

# Kenai Peninsula Borough, Alaska

## Single Audit Reports and Supplementary Information

Year Ended June 30, 2024

The report accompanying these financial statements was issued by BDO USA, P.C., a Virginia professional corporation, and the U.S. member of BDO International Limited, a UK company limited by guarantee.



# **Kenai Peninsula Borough, Alaska**

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Single Audit Reports and Supplementary Information  
Year Ended June 30, 2024

# Kenai Peninsula Borough, Alaska

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Tel: 907-278-8878  
Fax: 907-278-5779  
www.bdo.com

3601 C Street, Suite 600  
Anchorage, AK 99503

## **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 Auditing Standards***

Honorable Mayor and  
Members of the Assembly  
Kenai Peninsula Borough  
Soldotna, Alaska

We have audited, in accordance with the 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, the financial statements of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Kenai Peninsula Borough, Alaska, (the Borough) as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements, and have issued our report thereon dated November 22, 2024.

### **Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Borough's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Borough's internal control. Accordingly, we do not express an opinion on the effectiveness of the Borough's internal control.

*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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2024-001 that we consider to be a material weakness.

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## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Borough's financial statements are free from 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 financial statements. 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*.

## **Borough's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the Borough's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Borough's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

## **Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Borough's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Borough's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BDO USA, P.C.

Anchorage, Alaska  
November 22, 2024



Tel: 907-278-8878  
Fax: 907-278-5779  
www.bdo.com

3601 C Street, Suite 600  
Anchorage, AK 99503

## **Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

Honorable Mayor and  
Members of the Assembly  
Kenai Peninsula Borough  
Soldotna, Alaska

### **Report on Compliance for Each Major Federal Program**

#### ***Opinion on Each Major Federal Program***

We have audited Kenai Peninsula Borough, Alaska's (the Borough) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Borough's major federal programs for the year ended June 30, 2024. The Borough's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Borough complied, in all material respects, with the of 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, 2024.

#### ***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Borough and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Borough's compliance with the compliance requirements referred to above.



### ***Other Matter - Federal Expenditures Not Included in the Compliance Audit***

The Borough's basic financial statements include the operations of its component units, Kenai Peninsula Borough School District, South Peninsula Hospital, and Central Peninsula General Hospital, which expended \$22,335,798, \$1,284,497, and \$1,066,898 in federal awards, respectively, which are not included in the Borough's schedule of expenditures of federal awards during the year ended June 30, 2024. Our compliance audit, described in the "Opinion on Each Major Federal Program", does not include the operations of Kenai Peninsula Borough School District, South Peninsula Hospital and Central Peninsula General Hospital because they were subjected to separate audits in accordance with the Uniform Guidance.

### ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Borough's federal programs.

### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Borough's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Borough's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Borough's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Borough's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Borough's internal control over compliance. Accordingly, no such opinion is expressed.



We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on Internal Control Over Compliance**

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be a significant deficiency.

*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 a 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2024-002 to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

*Government Auditing Standards* requires the auditor to perform limited procedures on the Borough's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The Borough's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Kenai Peninsula Borough is responsible for preparing a corrective action plan to address each audit finding included in our auditor's report. Kenai Peninsula Borough's corrective action plan was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.





## Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the Borough as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements. We issued our report thereon dated November 22, 2024, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 basic financial statements as a whole.

BDO USA, P.C.

