

Bullitt County Public Schools

1040 Highway 44 East
Shepherdsville, Kentucky 40165

Phone: 502-869-8000
Fax: 502-543-3608
www.bullittschools.org

TO: Jesse Bacon, Superintendent *JB*
FROM: Lisa Lewis, Director of Finance *Lewis*
DATE: May 13, 2021
RE: Audit Services

Each year a school district must hire an Auditor to review the financial information, prepare the financial audit, and submit to Kentucky Department of Education. Heartland CPAs and Advisors, PLLC conducted the previous audit for the District with three possible renewals. Due to unforeseen circumstances, Heartland CPAs and Advisors, PLLC will not be in position to provide audit services this year.

A Request for Proposal for Auditing Services was requested. The District received two proposals: Barnes Dennig and Strothman & Co. Both firms provided a solid program, positive references, and experience with large and small districts. Per the bid tabulations, Barnes Dennig submitted the lowest bid of \$30,000 which was the ultimate deciding factor. I request the approval of Barnes Dennig as the District's auditor for the term of one-year.

May 17, 2021

Lisa Lewis, Director of Finance
Bullitt County Board of Education
1040 Highway 44 East
Shepherdsville, KY 40165

Dear Lisa:

We are pleased to confirm our understanding of the services we are to provide Bullitt County Schools for the year ended June 30, 2021. We will audit the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information, including the related notes to the financial statements, which collectively comprise the basic financial statements, of Bullitt County Schools as of and for the year ended June 30, 2021. Accounting standards generally accepted in the United States of America provide for certain required supplementary information (RSI), such as management's discussion and analysis (MD&A), to supplement Bullitt County Schools' basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. As part of our engagement, we will apply certain limited procedures to Bullitt County Schools' RSI in accordance with auditing standards generally accepted in the United States of America. These limited procedures will consist of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We will not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The following RSI is required by generally accepted accounting principles and will be subjected to certain limited procedures, but will not be audited:

1) Management's Discussion and Analysis.

We have also been engaged to report on supplementary information other than RSI that accompanies Bullitt County Schools' financial statements. We will subject the following supplementary information to the auditing procedures applied in our 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America, and we will provide an opinion on it in relation to the financial statements as a whole, in a report combined with our auditor's report on the financial statements:

- 1) Schedule of expenditures of federal awards.
- 2) Combining balance sheets of non-major governmental funds
- 3) Combining statements of revenues, expenditures and changes in fund balances of non-major governmental funds
- 4) Statement of receipts, disbursements and fund balances – bond redemption funds
- 5) Statements of receipts, disbursements and fund balances – school activity funds
- 6) General fund budgetary information

AUDIT OBJECTIVES

The objective of our audit is the expression of opinions as to whether your financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles and to report on the fairness of the supplementary information referred to in the second paragraph when considered in relation to the financial statements as a whole. The objective also includes reporting on—

- Internal control related to the financial statements and compliance with the provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements in accordance with *Government Auditing Standards*.
- Internal control related to major programs and an opinion (or disclaimer of opinion) on compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a direct and material effect on each major program in accordance with the Single Audit Act Amendments of 1996 and Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

The *Government Auditing Standards* report on internal control over financial reporting and on compliance and other matters will include a paragraph that states that (1) the purpose of the report is solely to describe the scope of testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance, and (2) the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. The Uniform Guidance report on internal control over compliance will include a paragraph that states that the purpose of the report on internal control over compliance is solely to describe the scope of testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Both reports will state that the report is not suitable for any other purpose.

Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America; the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the Single Audit Act Amendments of 1996; and the provisions of Uniform Guidance, and will include tests of accounting records, a determination of major program(s) in accordance with Uniform Guidance, and other procedures we consider necessary to enable us to express such opinions. We will issue written reports upon completion of our Single Audit. Our reports will be addressed to the School Board of Bullitt County Schools. We cannot provide assurance that unmodified opinions will be expressed. Circumstances may arise in which it is necessary for us to modify our opinions or add emphasis-of-matter or other-matter paragraphs. If our opinions on the financial statements or the Single Audit compliance opinions are other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or issue reports, or may withdraw from this engagement.

