



Report to Governance on the Results of the Annual Independent Audit

Board of Education of Jefferson County, Kentucky

For the Year Ended June 30, 2020

DEANDORTON

Board of Education of Jefferson County, Kentucky

Board of Education, Members of the Audit & Risk Management Advisory Committee,
and other Members of Management
Board of Education of Jefferson County, Kentucky

We are pleased to present this report related to our audit engagements for the Board of Education of Jefferson County, Kentucky (the District) as of and for the year ended June 30, 2020. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for the District's financial reporting process, as well as other matters that we believe may be of interest to you. Our audit engagements do not relieve management or those charged with governance of their responsibilities.

This information is intended solely for the information and use of the Board of Education, members of the Audit & Risk Management Advisory Committee, and members of management and is not intended to be, and should not be, used by anyone other than these specific parties.

It will be our pleasure to respond to any questions you have regarding this report. We appreciate the opportunity to be of service to the District. We received excellent cooperation and assistance from management and staff with respect to access to records, supporting documentation and responses to inquiries. No limitations were imposed on our audit procedures or the extent of our audit.

Meet the Team



Jim Tencza, CPA, CIA, CGMA
Director



Simon Keemer, CPA, CGMA, ACA
Director



Philip Blakely, CPA, CIA
Manager, School Activity Fund Audits



Megan Crane, CPA
*Manager, Financial Statement Audit
and Single Audit*



Tori Montgomery, CPA
Supervisor, Financial Statement Audit

Overview of Audit Engagements

We expect to issue the following:

Comprehensive Annual Financial Report

- An unmodified opinion on the District's financial statements for the year ended June 30, 2020, with emphasis of matters for GASB 84 and correction of an error related to accounting for bond discounts and premiums.

Single Audit

- A report on compliance and on internal control over financial reporting based on an audit of the District's financial statements in accordance with *Government Auditing Standards*.
- A report on compliance for each major program, internal control over compliance, and report on the schedule of expenditures of federal awards required by the Uniform Guidance.

School Activity Fund Financial Statements

- An unmodified opinion over the fiduciary net position of the Jefferson County Board of Education Elementary School Activity Funds as of June 30, 2020.
- An unmodified opinion over the fiduciary net position of the Jefferson County Board of Education Middle School Activity Funds as of June 30, 2020.
- An unmodified opinion over the fiduciary net position of the Jefferson County Board of Education High School Activity Funds as of June 30, 2020.

Auditor Communications

AREA	COMMENTS
<p>Our Responsibility Under:</p> <ul style="list-style-type: none">• U.S. Generally Accepted Auditing Standards,• <i>Government Auditing Standards</i>, issued by the Comptroller General of the United States, and• <i>Kentucky Public School Districts' Audit Contract and Requirements</i> prescribed by the Kentucky State Committee for School District Audits <p>Our audit of the financial statements does not relieve management or those charged with governance of their responsibilities, which have been described in our engagement letter dated May 15, 2020.</p>	<p>Our responsibilities have been described in our engagement letter dated May 15, 2020.</p> <p>Our responsibilities, as stated in our auditors' report, are summarized as follows:</p> <ul style="list-style-type: none">• Our audits were conducted in accordance with all relevant audit standards.• Our audits were designed to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud.• An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected and performed are dependent upon our professional judgment based on our assessment of the risks of material misstatement and our consideration of internal control.• Our consideration of internal control was for the purpose of designing audit procedures and not for the purpose of expressing an opinion on the effectiveness of internal controls. Accordingly, we express no such opinion.• Our audits also included assessing the accounting principles used and significant accounting estimates made by management, as well as evaluating the overall financial statement presentation.

