



REPORT TO MEMBERS OF THE SCHOOL BOARD

KENAI PENINSULA BOROUGH SCHOOL DISTRICT

2026 AUDIT PLAN
YEAR ENDING JUNE 30, 2026



Welcome

BDO USA, P.C.
3601 C Street, Suite 600
Anchorage, AK 99503
Tel.: 907-278-8878
www.bdo.com

August 10, 2026

Members of the School Board

Kenai Peninsula Borough School District

We look forward to discussing with you the current year audit plan for Kenai Peninsula Borough School District (the District). This report provides an overview of our overall objectives for the audit, and the nature, scope, and timing of the planned audit work.

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

Respectfully,

BDO USA

Copy to: Clayton Holland, Superintendent

Czarina Voivedich, Director of Finance

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Your Client Service Executive Team



BIKKY SHRESTHA
Engagement Principal
bshrestha@bdo.com / 907-770-2234



SOPHIE LANDEIS
Assurance Experienced Senior
slandeis@bdo.com / 907-770-2259

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

Executive Summary



Executive Summary

Audit timeline

- We will perform our audit procedures during the months of July through October 2026, with issuance of the audited financial statements expected at the end of October 2026.

Audit strategy, including significant risks identified

- Our audit strategy, including significant risks identified, for the 2026 audit is outlined in the “Areas of Significant Risk” on page 11.



Audit Timeline

The following represents our anticipated schedule regarding our audit of the annual financial statements of the District:

	Jul	Aug	Sep	Oct
Planning	✓			
Year-End Fieldwork		✓	✓	✓
Release Report on Financial Statements				✓

Audit Overview & Strategy



Overview

Our audit strategy follows a risk-based approach, so that our audit work, including the nature, timing and extent of audit procedures planned, is focused on the areas of the financial statements where the risk of material misstatement is assessed to be significant as well as other areas of the financial statements where we have identified risks of material misstatement.

In preparation for our audit, we have discussed with the Members of the School Board and management significant matters including, but not limited to, market conditions, activities, and changes to the District's business, systems, accounting principles and controls, and obtained management's view of potential audit risk in order to update our understanding of the District. This is important to our identification and assessment of risks of material misstatement to the financial statements and related disclosures.

Key components of our audit objectives and strategy are highlighted within this report.

We will continue to update the resulting assessment throughout the audit. We will communicate to you any significant changes to the planned audit strategy, or the significant risks initially identified and communicated herein, and the reason for such changes, as applicable, when we present the results of our audit upon completion.

Terms of the Audit and Independence

AUDITOR'S RESPONSIBILITY

BDO USA, P.C., as your auditor, is responsible for forming and expressing an opinion about whether the financial statements that have been prepared by management, with your oversight, are prepared, in all material respects, in accordance with the applicable financial reporting framework. We are also responsible for expressing an opinion on the schedule of expenditures of federal awards (SEFA) that has been prepared by management, with your oversight, is prepared in accordance with *Government Auditing Standards*. Our audit will be conducted in accordance with standards for financial audits contained in the *Government Auditing Standards* (GAS or Yellow Book) issued by the Comptroller General of the United States. Our audit will also be performed in accordance with 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 Single Audit Guide and Compliance Supplement* (State Audit Guide) for forming and expressing an opinion on compliance.

The audits do not relieve you of your responsibilities and do not relieve management of their responsibilities.

INDEPENDENCE

- ▶ Our engagement letter to you dated May 21, 2026, describes our responsibilities in accordance with professional standards and certain regulatory authorities and *Government Auditing Standards* regarding 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.

TERMS OF THE AUDIT

Our establishment and understanding of the terms of the audit engagement have been documented in our annual engagement letter which was provided to you on May 21, 2026, and includes the objectives of the audit along with the responsibilities of both the auditor and of management for your reference.

- ▶ We will plan and perform the audit of the financial statements for the year ending June 30, 2026, in accordance with *Government Auditing Standards*.
- ▶ We will plan and perform the audit of the SEFA and SSFA for the year ending June 30, 2026, in accordance with GAS and will issue an opinion in relation to opinion.
- ▶ 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 consider the District's internal control over compliance with requirements that could have a direct and material effect on a major federal 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 GAS, Uniform Guidance, and the State Audit Guide.

Determining Our Planned Audit Strategy

We focus on areas with higher risk of material misstatement to the financial statements, whether due to error or fraud.

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 the District's major federal and state programs.

- ▶ Prior year audit results including discussions with management and those charged with governance regarding the District's operations and risks.
- ▶ Inherent risk within the District (i.e., the susceptibility of the financial statements to material error or fraud) without regard to the effect of controls.
- ▶ A continual assessment of materiality thresholds based upon qualitative and quantitative factors affecting the District.
- ▶ Recent developments within the industry, regulatory environment, and general economic conditions.
- ▶ Recently issued and effective accounting and financial reporting guidance.
- ▶ The District's significant and critical accounting policies and procedures, including those requiring significant management judgments and estimates and those related to significant unusual transactions.
- ▶ The control environment, risk management and monitoring activities, and the possibility that internal controls may fail to prevent or detect a material misstatement due to error or fraud. 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.
- ▶ The use of information systems and service organizations in the financial reporting process and overall IT environment.
- ▶ We will consider the District's internal control over financial reporting as a basis for designing audit procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the District's effectiveness of internal control.
- ▶ 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 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.

We will communicate to you any significant changes to the planned audit strategy, or to the significant risks initially identified, that may occur during the audit due to the results of audit procedures or in response to external factors, such as changes in the economic environment.

Areas of Significant Risk

Our areas of significant risk, which are risks with both a higher likelihood of occurrence and a higher magnitude of effect that require special audit considerations, are as follows.