AUDIT PROCEDURES—GENERAL

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We will plan and perform the audit to obtain reasonable rather than absolute assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the government or to acts by management or employees acting on behalf of the government. Because the determination of abuse is subjective, *Government Auditing Standards* do not expect auditors to provide reasonable assurance of detecting abuse.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements or noncompliance may exist and not be detected by us, even though the audit is properly planned and performed in accordance with U.S. generally accepted auditing standards and *Government Auditing Standards*. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements or major programs. However, we will inform the appropriate level of management of any material errors, any fraudulent financial reporting, or misappropriation of assets that come to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential, and of any material abuse that comes to our attention. We will include such matters in the reports required for a Single Audit. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, and may include tests of the physical existence of inventories, and direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. We will request written representations from your attorneys as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of our audit, we will require certain written representations from you about your responsibilities for the financial statements; schedule of expenditures of federal awards; federal award programs; compliance with laws, regulations, contracts, and grant agreements; and other responsibilities required by generally accepted auditing standards.

AUDIT PROCEDURES—INTERNAL CONTROL

Our audit will include obtaining an understanding of the government and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards*.

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As required by the Uniform Guidance, we will perform tests of controls over compliance to evaluate the effectiveness of the design and operation of controls that we consider relevant to preventing or detecting material noncompliance with compliance requirements applicable to each major federal award program. However, our tests will be less in scope than would be necessary to render an opinion on those controls and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to the Uniform Guidance.

An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards, *Government Auditing Standards*, and the Uniform Guidance.

AUDIT PROCEDURES—COMPLIANCE

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of Bullitt County Schools' compliance with provisions of applicable laws, regulations, contracts, and agreements, including grant agreements. However, the objective of those procedures will not be to provide an opinion on overall compliance, and we will not express such an opinion in our report on compliance issued pursuant to *Government Auditing Standards*.

The Uniform Guidance requires that we also plan and perform the audit to obtain reasonable assurance about whether the auditee has complied with applicable laws and regulations and the provisions of contracts and grant agreements applicable to major programs. Our procedures will consist of tests of transactions and other applicable procedures described in the *Uniform Guidance Compliance Supplement* for the types of compliance requirements that could have a direct and material effect on each of Bullitt County Schools' major programs. The purpose of these procedures will be to express an opinion on Bullitt County Schools' compliance with requirements applicable to each of its major programs in our report on compliance issued pursuant to Uniform Guidance.

OTHER SERVICES

We will also assist in preparing the financial statements, schedule of expenditures of federal awards, and related notes of Bullitt County Schools in conformity with U.S. generally accepted accounting principles and the Uniform Guidance based on information provided by you. These nonaudit services do not constitute an audit under *Government Auditing Standards* and such services will not be conducted in accordance with *Government Auditing Standards*.

MANAGEMENT RESPONSIBILITIES

Management is responsible for (1) establishing and maintaining effective internal controls, including internal controls over compliance, and for evaluating and monitoring ongoing activities, to help ensure that appropriate goals and objectives are met; (2) following laws and regulations; (3) ensuring that there is reasonable assurance that government programs are administered in compliance with compliance requirements; and (4) ensuring that management and financial information is reliable and properly reported. Management is also responsible for implementing systems designed to achieve compliance with applicable laws, regulations, contracts, and grant agreements. You are also responsible for the selection and application of accounting principles; for the preparation and fair presentation of the financial statements, schedule of expenditures of federal awards, and all accompanying information in conformity with U.S. generally accepted accounting principles; and for compliance with applicable laws and regulations and the provisions of contracts and grant agreements.

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Management is also responsible for making all financial records and related information available to us and for the accuracy and completeness of that information. You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, (2) additional information that we may request for the purpose of the audit, and (3) unrestricted access to persons within the government from whom we determine it necessary to obtain audit evidence.

Your responsibilities also include identifying significant vendor relationships in which the vendor has responsibility for program compliance and for the accuracy and completeness of that information. Your responsibilities include adjusting the financial statements to correct material misstatements and confirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the government involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the government received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the government complies with applicable laws, regulations, contracts, agreements, and grants. Management is also responsible for taking timely and appropriate steps to remedy fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements, or abuse that we report. Additionally, as required by Uniform Guidance, it is management's responsibility to follow up and take corrective action on reported audit findings and to prepare a summary schedule of prior audit findings and a corrective action plan. The summary schedule of prior audit findings should be available for our review on June 30, 2021.

