

November 27, 2013

Members of the Boone County Board of Education
Florence, Kentucky

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Boone County Board of Education (the Board) for the year ended June 30, 2013. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards, and OMB Circular A-133*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 18, 2013. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Boone County Board of Education are described in the Summary of Significant Accounting Policies note to the financial statements. As described in the notes to the financial statements, the Board changed accounting policies related to Bond Issuance Costs by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 65, Items Previously Reported as Assets and Liabilities, in the year ended June 30, 2013. Accordingly, the cumulative effect of the accounting change as of the beginning of the year is reported in the government-wide financial statements. We noted no transactions entered into by the governmental unit during the year, for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management, and are based on management's knowledge and experience about past and current events, and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements, and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Management's estimate of depreciation expense on capital assets is based on the straight-line method, and estimated useful lives of the assets. We evaluated the key factors and assumptions used to develop the amount of depreciation expense in determining that it is reasonable in relation to the financial statements taken as a whole.
- Management's estimate of the liability for accumulated unpaid sick leave benefits is based on current rates, and unused days of employees who qualify for payout upon retirement. Payments for these liabilities will require significant future cash flows, and the Board must manage that cash flow appropriately depending on the timing of cash payouts for sick leave. We evaluated the key factors and assumptions used to develop the liability for unpaid sick leave benefits in determining that it is reasonable in relation to the financial statements taken as a whole.
- Management's estimate of the liability for the KISBIT assessment is based upon their estimated portion of the total fund assessment as filed in a motion by the Kentucky Department of Insurance.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

- The disclosure of the Board's portion of future payments on debt obligations. This disclosure is particularly sensitive because it reflects payments that will be necessary at various dates in the future that will require significant positive cash flows to meet the obligations.
- The disclosure of the Board's estimated liability payable to the KISBIT as of June 30, 2013.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The attached list of adjusting journal entries are the misstatements noted during our audit procedures, or entries noted by the Board after the original trial balance was provided to us. Management has corrected all of these misstatements. The attached list of proposed journal entries summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting or auditing matter, whether or not resolved to our satisfaction that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 27, 2013.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements, or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship, and our responses were not a condition to our retention.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements, or to the financial statements themselves.

This information is intended solely for the use of the Board Members and management of the Boone County Board of Education, and is not intended to be, and should not be, used by anyone other than these specified parties.

VonLehman & Company Inc.

Client: **23004 - Boone County School District**
Engagement: **BCBOE - Boone County School District**
Trial Balance: **TB**
Workpaper: **1250.01 - Adjusting Journal Entries Report**

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 4				
To adjust fixed assets - PBC				
54-2700-000	Gain on Disposal of Activity		53,490.00	
84-111	Accum depr - technology equip		80,714.00	
84-113	Accum depr - General equipment		5,705.00	
84-110	Technology equipment			112,215.00
84-112	General equipment			15,705.00
84-3400-0700	Depreciation Expense - Adult Ed			11,989.00
Total			<u>139,909.00</u>	<u>139,909.00</u>
Adjusting Journal Entries JE # 9				
To record Adult Ed activity - Final balance transferred to General Fund to be returned to KYFC.				
54-2700-000	Gain on Disposal of Activity		15,529.00	
54-300	Unreserved fund balance			15,529.00
Total			<u>15,529.00</u>	<u>15,529.00</u>
Adjusting Journal Entries JE # 10				
To record closing of Adult Ed fund with payable of funds remaining in fund (\$11814 to BCFC)				
01-100	Cash in Bank		11,814.00	
01-200	Accounts payable			11,814.00
Total			<u>11,814.00</u>	<u>11,814.00</u>
Adjusting Journal Entries JE # 11				
To write off petty cash				
51-1629	Other Lunchroom Receipts		22,577.00	
51-101	Petty Cash			22,577.00
Total			<u>22,577.00</u>	<u>22,577.00</u>
Adjusting Journal Entries JE # 14				
To record receivable for FY13 foreign trade zone revenue received in FY14				
01-105	Accounts receivable		139,334.00	
01-110-1280F	Foreign Trade Zone (04-08)			139,334.00
Total			<u>139,334.00</u>	<u>139,334.00</u>
Adjusting Journal Entries JE # 15				
		6101.00		
To adjust fund balance - invested in capital assets for disposals				
84-300	Investment in business assets		53,490.00	
54-300	Unreserved fund balance			53,490.00
Total			<u>53,490.00</u>	<u>53,490.00</u>
Adjusting Journal Entries JE # 16				
		6101.00		
To correct VL misposting in original trial balance entry				
01-302	Unreserved fund balance		1,001.00	
01-110-1990	Miscellaneous Revenue			1,001.00
Total			<u>1,001.00</u>	<u>1,001.00</u>

Client: **23004 - Boone County School District**
Engagement: **BCBOE - Boone County School District**
Trial Balance: **TB**
Workpaper: **1250.01 - Adjusting Journal Entries Report**

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 20		PBC		
PBC				
310-100	Cash in bank		102,908.00	
320-100	Cash in bank		292,483.00	
360-5210	Fund Transfers		395,391.00	
310-5200-0900	Fund Transfers - Other Uses of Funds			102,908.00
320-5200-0900	Fund Transfers			292,483.00
360-100	Cash in bank			395,391.00
Total			<u>790,782.00</u>	<u>790,782.00</u>
Adjusting Journal Entries JE # 21		7103b.03		
PBC to adjust Motor Vehicle Tax Receivable				
01-110-1117	Motor Vehicle Tax		333,627.00	
01-106	Taxes Receivable			333,627.00
Total			<u>333,627.00</u>	<u>333,627.00</u>
Adjusting Journal Entries JE # 23		5204.00		
To record the property tax liability				
01-110-1111	General Real Property Tax		1,954,981.00	
VLPTL	Property Tax Liability			1,954,981.00
Total			<u>1,954,981.00</u>	<u>1,954,981.00</u>
Adjusting Journal Entries JE # 24		1301.00		
To adjust on behalf payments to = state payment register				
01-110-3900	State Payments for On Behalf		87,355.00	
51-3900	On Behalf Payments		61,130.00	
52-3900	On Behalf Payments		4,840.00	
01-1000-0200	Instruction - Employee Benefits			87,355.00
51-3100-0200	Food Service Operation - EE Benefits			61,130.00
52-3200-0200	Day Care Operations - EE Benefits			4,840.00
Total			<u>153,325.00</u>	<u>153,325.00</u>

Client: **23004 - Boone County School District**
Engagement: **BCBOE - Boone County School District**
Trial Balance: **TB**
Workpaper: **1250.02 - Proposed JE Report Report**

Account	Description	W/P Ref	Debit	Credit
Proposed JE # 18		5302.06		
To accrue interest on construction bond escrow payments - the accounts used do not match - but this is just to show an additional				
01-5100-0800	Debt Service - Other Uses of Funds		53,011.00	
01-220	Accrued Salaries & Benefits			53,011.00
Total			<u>53,011.00</u>	<u>53,011.00</u>
Proposed JE # 19		7101b.01		
Funds transferred to the general fund, should've been to the const fund				
01-110-1510	Interst Income		72,320.00	
360-5210	Fund Transfers			72,320.00
Total			<u>72,320.00</u>	<u>72,320.00</u>

LY's PAJES were immaterial as well.

NCN to post