

**DATE:**

April 25, 2025

**AGENDA ITEM (ACTION ITEM):**

Consider/Approve Independent Auditor Contract for 2025 Financial Audit

**APPLICABLE BOARD POLICY:**

4.9 Fiscal Management - Audits

**HISTORY/BACKGROUND:**

KCSD requested quotes for annual audit services this year and the firm LBMC in Louisville, KY proposed a fee of \$52,000 plus travel expenses, an increase of \$3,000 over last year's fee. LBMC successfully conducted the KCSD audit for several years in the past and in 2024. They are familiar with the district's operations, provided adequate qualified resources to complete the audit within the timeframe and have significant experience auditing KY school districts. The audit will be completed and submitted in accordance with all requirements specified in the 2025 Independent Auditor's Contract.

**FISCAL/BUDGETARY IMPACT:**

\$52,000 plus travel costs

**RECOMMENDATION:**

Approval of the contract with LBMC as the independent auditor for the 2025 financial audit for professional fees of \$52,000 plus travel expenses, subject to the terms and conditions of the 2025 Independent Auditor's Contract.

**CONTACT PERSON:**

Susan Bentle, Exec Director Finance

\_\_\_\_\_  
Principal

  
\_\_\_\_\_  
District Administrator

  
\_\_\_\_\_  
Superintendent

## **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 between the Kenton County ☒ Board of Education (BOARD), and LPMC, PC ☒ (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 2024-2025. 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 VII.A. AUDIT EXTENSION REQUEST.

### **II. DUTIES OF BOARD**

- A. The BOARD shall make available to the ACCOUNTANT no later than August 1, 2025, 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 October 1, 2025 to KDE pursuant to Section VI. 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 November 15, 2025, 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. 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.

## **VI. AUDIT EXTENSION REQUEST**

- A. If the audit cannot be completed on or before November 15, 2025, 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 by October 1, 2025. 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 1, 2025 or 15 days from execution date of this contract, and further agrees to complete and deliver a signed paper copy of the audit report to the BOARD, and an electronic copy to KDE in accordance with **Appendix II - Instructions for Submission of the Audit Report** on or before November 15, 2025, or at a later date approved by the COMMITTEE. The electronic copy of the audit report must be received by KDE on or before November 15, 2025, for it to be considered filed timely. If the audit report has not been received by KDE on or before November 15, 2025, 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**

- A. 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 incorporated as a part of this agreement.
- B. 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 VIII. A occur.
- C. The COMMITTEE may, in its sole discretion, waive penalties for delays caused by circumstances beyond the control of the ACCOUNTANT.

## **IX. EFFECTIVE DATE**

- A. The term of this agreement shall be from 5/5/25 through June 30, 2026, unless terminated under the provisions hereof. 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.

## **X. TERMINATION**

- A. The BOARD shall have the right to terminate and cancel this contract at any time without cause upon thirty (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 (5) 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 fifteen (15) days of execution of the contract or on or before August 1, 2025, 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, 2025.
  - 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. CHOICE OF LAW AND FORUM**

- A. The laws of the Commonwealth of Kentucky shall govern all questions as to the execution, validity, interpretation, construction, and performance of this agreement or any of its terms.

## **XIII. 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 29 pages.

## **XIV. 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 terms of our counterparts and taken together shall serve as a single enforceable contract.

**THIS AGREEMENT ENTERED INTO AS DATED BELOW:**

**AGREED TO BY:**

Kenton County ☐  
BOARD OF EDUCATION

LBMC, PC ☐  
ACCOUNTANT/FIRM

\_\_\_\_\_  
BY: SCHOOL BOARD CHAIR      DATE

*Ganna Jones* 4/23/25  
\_\_\_\_\_  
BY: ACCOUNTANT or PARTNER      DATE

\_\_\_\_\_  
SECRETARY      DATE

**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 30, 2025.**

**Please send to: [Finance.Reports@education.ky.gov](mailto:Finance.Reports@education.ky.gov)**





[www.LBMC.com](http://www.LBMC.com)

LOUISVILLE | 325 West Main Street | SUITE 1600

LOUISVILLE, KY 40202

(502) 585-1600

April 23, 2025

To Members of the Board of Education and Ms. Susan Bentle  
Director of Finance  
Kenton County School District  
1055 Eaton Drive  
Ft. Wright, Kentucky 41017

We are pleased to confirm our understanding of the services we are to provide to the Kenton County School District (the "District") for the year ended June 30, 2025.