You are responsible for identifying all federal awards received and understanding and complying with the compliance requirements and for the preparation of the schedule of expenditures of federal awards (including notes and noncash assistance received) in conformity with Uniform Guidance. You agree to include our report on the schedule of expenditures of federal awards in any document that contains and indicates that we have reported on the schedule of expenditures of federal awards. You also agree to [include the audited financial statements with any presentation of the schedule of expenditures of federal awards that includes our report thereon OR make the audited financial statements readily available to intended users of the schedule of expenditures of federal awards no later than the date the schedule of expenditures of federal awards is issued with our report thereon]. Your responsibilities include acknowledging to us in the written representation letter that (1) you are responsible for presentation of the schedule of expenditures of federal awards in accordance with the Uniform Guidance; (2) you believe the schedule of expenditures of federal awards, including its form and content, is fairly presented in accordance with the Uniform Guidance; (3) the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the schedule of expenditures of federal awards.

You are also responsible for the preparation of the other supplementary information, which we have been engaged to report on, in conformity with U.S. generally accepted accounting principles. You agree to include our report on the supplementary information in any document that contains and indicates that we have reported on the supplementary information. You also agree to [include the audited financial statements with any presentation of the supplementary information that includes our report thereon OR make the audited financial statements readily available to users of the supplementary information no later than the date the

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supplementary information is issued with our report thereon]. Your responsibilities include acknowledging to us in the written representation letter that (1) you are responsible for presentation of the supplementary information in accordance with GAAP; (2) you believe the supplementary information, including its form and content, is fairly presented in accordance with GAAP; (3) the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the supplementary information.

Management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying and providing report copies of previous financial audits, attestation engagements, performance audits, or other studies related to the objectives discussed in the Audit Objectives section of this letter. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits, attestation engagements, performance audits, or studies. You are also responsible for providing management's views on our current findings, conclusions, and recommendations, as well as your planned corrective actions, for the report, and for the timing and format for providing that information.

You agree to assume all management responsibilities relating to the financial statements, schedule of expenditures of federal awards, related notes, and any other nonaudit services we provide. You will be required to acknowledge in the management representation letter our assistance with preparation of the financial statements, schedule of expenditures of federal awards, and related notes and that you have reviewed and approved the financial statements, schedule of expenditures of federal awards, and related notes prior to their issuance and have accepted responsibility for them. Further, you agree to oversee the nonaudit services by designating an individual, preferably from senior management, with suitable skill, knowledge, or experience; evaluate the adequacy and results of those services; and accept responsibility for them.

DISPUTE RESOLUTION

Any dispute or claim arising out of or relating to this agreement now or thereafter (including any such matters involving any parent, subsidiary, affiliate, successor in interest, subcontractor or agent) shall be submitted first to voluntary mediation.

If any dispute, controversy or claim arises in connection with the performance or breach of this agreement, either party may, upon written notice to the other party, request facilitated negotiations. Such negotiations shall be assisted by a neutral facilitator acceptable to both parties and shall require the best efforts of the parties to discuss with each other in good faith their respective positions and, respecting their different interests, to finally resolve such dispute. If the parties cannot agree to a mediator, a mediator shall be designated by the American Arbitration Association (AAA). Any mediator so designated must be acceptable to all parties.

Each party may disclose any facts to the other party or to the facilitator which it, in good faith, considers necessary to resolve the dispute. However, all such disclosures will be deemed in furtherance of settlement efforts and will not be admissible in any subsequent litigation against the disclosing party. Except as agreed to by both parties, the facilitator shall keep confidential all information disclosed during negotiations. The facilitator shall not act as a witness for either party in any subsequent arbitration between the parties.

Such facilitated negotiations shall conclude within ninety days from either receipt of the written notice unless extended by mutual consent. The parties may also agree at any time to terminate or waive facilitated negotiations. The costs incurred by each party in such negotiations will be borne by both, the fees and expenses of the facilitator, if any, shall be borne equally by the parties.

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If any dispute, controversy or claim arises in connection with the performance or breach of this agreement and cannot be resolved by facilitated negotiations (or the parties agree to waive that process) then such dispute, controversy or claim shall be settled by arbitration in accordance with the laws of the State of Ohio and the then current Arbitration Rules for Professional Accounting and Related Disputes of the American Arbitration Association, except that no prehearing discovery shall be permitted unless specifically authorized by the arbitration panel, and shall take place in Ohio, unless the parties agree to a different locale.

