



# Report to Those Charged with Governance on the Results of the Annual Independent Audits

## Board of Education of Jefferson County, Kentucky

For the Year Ended June 30, 2023

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, 2023. 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.

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 of the District, 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 audits.

# Meet the Team



**Jim Tencza**, CPA, CIA, CGMA  
*Director*



**Simon Keemer**, CPA, CGMA, FCA  
*Director*



**Megan Crane**, CPA  
*Associate Director*  
Single Audit



**Andrew Harris**, CPA  
*Manager*  
Single Audit



**Philip Gonzales**, CPA  
*Supervisor*  
Financial Statement Audit



**Curtis Applebaum**  
*Lead Auditor*  
School Activity Fund Audits

# Overview of Audit Engagements

We expect to issue the following reports:

## **Annual Comprehensive Financial Report**

- An unmodified opinion on the District's financial statements for the year ended June 30, 2023.

## **Single Audit**

- An unmodified 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 Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* at 2 CFR 200 (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, 2023.
- An unmodified opinion over the fiduciary net position of the Jefferson County Board of Education Middle School Activity Funds as of June 30, 2023.
- An unmodified opinion over the fiduciary net position of the Jefferson County Board of Education High School Activity Funds as of June 30, 2023.

# Auditor Communications

Auditing standards generally accepted in the United States of America (AU-C 260, *The Auditor's Communication With Those Charged With Governance*) require the auditor to promote effective two-way communication between the auditor and those charged with governance.

Consistent with this requirement, the following summarizes our responsibilities regarding the audits as well as observations arising from our audits that are significant and relevant to your responsibility to oversee the financial and related compliance reporting process.

# Auditor Communications

AREA	COMMENTS
<p><b>Our Responsibilities With Regard to the Financial Statement and Compliance Audits Under:</b></p> <ul style="list-style-type: none"> <li>• <b>U.S. Generally Accepted Auditing Standards</b></li> <li>• <b><i>Government Auditing Standards</i>, issued by the Comptroller General of the United States</b></li> <li>• <b>The Uniform Guidance</b></li> <li>• <b><i>Kentucky Public School Districts' Audit Contract and Requirements</i> prescribed by the Kentucky State Committee for School District Audits</b></li> </ul> <p>Our audits do not relieve management or those charged with governance of their responsibilities, which have been described in our arrangement letter dated April 13, 2023.</p>	<p>Our responsibilities have been described in our arrangement letter dated April 13, 2023.</p> <p>Our responsibilities, as also stated in our auditors' reports, are summarized as follows:</p> <ul style="list-style-type: none"> <li>• Our audits were conducted in accordance with all relevant audit standards.</li> <li>• 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.</li> <li>• 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.</li> </ul>

# Auditor Communications

AREA	COMMENTS
<b>Our Responsibilities, continued</b>	<ul style="list-style-type: none"><li>• 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.</li><li>• 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.</li></ul>
<b>Overview of the Planned Scope and Timing of the Audits</b>	We performed the audits according to the planned scope and timing previously communicated to you in our letter dated August 7, 2023, regarding the nature, timing and extent of our audit procedures, and identified significant risks.

# Auditor Communications

AREA	COMMENTS
<p><b>Accounting Policies and Practices</b></p> <p>Management has the ultimate responsibility for the appropriateness of the accounting policies used by the District.</p> <p>Under generally accepted accounting principles, in certain circumstances, management may elect among alternative accounting practices. In our view, in such circumstances, management has selected the preferable accounting practice.</p>	<ul style="list-style-type: none"> <li>• The District adopted GASB 96, <i>Subscription-based Information Technology Arrangements (SBITAs)</i> in the year ended June 30, 2023. There were no other new accounting policies, nor have there been any changes in existing significant accounting policies during the current period.</li> <li>• We did not identify any significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.</li> <li>• We did not identify any significant unusual transactions.</li> <li>• Significant accounting policies are described in Note A to the financial statements.</li> </ul>