Auditor Communications

AREA	COMMENTS
Other Information in Documents Containing Audited Financial Statements	To our knowledge, the 2020 audited financial statements for the District are not included in any other document.
Planned Scope And Timing Of The Audit	We performed the audit according to the planned scope and timing previously communicated to you in our letter dated May 15, 2020, regarding the nature, timing and extent of our audit procedures.
Qualitative Aspects of Accounting Practices Management has the ultimate responsibility for the appropriateness of the accounting policies used by the District. In certain circumstances, management may elect among alternative accounting practices. In our view, in such circumstances, management has selected the preferable accounting practice.	<ul style="list-style-type: none">• Significant accounting policies are described in Note A to the financial statements.• We did not identify any significant or unusual transactions or significant accounting policies in controversial or emerging areas which there was a lack of authoritative guidance or consensus.• The District adopted GASB Statement No. 84, <i>Fiduciary Activities</i>.• The District recorded an adjustment to beginning net position related to bond discounts and premiums.• No significant transactions have been recognized in a different period than when the transactions occurred.

Auditor Communications

AREA	COMMENTS
Management Judgments And Accounting Estimates The preparation of the financial statements requires the use of accounting estimates. The process used by management encompasses their knowledge and experience about past and current events, and certain assumptions about future events. You may wish to monitor throughout the year the process used to determine and record these accounting estimates.	<p>The most notable estimates affecting the financial statements are:</p> <ul style="list-style-type: none">• Depreciation and useful lives of capital assets• Sick leave accrual• Workers compensation• Pension and OPEB related estimates <p>We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.</p>
Financial Statements Disclosures The disclosures are neutral, consistent and clear. Certain disclosures are particularly sensitive because of their significance to the users of the financial statements.	<p>The most sensitive disclosures affecting the financial statements are:</p> <ul style="list-style-type: none">• Note B – Cash, Cash Equivalents, and Investments• Note E – Long-Term Liabilities• Note F – Retirement Plans• Note H – Postemployment Benefits• Note O – Changes to Certain Beginning Balances
Significant Difficulties Encountered In Performing The Audit	<p>We encountered no difficulties in dealing with management when performing the audit.</p>

Auditor Communications

AREA	COMMENTS
Corrected And Uncorrected Misstatements Professional standards require us to accumulate all factual, judgmental and projected misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management, and request their correction.	<p>There were no audit adjustments or uncorrected misstatements noted during the year.</p> <p>There was an adjustment to opening net position related to bond discounts and premiums, which resulted in a decrease of approximately \$16.7 million to beginning net position.</p>
Disagreements With Management	We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit, or significant disclosures to be included in the financial statements.
Management Representations	We will request certain representations from management that will be included in the management representation letter dated November 10, 2020.
Consultations With Other Independent Accountants	We are not aware of any consultations management had with other accountants about accounting or auditing matters.

Auditor Communications

AREA	COMMENTS
Other Matters	<p>Our responsibility for the following information included in the Comprehensive Annual Financial Report are detailed in our auditors' report:</p> <ul style="list-style-type: none">• Introductory Section – we do not express an opinion or provide any assurance• Required Supplementary Information – we do not express an opinion or provide any assurance• Other Supplementary Information<ul style="list-style-type: none">• Budget to Actual Statements – we do not express an opinion or provide any assurance• Combining Statements – are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole• Statistical Section – we do not express an opinion or provide any assurance
Other Audit Findings or Issues	None

Internal Control Findings

- Material Weakness – A deficiency or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the District’s financial statements will not be prevented, or detected and corrected, on a timely basis
 - None noted
- Significant Deficiency – 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.
 - Adjustment to beginning net position related to bond discounts and premiums

Summary of School Activity Funds Audits

- Audit approach, risk assessment and scope of school activity funds audited
- We expect to issue unmodified opinions
- Minor findings noted
- Overall assessment of school-level accounting and areas for improvement

Summary of Single Audit

- Major programs audited:
 - Title I
 - Title IV
- We expect to issue an unmodified opinion
- No findings noted
- Will be issued with Compliance Supplement Part II (extension granted to December 15, 2020)

Upcoming or Pending Items

- No. 85, *Omnibus 2017*
- No. 87, *Leases*
- No. 89, *Accounting for Interest Costs Incurred before the End of a Construction Period*
- No. 90, *Majority Equity Interests*
- No. 91, *Conduit Debt Obligations*



Questions?

DEANDORTON

Thank you

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