Management Override of Controls

Improper Revenue Recognition - Grant Revenue

Planned Use of Other Auditors and Persons Not Employed by BDO USA, P.C.

We plan to use the work of other auditors and persons not employed by BDO USA, P.C. in the 2026 audit. The table below represents the names, locations, and planned responsibilities.

Planned Use of Persons Not Employed by BDO USA, P.C.

Name	Location	Planned responsibilities
<i>BDO RISE Private Limited (BDO RISE India)</i>	<i>India</i>	<i>Perform substantive audit testing</i>

The use of other auditors and persons not employed by BDO USA, P.C. outside the core engagement team, are under the direct supervision of the core engagement team and engagement partner in accordance with applicable auditing standards.

[BDO RISE Private Limited (BDO RISE India) is a subsidiary of BDO USA, P.C.]

Inquiries of Those Charged with Governance



Obtaining Information from Those Charged with Governance

We perform inquiries related to fraud and other matters to help inform our audit strategy and execution of our audit procedures. As part of the upcoming meeting with you, we would like to discuss the following topics with you to understand any matters of which you believe we should be aware, including, but not limited to:

- ▶ Your views about the risk of material misstatements due to fraud, including the risk of management override of controls
- ▶ How you exercise oversight over the District's assessment of fraud risks and the establishment of controls to address these risks
- ▶ Your awareness of any actual, alleged or suspected fraud or illegal acts affecting the District
- ▶ Your awareness of tips or complaints regarding the District's financial reporting and your response to such tips and complaints
- ▶ Your awareness of other matters relevant to the audit including, but not limited to, violations or possible violations of laws or regulations
- ▶ Your awareness of noncompliance with laws and regulations to include consideration of noncompliance with provisions of contracts and grant agreements.
- ▶ Your awareness of any investigations or legal proceedings that have been initiated or are in process with respect to the period under audit.
- ▶ Your awareness of any significant communications between the District and regulators
- ▶ Your understanding of the District's relationships and transactions with related parties that are significant to the District
- ▶ Any business relationships between a BDO firm and the District or its affiliates
- ▶ Whether the District has entered into any significant unusual transactions
- ▶ Your awareness of any other information that is important to the identification and assessment of risks of material misstatement

Other Topics



BDO's System of Quality Management

An audit firm's effective system of quality management ("SoQM") is crucial for supporting the consistent performance of high-quality audits and reviews of financial statements, or other assurance or related services engagements under professional standards, and applicable legal and regulatory requirements.

Accordingly, BDO has implemented a SoQM designed to provide reasonable assurance that its professionals fulfill their responsibilities and conduct engagements in accordance with those standards and requirements. The firm's SoQM supports the consistent performance of quality audits through many ongoing activities including, at least annually, certification by leaders with responsibility for key controls and related processes. Our Assurance Quality Management team performs regular reviews and testing of key controls and processes throughout the SoQM and identifies and communicates areas for improvement.

As required by International Standard on Quality Management 1 (ISQM 1) under the International Auditing and Assurance Standards Board (IAASB), BDO has conducted an evaluation of the effectiveness of its system of quality management and concluded, as of September 30, 2025, that the system provides reasonable assurance that our professionals will perform audits and reviews of financial statements or related assurance services engagements in accordance with professional standards, and applicable legal and regulatory requirements.



We will continue to provide you with updates on our progress. Currently, you may find discussion of BDO's system of quality management within our annual [Audit Quality Reports](#), the most recent of which is accessible [here](#).

[CLICK HERE TO ACCESS IAASB ISQM-1 IN ITS ENTIRETY >](#)

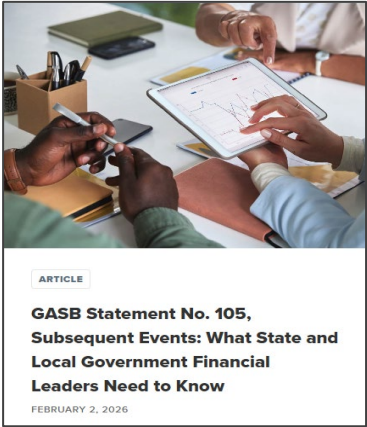
Government Accounting Standards Update



Government Accounting Standards Update

Included is a listing of relevant recent government accounting pronouncements with mandatory effective dates. Any standards issued after the date of this communication are unlikely to impact the next annual period's financial statements but should be considered in accordance with GASB Statement No. 100, *Accounting Changes and Error Corrections*. Early adoption is generally permitted for all the accounting standards summarized herein, but each standard has specific transition guidance and early adoption may have been limited to certain periods or circumstances.

Government Accounting Standards Update	Effective Date
GASB Statement No. 103, <i>Financial Reporting Model Improvements</i>	Fiscal years beginning after June 15, 2025. If a primary government chooses early implementation of this Statement, all component units also should implement this Statement in the same year.
GASB Statement No. 104, <i>Disclosure of Certain Capital Assets</i>	Fiscal years beginning after June 15, 2025
GASB Statement No. 105, Subsequent Events	Fiscal years beginning after June 15, 2026



What's on the horizon for government accounting standards?

Access [GASB - Current Projects](#)

About BDO USA

Our purpose is helping people thrive, every day. Together, we are focused on delivering exceptional and sustainable outcomes and value for our people, our clients, and our communities. BDO is proud to be an ESOP company, reflecting a culture that puts people first. BDO professionals provide assurance, tax, and advisory services for a diverse range of clients across the U.S. and in over 160 countries through our global organization.

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Material discussed is meant to provide general information and should not be acted on without professional advice tailored to your needs.

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