#### **Audit Scope and Objectives**

We will audit the financial statements of the governmental activities, the business-type activities, 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 the District as of and for the year ended June 30, 2025. Accounting standards generally accepted in the United States of America ("GAAP") provide for certain required supplementary information ("RSI"), such as management's discussion and analysis ("MD&A"), to supplement the District's basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board ("GASB") 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 the District's RSI in accordance with auditing standards generally accepted in the United States of America ("GAAS"). 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 GAAP and will be subjected to certain limited procedures, but will not be audited:

1. Management's Discussion and Analysis
2. Budgetary Comparison for the General Fund
3. Budgetary Comparison for the Special Revenue Fund
4. Budgetary Comparison – Construction Fund
5. Required Supplementary Information

We have also been engaged to report on supplementary information other than RSI that accompanies the District's financial statements.

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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 GAAS, and we will provide an opinion on it in relation to the financial statements as a whole, in a report combined with our auditors' report on the financial statements:

1. Schedule of Expenditures of Federal Awards
2. Combining Balance Sheet – Nonmajor Governmental Funds
3. Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds
4. Schedules of Receipts, Disbursements and Fund Balances – School Activity Funds

The objectives of our audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and issue an auditors' report that includes our opinions about whether your financial statements are fairly presented, in all material respects, in conformity with GAAP, and report on the fairness of supplementary information referred to in the second paragraph when considered in relation to the financial statements as a whole. 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 and *Government Auditing Standards* will always detect a material misstatement when it exists. Misstatements, including omissions, can arise from fraud or error and are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment of a reasonable user made based on the financial statements. The objective also includes reporting on-

- Internal control over financial reporting and compliance with the provisions of laws, regulations, contracts, and award agreements, noncompliance with which could have a material effect on the financial statements in accordance with *Government Auditing Standards*.
- Internal control over compliance related to major programs and an opinion (or disclaimer of opinion) on compliance with federal statutes, regulations, and the terms and conditions of federal awards 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").

#### **Auditors' Responsibilities for the Audit of the Financial Statements and Single Audit**

We will conduct our audit in accordance with GAAS; 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 the 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. As part of an audit in accordance with GAAS and *Government Auditing Standards*, we exercise professional judgment and maintain professional skepticism throughout the audit.

We will evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management. We will also evaluate the overall presentation of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation. We will plan and perform the audit to obtain reasonable 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 waste and abuse is subjective, *Government Auditing Standards* do not expect auditors to perform specific procedures to detect waste or abuse in financial audits nor do they expect auditors to provide reasonable assurance of detecting waste or 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 an unavoidable risk that some material misstatements or noncompliance may not be detected by us, even though the audit is properly planned and performed in accordance with GAAS 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 on 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. 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.

We will also conclude, based on the audit evidence obtained, whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, tests of the physical existence of inventories, and direct confirmation of receivables and certain assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions.

We will also request written representations from your attorneys as part of the engagement.

We have identified the following significant risk(s) as part of our audit planning.

- Recording of expenditures in incorrect accounts in order to circumvent budget limitations
- Noncompliance with grant requirements which could result in having to refund and/or forfeit funding
- Improper implementation of new GASB standards

According to GAAS, significant risks include management override of controls, and GAAS presumes that revenue recognition is a significant risk. Accordingly, we have considered these as significant risks. If we

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identify any additional significant risks as a result of our planning procedures, we will communicate those risks to you.

We may, from time to time and depending on the circumstances, use third-party service providers in serving your account. We may share confidential information about you with these service providers but remain committed to maintaining the confidentiality and security of your information. Accordingly, we maintain internal policies, procedures, and safeguards to protect the confidentiality of your personal information. In addition, we will secure confidentiality agreements with all service providers to maintain the confidentiality of your information and we will take reasonable precautions to determine that they have appropriate procedures in place to prevent the unauthorized release of your confidential information to others. In the event that we are unable to secure an appropriate confidentiality agreement, you will be asked to provide your consent prior to the sharing of your confidential information with the third-party service provider. Furthermore, we will remain responsible for the work provided by any such third-party service providers.

Our audit of financial statements does not relieve you of your responsibilities.

#### **Audit Procedures--Internal Control**

We will obtain an understanding of the District and its environment, including internal control relevant to the audit, sufficient to identify and assess the risks of material misstatement of the financial statements, whether due to error or fraud, and to design and perform audit procedures responsive to those risks and obtain evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentation, or the override of internal control. 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*.