Such arbitration shall be conducted before a panel of three persons, one chosen by each party and the third selected by the two parties – selected arbitrators. The arbitration panel shall have no authority to award non-monetary or equitable relief, and any monetary award shall not include punitive damages. The confidentiality provisions applicable to facilitated negotiation shall also apply to arbitration.

The award issued by the arbitration panel may be confirmed in a judgment by any federal or state court of competent jurisdiction. All reasonable costs of both parties, as determined by the arbitrators, including but not limited to (1) the costs, including reasonable attorneys' fees, of the arbitration; (2) the fees and the

expenses of the AAA and the arbitrators and (3) the costs, including reasonable attorneys' fees, necessary to confirm the award in court shall be borne entirely by the non-prevailing party (to be designated by the arbitration panel in the award) and may not be allocated between the parties by arbitration panel.

TRIAL BY JUDGE

In the unlikely event that differences concerning our services or fees should arise that are not resolved by mutual agreement, we both recognize that the matter will probably involve complex business or accounting issues that would be decided most equitably to us by a judge hearing the evidence without a jury. Accordingly, you and we agree to waive any right to a trial by jury in any action, proceeding, or counterclaim, arising out of or relating to our services and fees for this engagement.

FEES FOR SERVICES AND BILLING TERMS

Our fees for these services will be \$30,000. [Our fees assume that one/two major program(s) will be required to be tested under Uniform Guidance, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. If additional major programs are required to be tested, we will discuss the additional charge prior to the commencement of work.] You will also be billed for [travel and other] out-of-pocket costs such as delivery, report production for additional reports, word processing, postage, etc. The fees are based on timely and complete cooperation from your personnel in the form of preparation of audit schedules and providing us with other necessary documents and the assumption that new or unexpected circumstances will not be encountered during the audit such as the following:

- New chart of accounts or new accounting software
- New and material financial statement accounts
- Additional procedures in response to fraud risks
- Adoption of new accounting or auditing standards
- Unusual transactions during the year
- Staff withdrawal from the established timetable
- Auditing findings related to internal control or non-compliance with laws, regulations and grant agreements
- Litigation or other contingencies
- Errors in your accounting records requiring audit adjusting entries
- Requests for information from regulatory agencies, funders, etc.

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If significant additional time is necessary, we will discuss it with you and arrive at a new fee. Our invoices for these fees will be rendered each month as work progresses and are payable on presentation. It is our policy to assess a late charge of 1.5% per month (18% per annum) on the unpaid balance of all accounts over 30 days past due. Late charges will show as a separate line item on monthly statements. Additionally, work may be suspended if your account becomes 90 days or more overdue and will not be resumed until your account is paid in full. Further, we will not be responsible for any losses incurred as a result of such work stoppage. You will assume responsibility for any such losses.

RECORDS RETENTION

It is our policy to retain engagement documentation for a period of seven years, after which time we will destroy the contents of our engagement files. Any of your original records we accumulate during the engagement will be returned to you promptly upon completion of the engagement.

Should this engagement continue six months past the statement of financial position date, our fees may increase by a small percentage (less than 5%) as a result of our firm's semi-annual review of our hourly rates.

CONSIDERATION OF EMPLOYMENT OF ENGAGEMENT PERSONNEL

Our independence standards require that members of the engagement team who intend to seek or discuss potential employment or who have received a specific offer of employment be removed from the attest engagement team. In order to adhere to these standards, you agree to notify the Engagement Director prior to initiating or engaging in any discussion of employment with engagement personnel during the period of an attest engagement.

HIRING OF OUR PROFESSIONAL STAFF

It may occur, in the course of our relationship that a member of our staff would leave our firm as a result of your offering employment. Since our firm frequently pays employment fees for staff and makes substantial investment in the development of our professionals, you will reimburse us a negotiated amount not to exceed twenty-five percent of the starting salary paid by your Organization.

