

## **Kenai Peninsula Borough, Alaska**

**Government Auditing Standards Report,  
State of Alaska Single Audit Report, and  
Supplementary Information  
Year Ended June 30, 2025**

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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Government Auditing Standards Report, State of Alaska Single Audit  
Report, and Supplementary Information

Year Ended June 30, 2025

# Kenai Peninsula Borough, Alaska

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3601 C Street, Suite 600  
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## **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, 2025, 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 18, 2025.

### **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 a 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

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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*.

## 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BDO USA, P.C.

Anchorage, Alaska  
November 18, 2025



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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 (State of Alaska Audit Guide) that could have a direct and material effect on each of the Borough's major state programs for the year ended June 30, 2025. 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, 2025.

***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 the 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.



#### ***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 \$89,156,608 and \$1,031,560 in state awards, respectively, which are not included in the Borough's Schedule of State Financial Assistance during the year ended June 30, 2025. 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, 2025. 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, 2025, 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**

*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.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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.

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, 2025, 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 18, 2025, 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 18, 2025

# Kenai Peninsula Borough, Alaska

## Schedule of State Financial Assistance

Year Ended June 30, 2025

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	FY25	\$ 16,700	\$ -	\$ 16,700
Bear Creek Fire Service Area - Bear Creek Fire Station Asphalt Surfacing	25-DC-032	450,000	-	3,931
Travel grant: FEMA CAP-SSSE - Pass Through DCCED	EMS-2024-GR-05002	960	-	960
<b>Total Alaska Department of Commerce, Community &amp; Economic Development</b>			-	21,591
<b>Alaska Department of Revenue</b>				
Commercial Passenger Vessel Tax - Seward	FY25	105,860	105,860	105,860
<b>Alaska Department of Education &amp; Early Development</b>				
School Debt Reimbursement	N/A	1,795,640	-	1,795,640
* Homer High School Partial Roof Replacement	GR-25-009	1,020,299	-	1,020,299
* Kachemak Selo New K-12 School Construction	GR-17-001	10,010,000	-	421,800
<b>Total Alaska Department of Education &amp; Early Development</b>			-	3,237,739
<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	-	39,924
<b>Total State Financial Assistance</b>			\$ 105,860	\$ 3,405,114

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, 2025

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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, 2025. 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.

### 4. Grant Number GF-25-009

The Borough reported Homer High School Partial Roof Replacement (grant number GF-25-009) expenditures of \$1,020,299 on the Schedule for the year ended June 30, 2025 that were associated with prior year expenditures.

# Kenai Peninsula Borough, Alaska

## Schedule of Findings and Questioned Costs Year Ended June 30, 2025

### 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?

\_\_\_ yes

X no

Significant deficiency(ies) identified?

\_\_\_ yes

X (none reported)

Noncompliance material to financial statements noted?

\_\_\_ yes

X 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?

\_\_\_ yes

X no

Significant deficiency(ies) identified?

\_\_\_ yes

X (none reported)

Dollar threshold used to distinguish between type A and type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

\_\_\_ yes

X no

### Section II - Financial Statement Findings Required to be Reported in Accordance with Government Auditing Standards

There were no findings related to the financial statements which are required to be reported in accordance with the standards applicable to financial audits contained in *Government Auditing Standards*.

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

There were no findings and questioned costs for State awards (as defined in the *State of Alaska Audit Guide*) that are required to be reported.

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## Supplementary Information

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## 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, 2025, and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements. We issued our report thereon dated November 18, 2025 which contained unmodified opinions on those financial statements. Our audit was performed for the purpose of forming an opinions on the financial statements. The accompanying schedule of revenue and expenditures - budget to actual - State of Alaska Department of Health and Social Services Grants and schedule of revenue and expenditures - budget to actual - State of Alaska Department of Education and Early Development 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 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 information is fairly stated in all material respects in relation to the financial statements as a whole.

BDO USA, P.C.