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. Accordingly, we will express no such opinion. 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 the District's 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 federal statutes, regulations, and the terms and conditions of federal awards applicable to major programs. Our procedures will consist of tests of transactions and other applicable procedures described in the *OMB Compliance Supplement* for the types of compliance requirements that could have a direct and material effect on each of the District's major programs. For federal programs that are included in the Compliance Supplement, our compliance and internal control procedures will relate to the compliance requirements that the Compliance Supplement identifies as being subject to audit. The purpose of these procedures will be to express an opinion on the District's compliance with requirements applicable to each of its major programs in our report on compliance issued pursuant to the Uniform Guidance.

### **Responsibilities of Management for the Financial Statements and Single Audit**

Our audit will be conducted on the basis that you acknowledge and understand your responsibility for (1) designing, implementing, establishing, and maintaining effective internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, including internal controls over federal awards, 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 accounting principles generally accepted in the United States of America; and for compliance with applicable laws and regulations (including federal statutes), rules, and the provisions of contracts and grant agreements (including award agreements). Your responsibilities also include identifying significant contractor relationships in which the contractor has responsibility for program compliance and for the accuracy and completeness of that information.

You are also responsible for making drafts of financial statements, schedule of expenditures of federal awards, all financial records, and related information available to us and for the accuracy and completeness of that information (including information from outside of the general and subsidiary ledgers). 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, such as records, documentation, identification of all related parties and all related-party relationships and transactions,

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and other matters; (2) access to personnel, accounts, books, records, supporting documentation, and other information as needed to perform an audit under the Uniform Guidance; (3) additional information that we may request for the purpose of the audit; and (4) unrestricted access to persons within the government from whom we determine it necessary to obtain audit evidence. At the conclusion of our audit, we will require certain written representations from you about 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 GAAS and Government Auditing Standards, and related matters..

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 District received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the District complies with applicable laws, regulations, contracts, agreements, and grants. You are also responsible for taking timely and appropriate steps to remedy fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements, that we report. Additionally, as required by the Uniform Guidance, it is management's responsibility to evaluate and monitor noncompliance with federal statutes, regulations, and the terms and conditions of federal awards; take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings; promptly follow up and take corrective action on reported audit findings; and prepare a summary schedule of prior audit findings and a separate corrective action plan. The summary schedule of prior audit findings should be available for our review on or before June 30, 2025.

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, and COVID-19-related concepts, such as lost revenues, if applicable) in conformity with the 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. 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 stated fairly 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 GAAP. 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. 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 for the financial statements, schedule of expenditures of federal awards, and 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, the schedule of expenditures of federal awards, and related notes and that you have reviewed and approved the financial statements, the 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.

You are required to disclose the date through which subsequent events have been evaluated and whether that date is the date the financial statements were issued or were available to be issued. You agree that you will not date the subsequent event note earlier than the date of your management representation letter.

#### **Other Services**

We will also assist in preparing the financial statements, schedule of expenditures of federal awards, and related notes of the District in conformity with GAAP 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*.



To Members of the Board of Education and Ms. Susan Bentle  
Director of Finance  
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We will perform the services in accordance with applicable professional standards. The other services are limited to the financial statements, schedule of expenditures of federal awards, and related notes services previously defined. We, in our sole professional judgment, reserve the right to refuse to perform any procedure or take any action that could be construed as assuming management responsibilities.

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*. The other services are limited to those previously defined above. We, in our sole professional judgment, reserve the right to refuse to perform any procedure or take any action that could be construed as assuming management responsibilities.

### **Reporting**

We will issue written reports upon completion of our Single Audit. Our reports will be addressed to Members of the Board of Education of Kenton County School District. Circumstances may arise in which our report may differ from its expected form and content based on the results of our audit. Depending on the nature of these circumstances, it may be necessary for us to modify our opinions, add a separate section, or add an emphasis-of-matter or other-matter paragraph to our auditors' report, or if necessary, withdraw from this engagement. If our 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 we may withdraw from this engagement.

The *Government Auditing Standards* report on internal control over financial reporting and on compliance and other matters will state 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 state 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 the Uniform Guidance. Both reports will state that the report is not suitable for any other purpose.

Government Auditing Standards requires we provide you with a copy of our most recent external peer review report and any subsequent reports received during our engagement. Accordingly, our peer review report accompanies this letter.