ELECTRONIC DATA

We will maintain various physical, electronic, policy, and procedural safeguards to guard your information and personal data. We may communicate with you and/or store data through email, facsimile, third-party vendor secured portals or cloud environments, or other electronic means. If a more secure medium of communicate is desired, we will provide you with various electronic alternatives. Electronic data that is confidential may be transmitted and/or stored using these methods and you authorize us to do so. Notwithstanding the security measures and safeguards employed by us and/or our third-party vendors, you accept that we have no control over the unauthorized interception or breach of communications and/or data. All confidential, proprietary, and personally identifiable information should be transmitted through secure means which we have available. We may communicate with you or your other representatives through unencrypted email and you authorize us to do so. Emails can be intercepted and read, disclosed, or otherwise used or shared with an unintended third party, or may not be delivered to each of the parties or persons to whom they were originally directed. As such we cannot guarantee emails will be read only by the intended recipient(s). In the event of a data breach, each of us agrees to notify each other in the most expedient time possible and without unreasonable delay. We specifically disclaim and waive any liability or responsibility whatsoever for the unauthorized interception and/or disclosure of confidential or proprietary information transmitted in connection with the performance of this engagement, except to the extent determined as a result from our gross negligence or willful misconduct.

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FEES FOR PRODUCTION REQUESTS

In the event we are requested or authorized by Bullitt County Schools or are required by government regulation, subpoena, or other legal process to produce our documents or our personnel as witnesses with respect to our engagements for Bullitt County Schools, Bullitt County Schools will, so long as we are not party to the proceeding in which the information is sought, reimburse us for our professional time and expenses, as well as the fees and expenses of our counsel, incurred in responding to such requests.

USE OF OUR REPORTS IN PUBLIC OR PRIVATE OFFERING OF EQUITY OR DEBT SECURITIES

Our professional standards require that we perform certain additional reviews and other procedures whenever our reports are included, or we are named as accountants, auditors or "experts" in a document used in a public or private offering of equity or debt securities. Accordingly, you agree that you will not include our reports, or otherwise make reference to us, in any public or private securities offering without first obtaining our consent. Any request to consent is a matter for which separate arrangements will be necessary.

USE OF OUR REPORT ON WEBSITES OR WITH OTHER MATERIAL

You are responsible to notify us in advance of your intent to reproduce our report for any reason, in whole or in part, and to give us the opportunity to review and approve any printed material containing our report before its issuance. Our fees for review and approval of any printed material, and any related services to be provided to you in connection therewith, will be established with you at the time such services are determined to be necessary or appropriate. Such notification does not constitute an acknowledgement on our part of any third party's intent to rely on the financial statements. With regard to financial statements published electronically on your internet website, you understand that electronic sites are a means to reproduce and distribute information. We are not required to read the information contained in your sites, or to consider the consistency of other information in the electronic site with the original document.

TERMINATION OF SERVICE FOR NONPAYMENT

If we elect to terminate our services for nonpayment, or for any other reason provided for in this letter, our engagement will be deemed to have been completed upon written notification of termination, even if we have not completed our report. You will be obligated to compensate us for all time expended, and to reimburse us for all of our out-of-pocket costs, through the date of termination.

INDEMNIFICATION FOR INACCURATE OR INCOMPLETE INFORMATION PROVIDED

In the event we are or may be obligated to pay any cost, settlement, judgment, fine, penalty, or similar award or sanction as a result of a claim, investigation, or other proceeding instituted by any third party, then to the extent such obligation is or may be a direct or indirect result of your intentional or knowing misrepresentation or provision to us of inaccurate, incomplete, or misleading information in connection with this engagement, you agree to indemnify us, defend us, and hold us harmless as against such obligations.

LIMITATION OF LIABILITY

Except to the extent finally determined to have resulted from our fraudulent behavior or willful misconduct: (1) our maximum liability to Bullitt County Schools for any reason including our negligence, related to the services under this letter shall be limited to the fees paid to us for the services or work product giving rise to liability and (2) Bullitt County Schools will indemnify and hold us harmless and our personnel from any claims, liabilities, costs, and expenses arising for any reason. Neither party to this engagement letter will

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directly or indirectly agree to assign, transfer or sell to anyone any claim against the other party arising out of this engagement letter.

LIMITATIONS ON CLAIMS

It is agreed by the parties to this agreement, or any successors in interest, that no claim arising out of services rendered pursuant to this agreement by or on behalf of the Company shall be asserted more than two years after the date of issuance of the corresponding report or tax return by Barnes, Dennig & Co., Ltd, unless a shorter limit is imposed by the controlling state law.

