

Kentucky Public School Districts' Audit Requirements

Fiscal Year 2024-2025

March 13, 2025

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Introduction

The Kentucky Department of Education (KDE) is sending the enclosed audit contract and supporting documents to school districts on behalf of the State Committee for School District Audits (SCSDA). The purpose of the supporting documents is to provide information and tools to local school districts and independent auditors to assist in the completion of fiscal year 2025 audits.

District and Auditor Helpful Resources

[Financial Audit Contract Information - Kentucky Department of Education -
https://education.ky.gov/districts/FinRept/Pages/District-Financial-Audit-Contracts.aspx](https://education.ky.gov/districts/FinRept/Pages/District-Financial-Audit-Contracts.aspx)

[District Financial Audits - Kentucky Department of Education -
https://education.ky.gov/districts/FinRept/Pages/District-Financial-Audits.aspx](https://education.ky.gov/districts/FinRept/Pages/District-Financial-Audits.aspx)

[District/School Support - Kentucky Department of Education-
https://education.ky.gov/districts/Pages/default.aspx](https://education.ky.gov/districts/Pages/default.aspx)

[District Financial Reporting - Kentucky Department of Education -
https://education.ky.gov/districts/FinRept/Pages/default.aspx](https://education.ky.gov/districts/FinRept/Pages/default.aspx)

[MUNIS Support and Guides - Kentucky Department of Education -
https://education.ky.gov/districts/Pages/MUNIS-Guides.aspx](https://education.ky.gov/districts/Pages/MUNIS-Guides.aspx)

Auditor Alert

This section includes, but is not limited to, the following high-risk areas that auditors should consider when conducting a school district's annual financial audit.

- Auditors are strongly encouraged to review the [Auditor of Public Accounts' webpage](#) to determine if any reports have been issued for a school district and to identify potential high risk areas that may need to be examined during any school district audit.
- Auditors should review activity fund transfers to ensure that schools are not transferring money from student generated funds (fees and fundraisers) to support other activity fund accounts. Student generated funds are raised for a specific purpose and should be spent for that purpose.
- Auditors are encouraged to review the district's Indirect Costs Plan (ICP). A district should not directly charge audit costs to a particular grant or fund if said audit costs are included in the ICP.
- It is important for both the school district (superintendent and finance officer) and auditor to communicate and work together to ensure the Audited Annual Financial Report (AFR), Audited Balance Sheet and Audit Report agree **prior** to the reports being submitted to KDE. This may require adjusting entries to be recorded by the district. The district, working with its auditor, is strongly encouraged to utilize the Audit Validation tool accessible through the KDE SEEK program and

resolve any discrepancies identified among the Audited AFR, Audited Balance Sheet and Audit Report.

- Auditors should not submit multiple unsolicited versions of Audit Reports. Auditors shall notify KDE prior to resubmitting.
- MUNIS Financial System and Uniform Chart of Accounts – Auditors shall be familiar with the district’s financial system and the Uniform Chart of Accounts (COA). Auditors shall use this information to provide the districts with the specific fiscal year 2024-2025 MUNIS COA coding/segment when recommending journal entries to districts [Example: org – object – project]. The Uniform COA is located on the KDE website at [Chart of Accounts](#)
- FY 2024-2025 Audit Findings and Management Letter Comments Spreadsheet - If the audit report consists of any audit findings or management letter comments, the auditor shall complete the FY 2024-2025 Audit Findings and Management Letter Comments spreadsheet located on the [KDE website](#). The spreadsheet has been expanded to include all audit findings and not only management letter comments as in years past. This additional spreadsheet requirement is a supplementary report used by KDE for analysis, and the completed spreadsheets are not published on the KDE website or observed during desk reviews. The completed spreadsheet shall be submitted electronically to the KDE Finance Reports email account with the “District Name Audit Findings and Mgmt Letter Comments” in the subject line. The auditor shall copy the school district’s superintendent and finance officer on the email that is sent to the [KDE Finance Reports](#) email account.
- KDE encourages auditors and district finance personnel to submit electronic audit reports and associated documents in a format that meets section 508 of the Rehabilitation Act of 1973, as amended (29 U.S.C. 794d). Information on complying with Section 508 can be found at [Create Accessible Electronic Documents-section508](#) and [Standards and Guidelines of Section 508](#).
- The following GASBs are effective for the Fiscal Year 2024-2025 audits:
 - GASB Statement No. 101, Compensated Absences, is effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.
 - GASB Statement No. 102, Certain Risk Disclosures, is effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter. Earlier application is encouraged.

