

Strothman and Company
Certified Public Accountants and Advisors
1600 Waterfront Plaza
325 West Main Street
Louisville, KY 40202
502 585 1600

Communication of Management Comments



Members of the Board of Education
and Management
Kenton County School District
Fort Wright, Kentucky

In planning and performing our audit of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Kenton County School District (the "District") as of and for the year ended June 30, 2014, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* 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, misstatements on a timely basis. A *material weakness* is 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.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This communication is intended solely for the information and use of management, the members of the Finance Committee and of the Board, others within the District, and the Kentucky Department of Education, and is not intended to be and should not be used by anyone other than these specified parties. We appreciate the opportunity to serve the District and are available at your convenience to answer questions or assist in the implementation of these suggestions.

STROTHMAN AND COMPANY

Louisville, Kentucky
November 14, 2014

Current Year Comments and Management Responses

Kenton County Board of Education

June 30, 2014

Item 2014-01 – Accounting for Inventories Could be Improved

We visited the Transportation garage and noted that there were no procedures in place for counting inventory to ensure an accurate perpetual inventory. The garage supervisor stated that they were planning on utilizing cycle counts in the future. Furthermore, the inventory balance was not being recorded within the accounting system. We recommend that the District perform regular cycle counts to ensure the accuracy of inventory being reported and that the inventory is recorded within the accounting system.

Managements' Response: Transportation parts inventory is reflected on the June 30, 2014 General Fund Balance Sheet. Regular inventory cycle counts will be implemented to ensure accuracy of the inventory value.

Item 2014-02 – Review of Capital Expenses Should be Performed by the Finance Department

During the audit, we noted that the Finance Department is relying on the Capital Projects Director to report the amounts to be recorded as fixed assets within the repairs and maintenance accounts in the General Fund. While, we didn't find any errors in our testing or this fund, we recommend that Finance Department personnel perform a review of these transactions throughout the year. This will help to ensure that amounts are properly recorded within the fixed asset software

Managements' Response: Capital expenditures from all funds will be reviewed by the Finance Department.

Item 2014-03 – Capital Asset Additions After Year End Should be Reviewed by the Finance Department

During the audit, we noted that there were several assets that were received before year end that weren't recorded as capital assets as of year end because they hadn't been tagged and sorted. After a review by the Finance Department, it was determined that there were approximately \$300,000 that should have been recorded as capital assets at year end. We recommend that a formal review by Finance Department personnel be performed on an annual basis to ensure that the records are accurate.

Managements' Response: Finance Department has assumed responsibility for all fixed asset recording and identification effective July 1, 2014.

Continued

Kenton County Board of Education

June 30, 2014

Item 2014-04 – Bond Transactions Should Be Properly Recorded in the Financial Statements

During the audit, we noted that bond transactions were not being recorded within the financial statements in accordance with applicable accounting standards. Adjustments to accurately account for all the bonding transactions resulted in a prior period adjustment of approximately \$5.9 million. Management has made the appropriate adjustments to the accounting records for the proper accounting as of July 1, 2013.

Managements' Response: Bond transactions will be analyzed by the Finance Department for proper recorded in financial statements.

Item 2014-05 – School Activity Fund Monies Should Be Restricted in Use

During the audit of the Scott High School activity funds, we noted that approximately \$2,300 was used to purchase alcohol for three separate golf outings. This is not an allowable under the "Redbook". All activity fund expenditures should be in compliance with Redbook requirements.

Managements' Response: School Activity Fund transactions will be reviewed during regular internal reviews conducted by the Finance Department. Current year training sessions with responsible personnel will emphasize expenditure types that are not permitted from School Activity Funds.

Item 2014-06 – A Thorough Review of Subsequent Disbursements Should be Performed

During our testing of subsequent disbursements, we noted several instances where invoices should have been included in accounts payable and expenses as of year end. This resulted in accounts payable and expenses being understated by approximately \$296,000 at year end. We recommend that a more thorough review of invoices paid after year end to ensure that all transactions are recorded in the proper period, so the financial statements are accurate and complete.

Managements' Response: Finance Department will perform a thorough review and adjustment of year end purchasing procedures and disbursements to ensure that disbursements are reflected in the correct accounting period.

Prior Year Comments and Management Responses

Kenton County Board of Education

June 30, 2013

There were no findings related to the financial statements which are required to be reported in accordance with *Government Auditing Standards*.