Anchorage, Alaska  
November 22, 2024

**Kenai Peninsula Borough, Alaska**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2024**

Federal Grantor/Pass Through Grantor / Program or Cluster Title	Grant Number	Federal Assistance Listing Number	Pass-through Entity Identifier Number	Award Amount	Provided to Subrecipients	Total Federal Expenditures
<b>U.S. Department of the Interior</b>						
U.S. Bureau of Land Management - Good Neighbor Authority	L23AC00189-00	15.015	N/A	\$ 73,500	\$ -	\$ 444
U.S. Fish and Wildlife Service - National Wildlife Refuge Fund	FY2024	15.659	N/A	24,915	-	24,915
<b>Total U.S. Department of the Interior</b>					-	25,359
<b>U.S. Department of Homeland Security</b>						
Staffing for Adequate Fire & Emergency Response (SAFER) - Western Emergency Services	EMW-2018-FF-00203	97.083	N/A	255,855	-	14,300
Passed through Alaska Department of Military & Veterans Affairs:						
Disaster Grants - Public Assistance (Presidentially Declared Disasters):						
Emergency Protective Measures and Permanent Work (2013 Japanese Creek Flood)	FEMA-4161-DR	97.036	DR-4161-AK	531,536	-	94,388
Homeland Security Grant Program:						
2020 State Homeland Security Grant Program - Siren Upgrades; Incident Management Team Exercise; EMS Air Compressor	EMW-2020-SS-00012-S01	97.067	20SHSP-GY20	456,234	-	3,697
2022 State Homeland Security Grant Program - Siren Upgrades; Incident Management Team Exercise; EMS Air Compressor	EMW-2022-SS-00034-S01	97.067	22SHSP-GY22	441,000	-	361,395
<b>Total Assistance Listing 97.067</b>					-	365,092
Passed through Alaska Department of Commerce, Community & Economic Development:						
Community Assistance Program State Support Services Element (CAP-SSSE)	EMS-2023-GR-05014	97.023	CAP23	1,153	-	1,153
Emergency Management Performance Grants	EMS-2022-EP-00004-S01	97.042	22EMPG-GY22	241,147	-	41,147
Emergency Management Performance Grants	EMS-2023-EP-00001	97.042	23EMPG-GY23	200,000	-	168,844
<b>Total Assistance Listing 97.042</b>					-	209,991
<b>Total U.S. Department of Homeland Security</b>					-	684,924

**Kenai Peninsula Borough, Alaska**  
**Schedule of Expenditures of Federal Awards, continued**  
**Year Ended June 30, 2024**

Federal Grantor/Pass Through Grantor / Program or Cluster Title	Grant Number	Federal Assistance Listing Number	Pass-through Entity Identifier Number	Award Amount	Provided to Subrecipients	Total Federal Expenditures
<b>U.S. Department of Commerce</b>						
National Oceanic and Atmospheric Administration - Passed through the Pacific States Marine Fisheries Commission (PSMFC): Bipartisan Budget Act of 2018	NA20NMF0220019	11.022	21-067G	\$ 150,164	\$ -	\$ 130,788
Passed through Alaska Department of Military & Veterans Affairs - Meteorologic and Hydrologic Modernization Development	NA22NWS4670012	11.467	20NOAA-GY22	61,000	-	59,150
<b>Total U.S. Department of Commerce</b>					-	189,938
<b>U.S. Department of Transportation</b>						
Federal Lands Access Program - Extend Kenai Spur Hwy-North Road	DTFH7017E30003	20.224	N/A	5,563,801	-	393,210
Safe Street and Roads for All	693JJ32340391	20.939	N/A	960,000	-	213,540
<b>Total U.S. Department of Transportation</b>					-	606,750
<b>U.S. Department of the Treasury</b>						
COVID-19 - Coronavirus State & Local Fiscal Recovery Funds (ARPA)	FY2021	21.027	N/A	11,403,341	-	2,153,441
<b>U.S. Department of the Health and Human Services</b>						
Passed through Alaska Department of Health & Social Services: COVID-19 - Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	NU50CK000509	93.323	C0621-570-H	2,037,530	-	216,327
COVID-19 - Immunization Cooperative Agreements - Healthy & Equitable Communities	N/A	93.268	C0622-584-M	412,944	22,030	174,557
Activities to Support State, Tribal, Local and Territorial (STLT) Health Department Response to Public Health or Healthcare Crises: COVID-19 - Healthy & Equitable Communities	N/A	93.391	C0622-584-M	412,944	22,030	174,557
COVID-19 - Mobile Integrated Healthcare and Community Paramedicine Rural Extension of Care	NH750T000052	93.391	161-315-24005	250,000	-	127,350
<b>Total Assistance Listing 93.391</b>					22,030	301,907
<b>Total U.S. Department of Health and Human Services</b>					44,060	692,791

