures
 - Single Audit in Accordance with the Uniform Guidance and State of Alaska Audit Guide
 - Evaluation of Related Party Relationships and Transactions
 - Other Matters, including Significant Unusual Transactions

- ▶ Our audit strategy involves extensive partner involvement in all aspects of the planning and execution of the audit. Our goals include focusing resources on high-risk areas and other areas of concern for management and the Members of the School Board.

- ▶ We will plan and perform the audit of the financial statements for the year ending June 30, 2022, in accordance with *Government Auditing Standards*.

- ▶ We will consider the School 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 School District's internal control.

Planned Scope

- ▶ 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.
- ▶ 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 ending June 30, 2022, in accordance with GAS, the Uniform Guidance and the 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 the State Audit Guide.

Overall Audit Timeline

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

	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 22, 2022, 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 School District with respect to independence as agreed to by the School 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 School 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.



BIKKY SHRESTHA
Engagement Partner
(907) 770-2234 / bshrestha@bdo.com



MICHELLE KIESE
Assurance Senior Manager
(907) 646-7335 / mkiese@bdo.com



ROLANDO COSIO
Assurance Senior
(907) 770-2245 / rcosio@bdo.com



LINDSEY NUSS
Assurance Senior
(907) 770-2240 / lnuss@bdo.com

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Appendix

Implementation of New GASB Standards

The Governmental Accounting Standards Board (GASB) has issued several new accounting standards with upcoming implementation dates (effective dates are adjusted for the issuance of GASB Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance). The statements are as follows:

- *GASB Statement No. 87 - Leases* - Effective for year-end June 30, 2022, This Statement addresses accounting and financial reporting for certain lease assets and liabilities for leases that previously were classified as operating leases. This Statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset.
- *GASB Statement No. 89 - Accounting for Interest Cost Incurred before the End of a Construction Period* - Effective for year-end June 30, 2022. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus.

Implementation of New GASB Standards, continued

- *GASB Statement No. 91 - Conduit Debt Obligations* - Effective for year-end June 30, 2023. This Statement provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with commitments extended by issuers, arrangements associated with conduit obligations, and related note disclosures. This Statement clarifies the definition of a conduit debt obligation and establishes standards for related accounting and financial reporting.
- *GASB Statement No. 92 - Omnibus 2020* - Provisions of this Statement related to the effective date of Statement No. 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance. The effective date for all other provisions of the Statement are to be implemented for year-end June 30, 2022. This Statement addresses a variety of topics such as leases, the applicability of Statement No. 73 and Statement No. 74 for reporting assets accumulated for postemployment benefits, the applicability of Statement No. 84 to postemployment benefit arrangements, the measurements of liabilities and assets related to asset retirement obligations in a government acquisition, reporting of public entity risk pools, referencing to nonrecurring fair value measurements, and terminology used to refer to derivative instruments.

Implementation of New GASB Standards, continued

- *GASB Statement No. 93 - Replacement of Interbank Offered Rates* - The provisions of this Statement, except for paragraph 11b, 13 and 14, are required to be implemented for year-end June 30, 2021. The requirements in paragraph 11b, 13 and 14 are required to be implemented for year-end June 30, 2022. This Statement addresses accounting and financial reporting implications that result from the replacement of an interbank offered rate (IBOR).
- *GASB Statement No. 94 - Public-Private and Public-Public Partnerships and Availability Payment Arrangements* - Effective for year-end June 30, 2023. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs) and also provides guidance for accounting and financial reporting for availability payment arrangements (APA).
- *GASB Statement No. 96 - Subscription-Based Information Technology Arrangements* - Effective for year-end June 30, 2023. This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users. This statement, among other things, defines a SBITA, establishes that a SBITA results in a right-to-use subscription asset (an intangible asset) and a corresponding subscription liability, provides capitalization criteria for outlays other than subscription payments, and requires note disclosures regarding a SBITA.

Implementation of New GASB Standards, continued


- *GASB Statement No. 97 - Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans* - Effective for year-end June 30, 2022, except the portion of the pronouncement related to component unit criteria, which is effective for year-end June 30, 2020. This statement modifies certain guidance contained in Statement No. 84 and enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.
- *GASB Statement No. 98 - The Annual Comprehensive Financial Report* - Effective for year-end June 30, 2022. Earlier application is encouraged. This Statement establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments.

Implementation of New GASB Standards, continued

- *GASB Statement No. 99 - Omnibus 2022* - Provisions of this Statement related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, classification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance. The effective date for the provisions of this Statement related to leases, PPPs, and SBITAs are to be implemented for year-end June 30, 2023. The effective date for the provisions of this Statement related financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are to be implemented for year-end June 30, 2024.
- *GASB Statement No. 100 - Accounting Changes and Error Corrections* - an amendment of GASB Statement No. 62 - Effective for year-end June 30, 2024. Earlier application is encouraged. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

Implementation of New GASB Standards, continued

- *GASB Statement No. 101 - Compensated Absences* - Effective for year-end June 30, 2025. Earlier application is encouraged. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.



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