### **Engagement Administration**

The information you provide to us in connection with this engagement will be maintained on a confidential basis, except as allowed or required by applicable law. If we receive a summons, subpoena, or similar request for documents, responses to discovery, or personal testimony regarding our representation of you (a "Request"), and we believe applicable law deems the requested information to be protected as confidential, we will use reasonable efforts to notify you of the same. You may, within the time permitted

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for our firm to respond to any Request, initiate any legal action as you deem appropriate to protect the confidentiality of the requested information.

The receipt of a Request mandates the utilization of firm personnel and often requires our firm to engage outside legal counsel. In such event you agree to compensate us for the time expended by firm personnel (at the then-hourly rates of such personnel), and reimburse us for reasonable attorneys' fees and our out-of-pocket costs of responding to such Request (including copying and reproduction costs). Such amounts will be billed to you and shall be payable upon receipt.

In all matters involving a Request, we will use reasonable attempts to consult with and communicate with you, but in all events we will rely on the advice of our attorneys in determining the appropriate response of our firm and will comply with orders issued by courts of competent jurisdiction.

We understand that your employees will prepare all schedules, analyses, and confirmations we request and will locate any documents selected by us for testing.

We will provide copies of our reports to the District; however, management is responsible for distribution of the reports and the financial statements. Unless restricted by law or regulation, or containing privileged and confidential information, copies of our reports are to be made available for public inspection.

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 electronically submit the reporting package (including the financial statements, schedule of expenditures of federal awards, summary schedule of prior audit findings, auditors' 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. The Data Collection Form and the reporting package must be submitted within the earlier of 30 calendar days after receipt of the auditors' report or nine months after the end of the audit period.

The audit documentation for this engagement is the property of LBMC, PC and constitutes confidential information. However, subject to applicable laws and regulations, audit documentation and appropriate individuals will be made available upon request and in a timely manner to Kentucky Department of Education 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 LBMC, PC's 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 Kentucky Department of Education. 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.

Jeanna L. Jones CPA is the engagement shareholder and is responsible for supervising the engagement and signing the report or authorizing another individual to sign it.

#### **Our Fees**

We consider many factors in billing for our services, including the hourly billing rates of the individuals assigned to the engagement plus our direct expenses, the complexity of the engagement and the special skills needed to handle the engagement. Based on our understanding of the scope of our services and the assistance to be provided by your staff, our fee for these services will be \$52,000 for the audit services, plus out-of-pocket expenses. If it should become necessary for us to perform other services such as assistance in preparation of the schedules, the charges for those services will be discussed with you before they are incurred and billed separately. Fees for general, tax, or other consulting services will be billed at our standard hourly rates.

These fee estimates are based upon:

- the assumption that there will be no significant acquisitions, capital or financing transactions;
- the assumption that there will be no newly adopted accounting standards or changes in existing accounting policies employed by the District;
- the expected good order of the District's books and records;
- that all of the information and schedules we request (to be provided at a later date) are complete and ready for us by the dates requested.

The fee estimate is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary, we will discuss with you and arrive at a new fee estimate before we incur the additional costs. Our invoices for these fees are payable on presentation and will be rendered as follow:

On or about August 1, 2025	\$13,000
On or about September 1, 2025	\$13,000
On or about October 1, 2025	\$13,000
On or about November 1, 2025	\$10,000
Upon issuance of final report	\$ 3,000 plus out-of-pocket expenses

We reserve the right to withdraw from the engagement if our progress billings are not paid when due. In accordance with our firm policies, work may be suspended if your account becomes overdue and will not be resumed until your account is paid in full. If we elect to terminate our services for nonpayment, 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 out-of-pocket expenditures through the date of termination.

### **Withdrawal from Engagement**

In the event that we withdraw from this audit engagement prior to its completion, the following procedures will govern the process:

**Withdrawal Process:** If we determine that we must withdraw from the engagement, we will provide written notice to you specifying the reasons for withdrawal and the effective date of withdrawal. We will make reasonable efforts to minimize disruption to you and will provide written notice at least ten business days before the withdrawal date, unless circumstances require immediate action.

**Communication with Subsequent Auditors:** In compliance with AICPA professional rules of conduct and auditing standards, the firm is obligated to communicate with any subsequent auditors engaged by you. This communication will include providing information relevant to the audit engagement, such as the scope of work performed, significant findings, and any issues or concerns identified during the audit. We will cooperate fully with the new auditor to facilitate a thorough and effective transition, ensuring that all necessary information is conveyed to support the continued audit process, as required by our professional rules of conduct.