**Kenai Peninsula Borough, Alaska**  
**Schedule of Expenditures of Federal Awards, continued**  
**Year Ended June 30, 2024**

Federal Grantor/Pass Through Grantor / Program or Cluster Title	Grant Number	Federal Assistance Listing Number	Pass-through Entity Identifier Number	Award Amount	Provided to Subrecipients	Total Federal Expenditures
<b>U.S. Department of Agriculture</b>						
National Resources Conservation Service - Urban Agriculture and Innovative Production - Community Compost and Food Waste Recovery Program	NR213A750001C032	10.935	N/A	\$ 89,997	\$ -	\$ 37,084
Passed through Alaska Department of Commerce, Community & Economic Development:						
Forest Service Schools and Roads Cluster - Schools and Roads - Grants to States	FY2024	10.665	821035	570,014	-	570,014
U.S. Forest Service -						
Community Project Funds - Congressionally Directed Spending	23-DG-11100106-901	10.730	N/A	1,500,000	-	48,560
Passed through Alaska Department of Natural Resources:						
State and Private Forestry Hazardous Fuel Reduction Program - Kenai Peninsula Borough Community Slash Disposal Sites	23-DG-11100106-807	10.697	FY24	89,000	-	396
Cooperative Forestry Assistance:						
Western Emergency Service Area:						
Volunteer Fire Assistance Grant	N/A	10.664	2024 VFA	5,845	-	5,845
Volunteer Fire Assistance Grant	N/A	10.664	2025 VFA	6,783	-	6,783
Bear Creek Fire Service Area - Volunteer Fire Assistance Grant	N/A	10.664	2024 VFA	3,294	-	3,294
Central Emergency Service Area:						
Volunteer Fire Assistance Grant	N/A	10.664	2024 VFA	5,332	-	2,430
Volunteer Fire Assistance Grant	N/A	10.664	2025 VFA	6,520	-	6,520
Kachemak Emergency Service Area:						
Volunteer Fire Assistance Grant	N/A	10.664	2024 VFA	5,924	-	5,924
Volunteer Fire Assistance Grant	N/A	10.664	2025 VFA	6,999	-	3,316
Nikiski Fire Service Area - Volunteer Fire Assistance Grant	N/A	10.664	2024 VFA	4,358	-	4,358
Total Assistance Listing 10.664					-	38,470
<b>Total U.S. Department of Agriculture</b>					-	<b>694,524</b>

**Kenai Peninsula Borough, Alaska**  
**Schedule of Expenditures of Federal Awards, continued**  
**Year Ended June 30, 2024**

Federal Grantor/Pass Through Grantor / Program or Cluster Title	Grant Number	Federal Assistance Listing Number	Pass-through Entity Identifier Number	Award Amount	Provided to Subrecipients	Total Federal Expenditures
<b>U.S. Environmental Protection Agency</b>						
Congressionally Mandated Projects - Kenai Peninsula Borough Central Peninsula Landfill Leachate Volume Reduction Project	02J25701	66.202	N/A	\$ 3,360,000	\$ -	\$ 2,785,559
Passed through Alaska Department of Environmental Conservation Division of Water: Performance Partnership Grants - EPA Clean Water Act Sec 319 Nonpoint Source Management - Kenai River Rain Garden	00J84605	66.605	ACWA-23-02	29,488	-	18,908
Sewer Overflow and Stormwater Reuse Municipal Grant Program	02J19001	66.447	ACWA-23-14	38,837	-	25,130
<b>Total U.S. Environmental Protection Agency</b>					-	2,829,597
<b>U.S. Department of Housing and Urban Development</b>						
Passed through Alaska Department of Commerce, Community & Economic Development - Community Development Block Grants	B-19-DV-02-0001	14.228	19-CDBGDR-11	281,250	-	80,236
<b>Total Expenditures of Federal Awards</b>					<b>\$ 44,060</b>	<b>\$ 7,957,560</b>

*The accompanying notes are an integral part of this schedule.*

# Kenai Peninsula Borough, Alaska

## Notes to the Schedule of Expenditures of Federal Awards Year Ended June 30, 2024

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### **1. Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Kenai Peninsula Borough, Alaska (the Borough) under programs of the federal government for the year ended June 30, 2024. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Borough, it is not intended to and does not present the financial position, changes in net position or cash flows of the Borough.