# Auditor Communications

AREA	COMMENTS
<p><b>Significant Accounting Policies</b></p> <p>The disclosures are neutral, consistent and clear. Certain disclosures are particularly sensitive because of their significance to the users of the financial statements.</p>	<p>Significant accounting policies are described in Note A to the financial statements.</p> <p>The most sensitive disclosures affecting the financial statements are:</p> <ul style="list-style-type: none"> <li>• Note B – Cash, Cash Equivalents, and Investments</li> <li>• Note D – Capital Assets</li> <li>• Note E – Long-Term Liabilities</li> <li>• Note F – Retirement Plans</li> <li>• Note H – Postemployment Benefits</li> </ul>
<p><b>Management Judgments and Accounting Estimates</b></p> <p>Accounting estimates are an integral part of the preparation of financial statements and are based upon management’s current judgment. 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>	<p>The most notable estimates affecting the financial statements are:</p> <ul style="list-style-type: none"> <li>• Depreciation and useful lives of capital assets (see Note A)</li> <li>• Sick leave accrual (see Note E)</li> <li>• Workers’ compensation (see Note E)</li> <li>• Pension and OPEB related estimates (management uses reports from CERS and KTRS for balances included in the financial statements)</li> </ul> <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>

# Auditor Communications

AREA	COMMENTS
<p><b>Audit Adjustments and Uncorrected Misstatements</b></p> <p>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>	<p>There were no audit adjustments made to the original trial balances presented to us to begin our audits.</p> <p>We are not aware of any uncorrected misstatements other than misstatements that are clearly trivial.</p>
<p><b>Departure from the Auditors' Standard Report</b></p>	<p>We do not anticipate any departures from the auditors' standard report.</p>

# Auditor Communications

AREA	COMMENTS
<p><b>Other Information in Documents Containing Audited Financial Statements</b></p> <p>Our responsibility for other information in documents containing the District’s audited financial statements is contained within the auditors’ report.</p>	<p>The District prepares an Annual Comprehensive Financial Report (ACFR).</p> <p>Included within the Financial Section of the ACFR is the following:</p> <ul style="list-style-type: none"> <li>• Management’s Discussion and Analysis (MD&amp;A)</li> <li>• Require Supplementary Information (RSI)               <ul style="list-style-type: none"> <li>• Budgetary comparison information for the General and Special Revenue funds</li> <li>• Various Pension and OPEB schedules and information</li> </ul> </li> <li>• Supplementary Information (SI)               <ul style="list-style-type: none"> <li>• Budgetary comparison information for other funds</li> <li>• Combining financial statements for the nonmajor funds</li> </ul> </li> </ul> <p>We do not express an opinion or provide any assurance on the MD&amp;A, RSI or budgetary comparison information in the SI because the limited procedures we perform on the information does not provide us with sufficient evidence to express an opinion or provide any assurance.</p> <p>We provide an “in relation to” opinion for the combining financial statements in the SI.</p>

# Auditor Communications

AREA	COMMENTS
<b>Other Information in Documents Containing Audited Financial Statements, continued</b>	<p>The ACFR also includes Introductory and Statistical sections which are not subject to our audit procedures, and accordingly, we do not express an opinion or provide any assurance on them.</p> <p>To our knowledge, the 2023 audited financial statements for the District are not included in any other document.</p>
<b>Disagreements With Management</b>	<p>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.</p>
<b>Consultations With Other Independent Accountants</b>	<p>We are not aware of any consultations management had with other accountants about accounting or auditing matters.</p>
<b>Significant Issues Discussed With Management</b>	<p>No significant issues arising from the audit were discussed or were the subject of correspondence with management.</p>

# Auditor Communications

AREA	COMMENTS
<b>Significant Difficulties Encountered in Performing the Audits</b>	We did not encounter any significant difficulties in dealing with management during the audit.
<b>Difficult or Contentious Matters That Required Consultation</b>	We did not encounter any significant and difficult or contentious matters that required consultation outside the engagement team.
<b>Internal Control and Compliance Matters</b>	Internal control findings will be discussed later in this report.  If any significant deficiencies and material weaknesses in internal control over financial reporting or any compliance findings are identified during our audit of the financial statements or major awards, they are required by <i>Government Auditing Standards</i> and the Uniform Guidance to be included in the schedule of findings and questioned costs within the Single Audit reporting package.
<b>Management Representations</b>	We will request certain representations from management that will be included in the management representation letter, which is expected to be dated November 14, 2023.