Annual Cycle for Local School District Audits

DUE DATE	RESPONSIBLE PARTY	REQUIRED INFORMATION
May 30	District	<ul style="list-style-type: none"> • FY 2024-2025 Audit Acceptance Statement web form, which includes the justification section for using the same auditor/audit firm for five consecutive years - electronically submit to KDE. • One signed contract to KDE (electronically submitted) • One signed copy of the most recent peer review report, letter of response (if applicable) and acceptance letter to KDE
June 15	State Committee for School District Audits	Approval of Audit Contracts
June 30	State Committee for School District Audits	Notification of approval or disapproval of the contract to the local board
July 25	District	Unaudited Annual Financial Report (AFR) and Balance Sheet (electronic reports) to KDE
October 1	Auditor	Audit Extension Request to KDE
November 15	Auditor	Audit Reports: <ul style="list-style-type: none"> • One signed paper copy to school district • Electronic copy to KDE
November 15	District	<ul style="list-style-type: none"> • Audited AFR and Balance Sheet, which includes the Statement of Certification verification section, (electronic reports through the SEEK program) to KDE. • Copy of Audited AFR and Balance Sheet to Auditor. • FY 2024-2025 Audit Findings and Management Letter Comments Spreadsheet, if applicable.
November 15 - March 1	KDE	Audit Reports, Audited AFRs and Audited Balance Sheets reviewed; corrective action plans received and monitored; Audit Reports, AFRs and Balance Sheets corrections received.
December 31 st or 45 days after the district receives audit reports, whichever occurs first	District	Corrective action plan per 702 Kentucky Administrative Regulations (KAR) 3:150 to KDE
March 31, 2026, or no later than 30 days after release of the auditor's report.	District and Auditor	For Single Audits, an electronic copy of the Audit Report, along with the Data Collection Form, shall be submitted directly to the Federal Audit Clearinghouse, in accordance with 2 CFR 200. See Appendix II for submission instructions.
March – May 2026	KDE	Corrective action monitoring continues

Use the following email address for submitting items to KDE:

Finance.Reports@education.ky.gov

Statutory Authority of the State Committee for School District Audits

Kentucky Revised Statutes (KRS) §156.265 authorizes the SCSDA to conduct audits of the financial records of local boards of education.

The audits shall be performed by a Certified Public Accountant (CPA), approved by the SCSDA, and conducted according to current auditing standards. Increases or decreases in the scope of the audit are addressed in the Supplemental Agreements section of the audit contract.

The SCSDA requires all local school boards to have an annual audit of the fiscal records and accounts under the board's control. The SCSDA shall notify the local board of education of approval or disapproval of the executed contract in accordance with the timeframe set forth in the "Annual Cycle for Local School District Audits."

KRS §156.255 Definitions for KRS 156.255 to 156.295.

As used in KRS 156.255 to 156.295:

- 1) "Accountant" means a certified public accountant, or a public accountant registered with the State Board of Accountancy.
- 2) "Board" means the board of education of a school district.
- 3) "Committee" means the State Committee for School District Audits.
- 4) "State board" means the Kentucky Board of Education.

Effective: July 15, 1996

KRS §156.265 State Committee for School District Audits.

- 1) There shall be a State Committee for School District Audits comprised of the Governor, or a person designated by him, the Attorney General, the Auditor of Public Accounts, a person designated by the Legislative Research Commission to represent the Office of Education Accountability, and the commissioner of education. The Auditor of Public Accounts shall be the chair of the committee.
- 2) The committee shall have the accounts of each board audited not less than once every fiscal year. The committee also may, at any time, cause to be made a comprehensive and complete audit of any board. Upon the written request of the state board, the commissioner of education, the Attorney General, the Auditor of Public Accounts, the Governor, or the Office of Education Accountability, the committee may cause the accounts of a board to be audited. Each audit shall cover such period of time and shall include such auditing procedures and standards as the committee may designate.
- 3) Audits authorized under this section are in addition to any audits contemplated under KRS. 11.090 or 156.200 or KRS Chapter 43.
- 4) The actual expense of any audit authorized under this section shall be borne equally by the district board of education and by the committee from funds allocated to it. *
- 5) The committee shall meet at least quarterly. Additional or special meetings may be called by the chair.