### **2. Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

### **3. Indirect Cost Rate**

The Borough has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

### **4. Assistance Listing Number 66.202**

The Borough reported Congressionally Mandated Projects (ALN 66.202) expenditures of \$2,159,280 on the Schedule for the year ended June 30, 2024 that were associated with prior year expenditures.



Tel: 907-278-8878  
Fax: 907-278-5779  
www.bdo.com

3601 C Street, Suite 600  
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## **Independent Auditor’s Report on Compliance for Each Major State Program; Report on Internal Control Over Compliance; and Report on the Schedule of State Financial Assistance Required by the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits***

Honorable Mayor and  
Members of the Assembly  
Kenai Peninsula Borough  
Soldotna, Alaska

### **Report on Compliance for Each Major State Program**

#### ***Opinion on Each Major State Program***

We have audited Kenai Peninsula Borough, Alaska’s (the Borough) compliance with the types of compliance requirements identified as subject to audit in the State of Alaska Audit Guide and Compliance Supplements that could have a direct and material effect on each of the Borough’s major state programs for the year ended June 30, 2024. The Borough’s major state programs are identified on the Schedule of State Financial Assistance.

In our opinion, the Borough 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, 2024.

#### ***Basis for Opinion on Each Major State Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of State of Alaska Audit Guide. Our responsibilities under those standards and the State of Alaska Audit Guide are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Borough and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major state program. Our audit does not provide a legal determination of the Borough’s compliance with the compliance requirements referred to above.

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### ***Other Matter - State Expenditures Not Included in the Compliance Audit***

The Borough's basic financial statements include the operations of its component units, Kenai Peninsula Borough School District and Central Peninsula General Hospital, which expended \$84,084,390 and \$867,104 in state awards, respectively, which are not included in the Borough's Schedule of State Financial Assistance during the year ended June 30, 2024. Our compliance audit, described in the "Opinion on Each Major State Program", does not include the operations of Kenai Peninsula Borough School District and Central Peninsula General Hospital because they were subjected to separate audits in accordance with the State of Alaska Audit Guide, for the year ended June 30, 2024. Our compliance audit, described in the "Opinion on Each Major State Program", does not include the operations of South Peninsula Hospital for the year ended June 30, 2024, because it was subjected to a separate audit; however, it did not meet the threshold for an audit in accordance with the State of Alaska Audit Guide.

### ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Borough's state programs.

### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Borough's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the State of Alaska Audit Guide requirements will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Borough's compliance with the requirements of each major state program as a whole.





In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the State of Alaska Audit Guide, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Borough's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Borough's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the State of Alaska requirements, but not for the purpose of expressing an opinion on the effectiveness of the Borough's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

#### **Report on Internal Control Over Compliance**

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be a significant deficiency.

*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 a 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2024-003 to be a significant deficiency.



Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

*Government Auditing Standards* requires the auditor to perform limited procedures on the Borough's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The Borough's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Kenai Peninsula Borough is responsible for preparing a corrective action plan to address each audit finding included in our auditor's report. Kenai Peninsula Borough's corrective action plan was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the State of Alaska. Accordingly, this report is not suitable for any other purpose.

#### **Report on Schedule of State Financial Assistance required by the State of Alaska Audit Guide**

We have audited the financial statements of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the Borough as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements. We have issued our report thereon dated November 22, 2024, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of state financial assistance is presented for purposes of additional analysis as required by the State of Alaska 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 assistances is fairly stated in all material respects in relation to the basic financial statements as a whole.

BDO USA, P.C.