OTHER TERMS

At the conclusion of the engagement, we will complete the appropriate sections of the Data Collection Form that summarizes our audit findings. It is management's responsibility to submit the reporting package (including financial statements, schedule of expenditures of federal awards, summary schedule of prior audit findings, auditor's reports, and corrective action plan) along with the Data Collection Form to the Federal Audit Clearinghouse. We will coordinate with you the electronic submission and certification. If applicable, we will provide copies of our report for you to include with the reporting package you will submit to pass-through entities. The Data Collection Form and the reporting package must be submitted 30 days after receipt of the auditor's report(s) or nine (9) months after the end of the fiscal year end date —whichever comes first, unless a longer period is agreed to in advance by the cognizant or oversight agency for audit.

The audit documentation for this engagement is the property of Barnes Dennig & Co., Ltd., and constitutes confidential information. However, pursuant to authority given by law or regulation, we may be requested to make certain audit documentation available to your oversight agency, or its designee, a federal agency providing direct or indirect funding, or the U.S. Government Accountability Office for purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of Barnes Dennig & Co., Ltd. personnel. Furthermore, upon request, we may provide copies of selected audit documentation to the aforementioned parties. These parties may intend, or decide, to distribute the copies or information contained therein to others, including other governmental agencies.

The audit documentation for this engagement will be retained for a minimum of five years after the report release date or for any additional period requested by the oversight agency or pass-through entity. If we are aware that a federal awarding agency, pass-through entity, or auditee is contesting an audit finding, we will contact the party(ies) contesting the audit finding for guidance prior to destroying the audit documentation.

Government Auditing Standards require that we provide you with a copy of our most recent external peer review report and any letter of comment, and any subsequent peer review reports and letters of comment received during the period of the contract. Our 2018 peer review report accompanies this letter.

This engagement is contractual in nature and includes all of the relevant terms that will govern the engagement for which it has been prepared. The terms of this letter supersede any prior oral or written representations or commitments by or between the parties. Any material changes or additions to the terms set forth in this letter will only become effective if evidenced by a written amendment to this letter, signed by all of the parties.

If any portion of this letter is held invalid, it is agreed that such invalidity shall not affect any of the remaining portions.

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CONCLUSION

We appreciate the opportunity to be of service to you and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us.

Very truly yours,

BARNES DENNIG & CO., LTD.

By:



George S. Sparks, Jr., CPA
Engagement Director

GSS/mcr

RESPONSE:

This letter correctly sets forth the understanding of the Bullitt County Schools:

Signature: _____

Title: _____

Date: _____

Independent Auditor's Contract

To provide for a school district audit in compliance with KRS 156.255, 156.265, 156.275, 156.285, 156.295, and 156.480, this agreement is entered into for audit period ending June 30, 2021, between the Bullitt County Board of Education (BOARD), and Barnes Dennig & Co., Ltd., (ACCOUNTANT), who is a Certified Public Accountant or a Public Accountant registered with the **Kentucky** State Board of Accountancy.

I. DUTIES OF ACCOUNTANT

- A. The ACCOUNTANT shall render an opinion on the financial statements of the BOARD for fiscal year 2020-2021. The scope and nature of the audit shall be in accordance with the Auditor Responsibilities and State Compliance Requirements. These requirements are incorporated as a part of this agreement.
- B. ACCOUNTANT shall address the audit report and written comments to the BOARD and to the State Committee for School District Audits (COMMITTEE).
- C. ACCOUNTANT shall deliver the audit report in accordance with Section VII.A. DELIVERY OF AUDIT REPORT. If the audit report cannot be timely submitted, the ACCOUNTANT shall submit an Audit Extension Request in accordance with Section VI.A. AUDIT EXTENSION REQUEST.

II. DUTIES OF BOARD

- A. The BOARD shall make available to the ACCOUNTANT no later than August 2, 2021, all books, accounts, reports, vouchers, correspondence files, records, money, and property under its control which may be requested by the ACCOUNTANT in the course of performing the audit.

III. AUTHORITY OF COMMITTEE

- A. The COMMITTEE and the Kentucky Department of Education (KDE) may examine work papers of the ACCOUNTANT and may perform quality control reviews of the audit procedures utilized during the course of the audit;
- B. The COMMITTEE and the BOARD may prohibit the use of any subcontractor by the ACCOUNTANT in their sole discretion. During the term of the contract, no subcontractor shall be used without the prior written approval of the COMMITTEE and the BOARD; and
- C. The COMMITTEE will consider Audit Extension Requests submitted by ACCOUNTANT prior to October 1, 2021. Provided the COMMITTEE determines the delay is unavoidable and due to factors beyond the ACCOUNTANT'S control, the COMMITTEE may, in their sole discretion, allow for the audit to be submitted to KDE without penalty after the November 15, 2021 due date.