Anchorage, Alaska  
November 18, 2025

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**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, 2025**

<i>Year Ended June 30, 2025</i>	Budget	Actual		Total	Variance Positive (Negative)
		Prior Year	Current Year		
<b>Revenues - federal sources passed through the State of Alaska</b>	\$ 825,888	\$ 509,635	\$ 216,618	\$ 726,253	\$ 99,635
<b>Expenditures</b>					
Projects:					
COVID-19 testing	353	353	-	353	-
Grant training	7,000	4,206	2,342	6,548	452
Website design	300,000	108,319	170,668	278,987	21,013
Incident management training and ready, set, go! Outreach	150,000	89,507	31,440	120,947	29,053
MIH program	249,647	200,663	-	200,663	48,984
Subrecipient agreements	118,888	106,587	12,168	118,755	133
<b>Total Expenditures</b>	\$ 825,888	\$ 509,635	\$ 216,618	\$ 726,253	\$ 99,635



**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, 2025**

<i>Year Ended June 30, 2025</i>	Budget	Actual		Total	Variance Positive (Negative)
		Prior Year	Current Year		
<b>Revenues - federal sources passed through the</b>					
State of Alaska	\$ 250,000	\$ 127,350	\$ 122,650	\$ 250,000	\$ -
<b>Expenditures</b>					
Personnel	176,729	79,145	119,979	199,124	(22,395)
Travel	9,326	-	1,230	1,230	8,096
Facility	3,907	3,907	-	3,907	-
Supplies	2,638	-	1,441	1,441	1,197
Equipment	57,400	44,298	-	44,298	13,102
<b>Total Expenditures</b>	\$ 250,000	\$ 127,350	\$ 122,650	\$ 250,000	\$ -

**Kenai Peninsula Borough, Alaska**  
**Department of Education and Early Development**  
**Homer High School Partial Roof Replacement**  
**Grant #GR-25-009**

**Schedule of Revenues and Expenditures - Budget to Actual**  
**For the Year Ended June 30, 2025**

<i>Year Ended June 30, 2025</i>	Budget	Actual		Total	Variance Positive (Negative)
		Prior Year	Current Year		
<b>Revenues:</b>					
Federal	\$ 2,259,890	\$ 2,184,028	\$ -	\$ 2,184,028	\$ 75,862
State of Alaska	1,020,299	1,020,299	-	1,020,299	-
<b>Total Revenues</b>	<b>3,280,189</b>	<b>3,204,327</b>	<b>-</b>	<b>3,204,327</b>	<b>75,862</b>
<b>Expenditures</b>					
Design services	223,761	223,761	-	223,761	-
Construction	2,956,341	2,956,341	-	2,956,341	-
District administrative overhead	24,225	24,225	-	24,225	-
Project contingency	75,862	-	-	-	75,862
<b>Total Expenditures</b>	<b>\$ 3,280,189</b>	<b>\$ 3,204,327</b>	<b>\$ -</b>	<b>\$ 3,204,327</b>	<b>\$ 75,862</b>

**Kenai Peninsula Borough, Alaska**  
**Department of Education and Early Development**  
**Kachemak Selo New K-12 School Construction**  
**Grant #GR-17-001**

**Schedule of Revenues and Expenditures - Budget to Actual**  
**For the Year Ended June 30, 2025**

Year Ended June 30, 2025	Budget	Actual			Variance Positive (Negative)
		Prior Year	Current Year	Total	
Revenues:					
State of Alaska	\$ 10,010,000	\$ 166,513	\$ 421,800	\$ 588,313	\$ 9,421,687
Local	5,390,000	89,661	227,123	316,784	5,073,216
Total Revenues	15,400,000	256,174	648,923	905,097	14,494,903
Expenditures					
Construction management by consultant	244,868	-	-	-	244,868
Land	250,000	-	150,344	150,344	99,656
Site investigation	70,000	46,205	-	46,205	23,795
Design services	1,101,905	175,519	435,874	611,393	490,512
Construction	12,243,389	471	40,411	40,882	12,202,507
Equipment and technology	265,500	708	-	708	264,792
District administrative overhead	550,953	33,271	22,294	55,565	495,388
Percent for art	61,217	-	-	-	61,217
Project contingency	612,168	-	-	-	612,168
Total Expenditures	\$ 15,400,000	\$ 256,174	\$ 648,923	\$ 905,097	\$ 14,494,903

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

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**Summary Schedule of Prior Audit Findings  
Year Ended June 30, 2025**

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

Condition	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.
Status	Completed

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

Condition	Types of services allowed or unallowed during 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 by the subrecipient within 30 days.
Status	Completed