Anchorage, Alaska  
November 22, 2024

## Kenai Peninsula Borough, Alaska

### Schedule of State Financial Assistance

Year Ended June 30, 2024

State Agency / Program Title	Award Number	Total Award Amount	Passed Through to Subrecipients	Total State Expenditures
<b>Alaska Department of Commerce, Community &amp; Economic Development</b>				
Marijuana Application Review Fees	FY24	\$ 8,800	\$ -	\$ 8,800
Jacob's Ladder Access Trail Repair & Maintenance	14-RR-042	100,000	-	14,943
Travel grant: FEMA CAP-SSSE - Pass Through DCCED	EMS-2023-GR-05014	384	-	384
<b>Total Alaska Department of Commerce, Community &amp; Economic Development</b>			-	24,127
<b>Alaska Department of Revenue</b>				
* Commercial Passenger Vessel Tax - Homer	FY23	353	353	353
* Commercial Passenger Vessel Tax - Seward	FY23	303,825	303,825	303,825
* Commercial Passenger Vessel Tax - Seward	FY24	456,337	456,337	456,337
<b>Total Alaska Department of Revenue</b>			760,515	760,515
<b>Alaska Department of Education &amp; Early Development</b>				
* School Debt Reimbursement	N/A	1,796,920	-	1,796,920
Kachemak Selo New K-12 School Construction	GR-17-001	10,010,000	-	6,700
<b>Total Alaska Department of Education &amp; Early Development</b>			-	1,803,620
<b>Alaska Department of Environmental Conservation</b>				
Division of Water-Drainage Plan for Gravel Pit Clean Discharge and Drainage	ACWA-23-14	4,513	-	2,920
<b>Alaska Department of Military &amp; Veteran Affairs</b>				
Passed Through the Alaska Division of Homeland Security & Emergency Management: 2013 Japanese Creek Flood	DR-4161-AK	177,179	-	31,463
<b>Total State Financial Assistance</b>			\$ 760,515	\$ 2,622,645

*The accompanying notes are an integral part of this schedule.*

# Kenai Peninsula Borough, Alaska

## Notes to the Schedule of State Financial Assistance Year Ended June 30, 2024

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### 1. Major Program Notation

\* Denotes a major program.

### 2. Basis of Presentation

The accompanying schedule of state financial assistance (the “Schedule”) includes the state award activity of the Kenai Peninsula Borough, Alaska (the Borough) under programs of the State of Alaska for the year ended June 30, 2024. The information in this Schedule is presented in accordance with the requirements of the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*. Because the Schedule presents only a selected portion of the operations of the Borough, it is not intended to and does not present the financial position, changes in net position or cash flows of the Borough.

### 3. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting.

# Kenai Peninsula Borough, Alaska

## Schedule of Findings and Questioned Costs Year Ended June 30, 2024

**Section I - Summary of Auditor's Results**

***Financial Statements***

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	<u>  X  </u> yes	<u>      </u> no
Significant deficiency(ies) identified?	<u>      </u> yes	<u>  X  </u> (none reported)
Noncompliance material to financial statements noted?	<u>      </u> yes	<u>  X  </u> no

***Federal Awards***

Internal control over major federal programs:

Material weakness(es) identified?	<u>      </u> yes	<u>  X  </u> no
Significant deficiency(ies) identified?	<u>  X  </u> yes	<u>      </u> (none reported)

Type of auditor's report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?   X   yes        no

Identification of major federal programs:

***Assistance***

<i>Listing Number</i>	<i>Name of Federal Program or Cluster</i>	<i>Agency</i>
21.027	COVID-19 - Coronavirus State and Local Fiscal Recovery Funds (ARPA)	
66.202	Congressionally Mandated Projects	

Dollar threshold used to distinguish between a Type A and Type B program: \$ 750,000

Auditee qualified as low-risk auditee?   X   yes        no

***State Financial Assistance***

Type of auditor's report issued on compliance for major state programs: Unmodified

Internal control over major state programs:

Material weakness(es) identified?	<u>      </u> yes	<u>  X  </u> no
Significant deficiency(ies) identified?	<u>  X  </u> yes	<u>      </u> (none reported)

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

Auditee qualified as low-risk auditee?   X   yes        no

# Kenai Peninsula Borough, Alaska

## Schedule of Findings and Questioned Costs, continued Year Ended June 30, 2024

<b>Section II - Financial Statement Findings Required to be Reported in Accordance with Government Auditing Standards</b>
---