IV. COMPENSATION

- A. The ACCOUNTANT shall be paid an amount agreed upon between the ACCOUNTANT and the BOARD, consistent with the Audit Acceptance Statement, which is incorporated herein by reference, for the successful completion of the work defined by this agreement.
- B. Final payment is predicated upon completion of the work as described in Section I. DUTIES OF ACCOUNTANT and delivery of documentation as described in Section VII. DELIVERY OF AUDIT REPORT.
- C. Compensation to the ACCOUNTANT in excess of the amount stated on the AUDIT ACCEPTANCE STATEMENT must **be approved by the COMMITTEE if said increase exceeds \$1,000 or 10% of the audit fee, whichever is less. The ACCOUNTANT must submit a written explanation to the BOARD and the COMMITTEE for the requested increase in compensation before the COMMITTEE will consider any increase. The requested increase and written explanation must be submitted to the BOARD and Committee no later than submission of ACCOUNTANT'S invoice for payment.**
- D. The ACCOUNTANT shall submit to the BOARD an invoice for payment which shall be signed by the ACCOUNTANT and contain adequate supporting documentation such as: **detail of hours worked by each auditor classification (e.g., partner, manager, supervisor, senior, staff, etc.) in major audit areas or supervisory/administrative functions.**

V. SUPPLEMENTAL AGREEMENTS

- A. The scope of the audit may be increased or decreased by written supplemental agreement between the BOARD and the ACCOUNTANT, if the reasons for the increase or decrease have first been reported in writing by the ACCOUNTANT to the COMMITTEE and the COMMITTEE approves the increase or decrease. The audit fee may be adjusted for the increase or decrease in the scope of the audit in accordance with Section IV.C. COMPENSATION.

VI. AUDIT EXTENSION REQUEST

- A. If the audit cannot be completed on or before November 15, 2021, due to factors beyond the control of the ACCOUNTANT, the ACCOUNTANT shall electronically submit an Audit Extension Request form, fully completed by both the ACCOUNTANT and the BOARD, to KDE on or before October 1, 2021. The form is provided in **Appendix I - Audit Extension Request**.

VII. DELIVERY OF AUDIT REPORT

- A. The ACCOUNTANT agrees to begin the audit of the BOARD on or before August 2, 2021 or 15 days from execution date of this contract, whichever is later, and further agrees to complete and deliver a signed paper copy of the audit report to the BOARD, one signed paper copy to the COMMITTEE in care of KDE, and an electronic copy to KDE in accordance with **Appendix II - Instructions for Submission of the Audit Report** on or before November 15, 2021, or at a later date approved by the COMMITTEE. All electronic and paper copies of the audit report must be received by KDE on or before November 15, 2021 for it to be considered filed timely. If the audit report has not been received by KDE on or before November 15, 2021 or by the later date approved by the COMMITTEE, the audit will be considered late and penalties as outlined in Section VIII. PENALTIES may be imposed at the discretion of the COMMITTEE.

VIII. PENALTIES

- IX. There may be a 10% reduction of the audit fee if one or more of the following conditions occur: (1) the audit report is not submitted in accordance with VII.A. DELIVERY OF AUDIT REPORT; or (2) the audit report does not contain the information shown under Audit Report Requirements.
- X. The ACCOUNTANT may, in the sole discretion of the COMMITTEE, be ineligible to conduct a school district audit for the upcoming fiscal year if one or more of the conditions in section A occur.
- XI. The COMMITTEE may, in its sole discretion, waive penalties for delays caused by circumstances beyond the control of the ACCOUNTANT.

XII. EFFECTIVE DATE

- XIII. This agreement, between the ACCOUNTANT and the BOARD, shall not become effective until this contract has been approved by the COMMITTEE and signed by the COMMITTEE Chair. This agreement is effective for the 2020-2021 fiscal year.