Effective: July 14, 2000

*No funds currently allocated.

KRS §156.275 Accountant -- Selection -- Reports.

- 1) The committee shall select to make the audit authorized under KRS 156.265, accountants who are qualified under KRS Chapter 325 and the administrative regulations promulgated by the Kentucky State Board of Accountancy.
- 2) Immediately upon completion of each audit, the accountant shall prepare a report of his findings and recommendations in such form and in such detail as the committee may prescribe. The report shall be to the committee and in such number of copies as specified by the committee. The committee shall furnish one (1) copy to the Kentucky Board of Education, one (1) copy to the district board of education to which the report pertains, one (1) copy to the chief state school officer and one (1) copy to the Auditor of Public Accounts. The district board of education shall keep a copy of the report on file in the office of the superintendent of schools of the district and the report shall be open to inspection by any interested person, subject to reasonable rules as to time and place of inspection.

Effective: July 15, 1996

KRS §156.285 Access to records -- Witnesses -- Subpoena.

- 1) The accountant shall have access to and may examine all books, accounts, reports, vouchers, correspondence files, records, money, and property of any board. Every officer or employee of any such board having such records or property in his possession or under his control shall permit access to and examination of them upon the request of the accountant.
- 2) The committee may require information on oath from any person touching on any matters relative to any account that the accountant is required to audit. The committee may administer the oath, or have it done by any officer authorized to administer an oath.
- 3) The committee may issue the process and compel the attendance of witnesses before it and administer oaths and compel witnesses to testify in any of the investigations the accountant is authorized to make.

Effective: July 15, 1994

KRS §156.295 Offenses -- Penalties.

- 1) Any officer or employee of a board or any other person who prevents, attempts to prevent, or obstructs an examination by the accountant made under KRS 156.265 and 156.275 is guilty of a high misdemeanor and shall, upon indictment and conviction in the Circuit Court of competent jurisdiction, be fined five hundred dollars (\$500).
- 2) Any person who fails or refuses to permit the examination provided for in KRS 156.285 or who interferes with such examination shall be fined not less than one hundred dollars (\$100) or imprisoned in the county jail for not less than one (1) month nor more than twelve (12) months, or both. Each refusal shall constitute a separate offense.
- 3) Any person who has custody of any books, accounts, reports, vouchers, correspondence, files, records, money, and property that the accountant is authorized to examine under KRS 156.265 and 156.285 who fails or refuses when called upon by the committee for that purpose to permit the accountant to inspect any of such materials shall, upon conviction in the Circuit Court of competent jurisdiction, be fined not more than five hundred dollars (\$500) and be subject to removal as provided by law.
- 4) Any person who refuses to be sworn when required by the committee to be sworn for the purpose mentioned in subsection (2) of KRS 156.285 shall be fined not more than five hundred dollars (\$500).
- 5) Any witness called by the committee under subsection (3) of KRS 156.285 who fails, without legal excuse, to attend or testify shall be fined not more than five hundred dollars (\$500).

Effective: July 15, 1994

KRS §156.480 Employees of department or school districts with decision-making authority prohibited from supplying goods or services for which school funds are expended -- Penalties.

- 1) No commissioner, associate commissioner, deputy commissioner, director, manager, purchasing agent, or other employee of the Department of Education with decision-making authority over the financial position of a school, school district, or school system shall have any pecuniary interest in the school, school district, or school system, either directly or indirectly, in an amount exceeding twenty-five dollars (\$25) per year, either at the time of or after his appointment to office, in supplying any goods, services, property, merchandise, or services, except personal services that are in addition to those required by contract for employment, of any nature whatsoever for which school funds are expended. If any person specified in this subsection receives, directly or indirectly, any gift, reward, or promise of reward for his influence in recommending or procuring the use of any goods, services, property, or merchandise of any kind whatsoever for which school funds are expended, he shall upon conviction be fined not less than fifty dollars (\$50) nor more than five hundred dollars (\$500), and his office or appointment shall without further action be vacant.**
- 2) No employee of any county or independent school district with decision-making authority over the financial position of the school district shall have any pecuniary interest, either directly or indirectly, in an amount exceeding twenty-five dollars (\$25) per year, either at the time of or after his appointment to office, in supplying any goods, services, property, merchandise, or services, except personal services that are in addition to those required by contract for employment, of any nature whatsoever for which school funds are expended. If any person specified in this subsection receives, directly or indirectly, any gift, reward, or promise of reward for his influence in recommending or procuring the use of any goods, services, property, or merchandise of any kind whatsoever for which school funds are expended, he shall upon conviction be fined not less than fifty dollars (\$50) nor more than five hundred dollars (\$500), and his office or appointment shall without further action be vacant.