<b><u>Finding 2024-001</u></b>	Presentation of the Schedule of Expenditures of Federal Awards - Material Weakness in Internal Controls Over Financial Reporting
<i>Criteria</i>	<i>Government Accounting Standards</i> states management is responsible for establishing and maintaining effective internal control to ensuring that financial information is reliable and properly reported. The Schedule of Expenditures of Federal Awards (SEFA) is required supplemental information when the auditee meets the threshold for an audit in accordance with the Uniform Guidance, and is used by the auditor to determine proper identification of major programs.
<i>Condition</i>	A grant in the amount of \$2.1 million was recorded as revenue in the year ended June 30, 2023 and reported on the 2023 SEFA in error. The grant award was not approved and signed until September 2023.
<i>Cause</i>	There was incorrect application of accounting principles related to revenue recognition of this grant, complicated by the unique nature of this grant being funded by an appropriation.
<i>Effect or Potential Effect</i>	This program was identified and audited as a major program in 2023 in error.
<i>Recommendation</i>	Management should consider preparing a formal accounting treatment memo for evaluation when unique grants such as congressional appropriations are awarded to the Kenai Peninsula Borough.
<i>Views of Responsible Officials</i>	Management agrees with the finding and plans to prepare formal evaluations where there are unique grant situations.

# Kenai Peninsula Borough, Alaska

## Schedule of Findings and Questioned Costs, continued Year Ended June 30, 2024

### Section III - Federal Award Findings and Questioned Costs

<b><u>Finding 2024-002</u></b>	Procurement and Suspension and Debarment - Significant Deficiency in Internal Controls Over Compliance
<i>Agency/Pass-through Grantor</i>	Department of Treasury
<i>Assistance Listing Numbers (ALN) and Program Name</i>	21.027 - Coronavirus State & Local Fiscal Recovery Fund - COVID-19
<i>Award Year</i>	2024
<i>Criteria or Specific Requirement</i>	The regulations in 2 CFR Part 180 prohibit contracts with certain parties that are debarred, suspended, or otherwise excluded from or ineligible for participation in Federal programs or activities. Procurement policies should be established to ensure documentation is retained to verify a check was done of the Governmentwide System for Award Management Exclusions - (SAM Exclusions) prior to awarding of contracts that will be funded with federal awards.
<i>Condition</i>	Procurement testing identified a total 3 out of 6 procurements where evidence was not retained to support the required verification of whether a contractor was a suspended or debarred.
<i>Cause</i>	The Borough's policies over procurement and issuance of purchase orders or contracts were not designed appropriately to retain evidence of suspension and debarment review for all covered transactions funded with federal awards.
<i>Effect or Potential Effect</i>	Federal funds could be disbursed to suspended or debarred entities.
<i>Questioned costs</i>	Not Applicable
<i>Context</i>	For the Coronavirus State & Local Fiscal Recovery Fund, we tested 6 procurements, which represented 100% of the population. The open market purchase order population of 2 items totaled to \$51,927, and the competitive bid contracts of 4 items totaled to \$1,742,442. Procurement testing identified 2 open market purchase orders totaling \$51,927 and 1 competitive bid contract totaling \$71,730 for which the Borough did not retain evidence of verification of suspension and debarment review. BDO did not identify any suspended or disbarred vendors in the testing.
<i>Identification as a repeat finding</i>	Not a repeat finding.

# Kenai Peninsula Borough, Alaska

## Schedule of Findings and Questioned Costs, continued Year Ended June 30, 2024

<i>Recommendation</i>	A policy should be established and enforced to ensure that evidence of the SAM Exclusions search is retained. Purchasing staff should conduct a self-review of procurement files for contracts awarded in prior years if it is known that the contract will be funded with a federal award to ensure the SAM Exclusions search is performed prior to the expenditure of the federal funds and included in the procurement file.
<i>Views of Responsible Officials</i>	Management agrees with the findings and has revised their policies and procedures to improve retention of evidence and documentation over the procedures performed which ensure and substantiate compliance with regulations.