# Auditor Communications

AREA	COMMENTS
<p><b>Shared Responsibilities for Independence</b></p> <p>The AICPA regularly emphasizes that auditor independence is a joint responsibility and is managed most effectively when management, those charged with governance of the District, and the audit firm work together in considering compliance with AICPA independence rules. For Dean Dorton to fulfill its professional responsibility to maintain and monitor independence, those charged with governance of the District, and Dean Dorton each play an important role.</p> <p>Dean Dorton’s responsibilities:</p> <ul style="list-style-type: none"> <li>• AICPA rules require independence both of mind and in appearance when providing audit and other attestation services. Dean Dorton is to ensure that the AICPA’s General Requirements for performing non-attest services are adhered to and included in all letters of engagement.</li> <li>• Maintain a system of quality control over compliance with independence rules and firm policies.</li> </ul>	<p>The District’s responsibilities:</p> <ul style="list-style-type: none"> <li>• Timely inform Dean Dorton, before the effective date, of significant transactions or other business changes, including new affiliates, directors, officers, or person in financial reporting oversight roles.</li> <li>• Provide necessary affiliate information such as new or updated investment structure charts, as well as financial information required to perform materiality calculations needed for making affiliate determinations.</li> <li>• Understand and conclude on the permissibility, prior to the District and its affiliates, officers, directors, or persons in a decision-making capacity, engaging in business relationships with Dean Dorton.</li> <li>• Not entering into relationships resulting in Dean Dorton, Dean Dorton covered persons or their close family members, temporarily or permanently acting as an officer, director, or person in an accounting or financial reporting oversight role at the District.</li> </ul>

# Internal Control Findings Definitions

Internal control deficiencies are defined as follows:

- Internal control deficiency – 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, financial statement misstatements on a timely basis.
  - *Deficiency in design:* A control necessary to meet the control objective is missing, or when an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met.
  - *Deficiency in operation:* A properly designed control does not operate as designed or when the person performing the control does not possess the necessary authority or qualifications to perform the control effectively.
  
- 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
  
- 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.

# Internal Control Findings

## Current Year

- Material weaknesses – None identified
- Significant deficiencies – None reported

## Follow-up on Prior Year Findings

- There were no findings related to the audit of the ACFR in the prior year



# 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 – 73 in the current year
- Findings noted in prior years
  - 115 in 2021-22
  - 31 in 2020-2021 (in-person learning for one quarter of the year)
  - 98 in 2019-2020 (in-person learning for three quarters of the year)
- Overall assessment of school-level accounting

# Summary of Single Audit

- Major programs audited:
  - 84.010: Title I Grants to Local Educational Agencies
  - 84.367: Supporting Effective Instruction State Grants
  - 84.425: COVID-19 Education Stabilization Fund/ESSER Funds
- We expect to issue an unmodified opinion
- No findings noted through today

# Upcoming GASB Standards, continued

- No. 100, *Accounting for Changes and Error Corrections*
- No. 101, *Compensated Absences*



Questions?

DEANDORTON

# Thank you

Jim Tencza, CPA, CIA, CGMA

Director

JTencza@deandorton.com

502.566.1071

Simon Keemer, CPA, CGMA, ACA

Director

SKeemer@deandorton.com

502.566.1036

Megan Crane, CPA

Associate Director

MCrane@deandorton.com

859.425.7643

DEANDORTON