XIII. TERMINATION

- A. The BOARD shall have the right to terminate and cancel this contract at any time without cause upon 30 days written notice served on the ACCOUNTANT by registered or certified mail. The BOARD shall have the right to terminate and cancel this contract for cause upon five days written notice served on the ACCOUNTANT by registered or certified mail.
- B. If cause exists to terminate the contract, and the BOARD does not terminate, the COMMITTEE may terminate and cancel this contract for cause upon five days written notice served on the ACCOUNTANT by registered or certified mail.
- C. "Cause" includes, but is not limited to any of the following:
 - 1. Failure to commence work within 15 days of execution of the contract or on or before August 2, 2021, whichever is later;
 - 2. Previous history of extension requests by the same ACCOUNTANT for the same district;
 - 3. Failure to submit the audit on or before November 15, 2021;

4. Failure to communicate to KDE timely about problems encountered in conducting the audit;
5. Violation of any of the provisions in Section XI. REPRESENTATIONS AND WARRANTIES; or
6. Failure to abide by any of the terms and conditions of this agreement.

Cause shall not include any factor wholly the fault of the BOARD.

XI. REPRESENTATION AND WARRANTIES

- A. The ACCOUNTANT is legally able and authorized to enter into contracts with the BOARD, including on behalf of any entity under which the ACCOUNTANT practices.
- B. The performance of this agreement would not violate any conflict of interest law, including but not limited to KRS 156.480.
- C. The ACCOUNTANT has no personal interest in the financial affairs of the BOARD or any of its officers or employees.

XII. MATERIALS INCORPORATED BY REFERENCE


- A. Any materials referred to herein are incorporated by reference and made a part of this contract, which shall include the materials attached hereto and supplied to the ACCOUNTANT, consisting of 34 pages.

XIII. MISCELLANEOUS

- A. ACCOUNTANT or Partner has authority to enter into this contract on behalf of the FIRM noted below.
- B. A copy or electronic copy of this contract shall be enforceable the same as an original.
- C. This contract may be executed in counterparts and taken together shall serve as a single enforceable contract.

THIS AGREEMENT ENTERED INTO AS DATED BELOW:

AGREED TO BY:

| | |
|--|--|
| <p>_____ BOARD OF EDUCATION</p> <p>_____ BY: SCHOOL BOARD CHAIR DATE</p> <p>_____ SECRETARY DATE</p> | <p>George S. Sparks/Barnes Dennig & Co., Ltd. ACCOUNTANT/FIRM</p> <p> May 17, 2021 BY: PARTNER DATE</p> |
|--|--|

ACCEPTED BY:

STATE COMMITTEE FOR SCHOOL DISTRICT AUDITS

BY: STATE COMMITTEE CHAIR **DATE**

One signed audit contract is due to KDE by close of business on May 28, 2021.

Please send to:

Kentucky Department of Education
Division of District Support
Attn: District Financial Management Branch
300 Sower Blvd, 4th Floor
Frankfort, KY 40601

Report on the Firm's System of Quality Control

December 19, 2018

To the Partners of
Barnes Dennig & Co., Ltd.
and the National Peer Review Committee of the AICPA

We have reviewed the system of quality control for the accounting and auditing practice of Barnes Dennig & Co., Ltd. (the firm) applicable to engagements not subject to PCAOB permanent inspection in effect for the year ended June 30, 2018. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants (Standards).

A summary of the nature, objectives, scope limitations of, and the procedures performed in a System Review as described in the Standards may be found at www.aicpa.org/prsummary. The summary also includes an explanation of how engagements identified as not performed or reported in conformity with applicable professional standards, if any, are evaluated by a peer reviewer to determine a peer review rating.

Firm's Responsibility

The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. The firm is also responsible for evaluating actions to promptly remediate engagements deemed as not performed or reported in conformity with professional standards, when appropriate, and for remediating weaknesses in its system of quality control, if any.

Peer Reviewer's Responsibility

Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review.

Required Selections and Considerations

Engagements selected for review included engagements performed under Government Auditing Standards, including compliance audits under the Single Audit Act, audits of employee benefit plans, and an examination of a service organization [SOC 1 engagement].

As a part of our peer review, we considered reviews by regulatory entities as communicated by the firm, if applicable, in determining the nature and extent of our procedures.

Opinion

In our opinion, the system of quality control for the accounting and auditing practice of Barnes Dennig & Co., Ltd. applicable to engagements not subject to PCAOB permanent inspection in effect for the year ended June 30, 2018, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of pass, pass with deficiency(ies) or fail. Barnes Dennig & Co., Ltd. has received a peer review rating of pass.


WEAVER AND TIDWELL, L.L.P.