### Section IV - State Award Findings and Questioned Costs

<b><u>Finding 2024-003</u></b>	Types of Services Allowed or Unallowed - Significant Deficiency in Internal Controls Over Compliance
<i>State Agency</i>	Department of Revenue
<i>Grant Name</i>	Commercial Passenger Vessel Tax
<i>Grant Award Number</i>	FY23
<i>Award Year</i>	2023
<i>Criteria</i>	Payments received by a city or borough from the tax imposed under AS 43.52.200 - 43.52.295 shall use the funds for one of the following: (a) port facilities, (b) harbor infrastructure, and (c) other services provided to the commercial passenger vessels and the passengers on board those vessels.
<i>Condition</i>	Types of services allowed or unallowed testing identified 2 subrecipients where the subaward grant period of performance ended as of June 30, 2024, expenditures had not been fully spent by this date, and a final report was not received from the subrecipient within 30 days.
<i>Questioned costs</i>	Not Applicable
<i>Context</i>	For the Commercial Passenger Vessel Tax Program, we tested a sample of 3 cash disbursements, consisting of 2 subrecipient agreements with a period of performance ending as of June 30, 2024 totaling \$304,178, and 1 subrecipient agreements with a period of performance ending as of June 30, 2025 in the amount of \$456,337. For those agreements with a period of performance ending as of June 30, 2024, the Borough did not receive the final report due within 30 days of the grant performance period ending, and there did not appear to be an amended agreement. BDO reviewed a site visit performed in August 2024 that reviewed the use of funds, and no unallowed types of services were identified on that report.
<i>Effect</i>	Commercial Passenger Vessel Tax funds could be spent on unallowable types of services.



# Kenai Peninsula Borough, Alaska

## Schedule of Findings and Questioned Costs, continued Year Ended June 30, 2024

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<i>Cause</i>	The Borough's policies over monitoring compliance with funds passed through to other entries were not designed appropriately to identify when requirements per the subaward agreement with the subrecipient are not met.
<i>Identification as a repeat finding</i>	Not a repeat finding.
<i>Recommendation</i>	A policy should be established and enforced to ensure sufficient monitoring of subrecipient requirements, including receipt of final report. Appropriate steps, which may include an extension or waiver, should be taken when the subrecipient is noncompliant.
<i>Views of Responsible Officials</i>	Management agrees with the findings and has revised their policies and procedures to improve monitoring over subrecipients is performed which will ensure and substantiate compliance with regulations.

## Supplementary Information

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Tel: 907-278-8878  
Fax: 907-278-5779  
www.bdo.com

3601 C Street, Suite 600  
Anchorage, AK 99503

## Independent Auditor's Report on Supplementary Information

Honorable Mayor and  
Members of the Assembly  
Kenai Peninsula Borough  
Soldotna, Alaska

We have audited the financial statements of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Kenai Peninsula Borough, Alaska (the Borough) as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements. We issued our report thereon dated November 22, 2024, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on those financial statements that collectively comprise the basic financial statements. The accompanying schedule of revenue and expenditures - budget to actual - State of Alaska Department of Health and Social Services Grants are presented for the purposes of additional analysis 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

BDO USA, P.C.

Anchorage, Alaska  
November 22, 2024

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**Kenai Peninsula Borough, Alaska**  
**Department of Health and Social Services**  
**COVID-19 - Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)**  
**Grant #C0621-570-H**  
**Schedule of Revenues and Expenditures - Budget to Actual**  
**For the Year Ended June 30, 2024**