**Retention of Workpapers:** Upon withdrawal, we will retain all workpapers and documentation related to the audit engagement in accordance with professional standards, including AICPA guidelines and relevant regulatory requirements. These workpapers will remain the property of us, and you will not have access to them. While your subsequent auditor may request copies of our workpapers, such workpapers will be released based upon our sole discretion.

**Fees and Costs:** You agree to pay all fees and costs incurred by us up to the date of withdrawal at which point our engagement will be considered complete. You also agree to pay fees and costs incurred after our engagement is complete. These could include additional fees and costs incurred by us associated with your transition to a new auditor, collection efforts and/or responses to legal or regulator requests.

### **Information Security**

We will adhere to the following security commitments while performing services for the District:

- We will implement and maintain an information security program applicable to all offices, networks, and infrastructure used by LBMC to provide services to the District under this Agreement.
- We will follow reasonable industry standards for the security of the confidential information we receive under this Agreement including, among other items, information security policies, security administration, user provisioning, password controls, data encryption, firewall and perimeter controls, intrusion detection, security monitoring, and anti-virus software.

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- We will communicate potential breaches in security and confidentiality to District management in accordance with LBMC's Security Incident Response Team Policy.

In addition, the District should adhere to the following security commitments:

- Ensure that any data provided to LBMC is submitted in a secure and encrypted format.
- Ensure controls are in place for the prevention and detection of errors or irregularities involving any data provided to LBMC and ensure any erroneous information is corrected and resubmitted in a timely manner.
- Ensure appropriate controls for authorizing personnel access to any data or system provided by LBMC and notify LBMC when personnel no longer require access.
- Ensure appropriate personnel perform a timely review of reports and other output information submitted by LBMC and timely written notice is provided to LBMC of discrepancies as compared to its own records.
- Ensure appropriate data retention and/or data destruction controls are in place.
- Plan management is responsible for communicating in a timely manner any identified breaches in security or confidentiality to LBMC by contacting:

LBMC, PC PO Box 1869  
Brentwood, TN 37024-1869  
615-377-4600  
Attn: Chief Technology Officer and/or Information Security Officer

#### **Limitation of Liability**

Because of the importance of oral and written representations to effectively perform the procedures outlined in this letter, you release LBMC and our personnel from any and all claims, liabilities, costs and expenses attributable to any knowing misrepresentation by your management. Further, in no event shall we be liable to you, whether a claim be in tort, contract, or otherwise (a) for any amount in excess of the total professional fees paid by you under this engagement letter attributable to the specific project giving rise to the liability; or (b) for any consequential, indirect, lost profit or similar damages relating to LBMC's services performed under this engagement letter, except to the extent finally determined to have resulted from the willful misconduct or fraudulent behavior of LBMC related to such services.

In addition, you agree to indemnify and hold harmless us and our personnel from any and all claims, liabilities, and costs and expenses arising out of or related to any knowing misrepresentation by your management to us, except to the extent finally determined to have resulted from the willful misconduct or fraudulent behavior of LBMC relating to such service.

#### **Dispute Resolution**

If any dispute arises among the parties hereto, the parties agree first to try in good faith to settle the dispute by mediation administered by the American Arbitration Association (the "Association") under its Rules for Professional Accounting and Related Services Disputes before resorting to litigation. A

competent and impartial third party, acceptable to both parties, shall be appointed to mediate, and each disputing party shall pay an equal percentage of the mediator's fees and expenses. The costs of any mediation proceeding shall be shared equally by all parties.

- a) A meeting shall be held promptly between the parties. attended by individuals with decision-making authority regarding the dispute, and the parties shall attempt in good faith to negotiate a resolution of the dispute.
- b) If within thirty (30) days following such meeting, the parties have not resolved the dispute, they agree to submit the dispute to non-binding mediation administered by the American Arbitration Association under its Rules for Professional Accounting and Related Services. The parties shall bear the costs of the mediation equally.
- c) If within 60 days after the mediator's first meeting with the parties, the parties have not resolved the dispute in accordance with subsection (a) or (b) above, the dispute shall be submitted to arbitration in accordance with the Rules for Professional Accounting and Related Services Disputes of the Association. The arbitration shall be held at a mutually agreeable location in Williamson County, Tennessee by a single arbitrator agreed upon by the parties (the "Arbitrator"). If the parties cannot agree upon the Arbitrator, each party shall select an arbitrator and such selected arbitrators will together select the Arbitrator. Not later than ten (10) days after the delivery of a written notice of a dispute, the parties shall submit the matter to the Association. Not later than ten (10) days after the Arbitrator is appointed, the Arbitrator shall schedule the arbitration for a hearing to commence on a mutually convenient date. The hearing shall commence no later than thirty (30) days after the Arbitrator is appointed. The Arbitrator shall issue his or her award in writing no later than twenty (20) calendar days after the conclusion of the hearing. Such arbitration shall be binding and final. In the event of a dispute over fees charged by the firm, each party agrees that the dispute must be resolved through arbitration if the mediation process is unsuccessful, and each party acknowledges it is giving up the right to have such dispute decided in a court of law before a judge or jury.