<i>Year Ended June 30, 2024</i>	Budget	Prior Year	Actual Current Year	Total	Variance Positive (Negative)
<b>Revenues - federal sources passed through the State of Alaska</b>	\$ 2,037,530	\$ 1,555,583	\$ 216,327	\$ 1,771,910	\$ 265,620
<b>Expenditures</b>					
Personnel - project manager	33,279	33,279	-	33,279	-
Services	309,682	256,873	(30)	256,843	52,839
Projects:					
Portable tables and chairs	18,597	20,456	-	20,456	(1,859)
Incident management training	19,000	22,471	-	22,471	(3,471)
Mobile command equipment	15,000	-	-	-	15,000
Protective equipment ff/ems support	86,153	86,153	-	86,153	-
Subrecipient agreements	698,900	698,900	-	698,900	-
North Peninsula recreation trail lights	480,444	257,034	38,519	295,553	184,891
Seldovia recreation fixtures	124,475	122,780	-	122,780	1,695
Electronic signage	252,000	57,637	177,838	235,475	16,525
<b>Total Expenditures</b>	\$ 2,037,530	\$ 1,555,583	\$ 216,327	\$ 1,771,910	\$ 265,620

**Kenai Peninsula Borough, Alaska**  
**Department of Health and Social Services**  
**COVID-19 - Healthy & Equitable Communities**  
**Grant #C0622-584-M**  
**Schedule of Revenues and Expenditures - Budget to Actual**  
**For the Year Ended June 30, 2024**

<i>Year Ended June 30, 2024</i>	Budget	Prior Year	Actual Current Year	Total	Variance Positive (Negative)
<b>Revenues - federal sources passed through the</b>					
State of Alaska	\$ 825,888	\$ 160,521	\$ 349,114	\$ 509,635	\$ 316,253
<b>Expenditures</b>					
Projects:					
COVID-19 testing	353	353	-	353	-
Grant training	7,000	-	4,206	4,206	2,794
Website design	300,000	-	108,319	108,319	191,681
Incident management training and ready, set, go! Outreach	150,000	-	89,507	89,507	60,493
MIH program	249,647	97,641	103,022	200,663	48,984
Subrecipient agreements	118,888	62,527	44,060	106,587	12,301
<b>Total Expenditures</b>	<b>\$ 825,888</b>	<b>\$ 160,521</b>	<b>\$ 349,114</b>	<b>\$ 509,635</b>	<b>\$ 316,253</b>

**Kenai Peninsula Borough, Alaska**  
**Department of Health and Social Services**  
**COVID-19 - Mobile Integrated Healthcare and Community Paramedicine Rural Extension of Care**  
**Grant #161-315-24005**  
**Schedule of Revenues and Expenditures - Budget to Actual**  
**For the Year Ended June 30, 2024**

<i>Year Ended June 30, 2024</i>	Budget	Actual	Variance Positive (Negative)
<b>Revenues - federal sources passed through the State of Alaska</b>	\$ 250,000	\$ 127,350	\$ 122,650
<b>Expenditures</b>			
Personnel	176,729	79,145	97,584
Travel	9,326	-	9,326
Facility	3,907	3,907	-
Supplies	1,138	-	1,138
Equipment	57,400	44,298	13,102
Other costs	1,500	-	1,500
<b>Total Expenditures</b>	\$ 250,000	\$ 127,350	\$ 122,650

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**Kenai Peninsula Borough  
Audit Responses (Unaudited)**

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Name of Contact Person: Brandi Harbaugh  
Finance Director  
bharbaugh@kpb.us  
907-714-2170

**Finding 2024-001 Presentation of the Schedule of Expenditures of Federal Awards – Material Weakness in Internal Control Over Financial Reporting**

Corrective Action

When unique grants such as congressional appropriations are received, the Kenai Peninsula Borough will consider preparing a formal accounting treatment memo for evaluation to ensure proper grant recognition and treatment.

Expected Completion Date: Fiscal Year 2025

**Finding 2024-002 Procurement and Suspension and Debarment – Significant Deficiency In Internal Control Over Compliance**

Corrective Action

The Kenai Peninsula Borough has updated current policies to require that SAM lookups be documented, and contract language has been updated to include SAM requirements when completing contracts.

Expected Completion Date: Fiscal Year 2025

**Finding 2024-003 Types of Services Allowed or Unallowed – Significant Deficiency in Internal Control Over Compliance**

Corrective Action

The Kenai Peninsula Borough will revise policies and procedures to ensure grant subrecipient monitoring is completed in accordance with grant agreements.

Expected Completion Date: Fiscal Year 2025