You agree that in the event any dispute should arise concerning this engagement, the jurisdiction and venue for any dispute shall be either a state court located in Williamson County, Tennessee, or the Federal District Court located in Davidson County, Tennessee, and Tennessee law shall apply.

#### **Other Matters**

If you intend to publish or otherwise reproduce the financial statements and make reference to our firm, you agree to provide us with printers' proofs or masters for our review and approval before printing. You also agree to provide us with a copy of the final reproduced material for our approval before it is distributed.

With regard to the electronic dissemination of audited financial statements, including financial statements published electronically on your Internet website, you understand that electronic sites are a means of



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distributing information and, therefore, we are not required to read the information contained in those sites or to consider the consistency of other information in the electronic site with the original document.

In all events, you agree that when you disseminate the audited financial statements by whatever method you will include all documents comprising the financial statements, including the auditors' opinion.

We may from time to time, and depending on the circumstances and nature of the services we are providing, use third-party service providers in serving your account. We may share your confidential information with these service providers, some of whom may be cloud based and/or include service providers located outside of the United States, but remain committed to maintaining the confidentiality and security of your information. Accordingly, we maintain internal policies, procedures, and safeguards to protect the confidentiality of your personal information. In addition, we will secure confidentiality agreements with all service providers to maintain the confidentiality of your information and we will take reasonable precautions to determine that they have appropriate procedures in place to prevent the unauthorized release of your confidential information to others. In the event that we are unable to secure an appropriate confidentiality agreement, you will be asked to provide your consent prior to the sharing of your confidential information with the third-party service provider. Furthermore, we will remain responsible for the work provided by any such third-party service providers. By signing this letter, you consent to allow us to disclose your information to our service providers located abroad.

The information you provide to us in connection with this engagement will be maintained on a confidential basis, except as allowed or required by applicable law. If we receive a summons, subpoena, or similar request for documents, responses to discovery, or personal testimony regarding our representation of you (a "Request"), and we believe applicable law deems the requested information to be protected as confidential, we will use reasonable efforts to notify you of the same. You may, within the time permitted for us to respond to any Request, initiate any legal action as you deem appropriate to protect the confidentiality of the requested information.

The receipt of a Request mandates the utilization of Firm personnel and often requires us to engage outside legal counsel. In such event you agree to compensate us for the time expended by firm personnel (at the then-hourly rates of such personnel), and reimburse us for reasonable attorneys' fees and our out-of-pocket costs of responding to such Request (including copying and reproduction costs). Such amounts will be billed to you and shall be payable upon receipt.

In all matters involving a Request, we will use reasonable attempts to consult with and communicate with you, but in all events we will rely on the advice of our attorneys in determining the appropriate response of our Firm and will comply with orders issued by courts of competent jurisdiction.

Occasionally, in these types of engagements, our clients may want to make an offer of employment to an employee of our Firm. We would prefer this not to happen because we expend significant time and money in the training of these individuals other clients they serve are inconvenienced if they leave the Firm and such situations could affect our independence under our professional standards. Accordingly, Kenton County School District, its affiliates and any of their employees, agree that, during the term of the engagement and for a period of one year after the termination of the engagement, will not, directly or



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indirectly, make an offer of employment to an employee of our Firm and its affiliates who was actively involved in the performance of the services under this engagement. LBMC also agrees that during the term of the engagement and for a period of one year after the termination of the agreement that it will not make an offer of employment to anyone at actively involved in the performance of services under the engagement.

\* \* \* \* \*

We appreciate the opportunity to be of service to you and believe this letter accurately summarizes the significant terms of the 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 in the space provided and return it to us.

Very truly yours,

**LBMC, PC**



Jeanna L. Jones CPA  
Shareholder

**Response:**

This letter correctly sets forth the understanding of Kenton County School District.

Management signature: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

Governance Signature: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_