Effective: July 15, 1994

**OAG 94-61 provides guidance for determining who has decision-making authority over the financial position of the school district.

Qualifications of the Independent Auditor

The auditor must be a certified public accountant authorized to practice in the Commonwealth of Kentucky, pursuant to KRS §325.261 and KRS §325.282.

Competence

The audit firm shall be currently registered with the Kentucky State Board of Accountancy and shall have participated in a peer review under the AICPA Standards. The auditor should have adequate training and experience in governmental accounting and be in good standing in the profession. The auditor in charge of the field work should have a practical working knowledge of applicable state and federal laws and regulations.

Independence

The AICPA and generally accepted government auditing standards (GAGAS) require the auditor to maintain independence in all matters relating to the audit engagement. Auditors must meet the independence standards established by the Government Accountability Office (GAO).

Continuing Professional Education

All audit staff assigned to the audit should have the necessary hours of continuing professional education (CPE) required by GAGAS. Each auditor performing audit work under GAGAS should complete 80 hours of CPE every two (2) years. At least 24 hours of CPE should be in subjects directly related to government auditing, the government environment, or the unique environment in which the entity operates. At least 20 hours of the 80 should be completed in any one year of the two (2) year period.

External Peer Review

Auditors shall provide their most recent peer review report, letter of response (if applicable), and acceptance letter to the local board and a copy of these documents shall be submitted to KDE with each audit contract. Audit contracts submitted without the required peer review report and related documents will not be approved by the SCSDA. An auditor's contract will not be approved by the SCSDA if the auditor's peer review has a **fail** rating without evidence of appropriate corrective action.

Auditors who have been conducting audits for less than three (3) years and have not yet been peer reviewed are exempted from the peer review report and related documents requirement.

Auditor Responsibilities

Auditors are responsible for maintaining the proper knowledge of all accounting and auditing standards relating to school district audits.

If the board has also incorporated as a "Finance Corporation," that entity and related fiscal records and accounts are to be included in the audit.

If the contracted CPA firm changes names or merges with another firm, it is the firm's responsibility to inform the local board of the name change/or merger, and to inform the SCSDA through KDE.

If any difficulties are encountered while performing the audits that do not pertain to requesting an audit extension, the auditor should inform KDE of the issues as soon as possible.

It is the auditors' responsibility to contact KDE and the Office of the Attorney General with concerns of criminal activity in the district.

Timing, Location, and Conduct of Audit Work

The official records and reports of the school district shall not be taken from the local board of education office during the course of the audit engagement. Auditors should request copies or electronic records for remote work.

FY 2024-2025 Audit Findings and Management Letter Comments Spreadsheet

If the audit report consists of any audit findings and management letter comments, the auditor shall complete the FY 2024-2025 Audit Findings and Management Letter Comments Spreadsheet located on the KDE website at [Audit Findings & Management Letter Comments Spreadsheet](#). This additional spreadsheet requirement is a supplementary report used by KDE for analysis, and the completed spreadsheets are not published on the KDE website or observed by the Auditor of Public Accounts (APA) during their desk reviews. The completed spreadsheet shall be submitted electronically to the KDE Finance Reports email account with the "District Name Audit Findings and Mgmt Letter Comments" in the subject line. The auditor shall copy the school district's superintendent and finance officer on the email that is sent to the [KDE Finance Reports](#) email account.

Reissuance or Resubmission of an Audit Report

If an audit report needs to be reissued and resubmitted, it shall be reissued in accordance with current auditing standards. The entire audit report shall be resubmitted to the local board, KDE, and all other parties to whom the original audit report was submitted. Individual audit reports will not be accepted.

Audit Extension Request

If the audit cannot be completed by the deadline, the auditor shall submit an Audit Extension Request form, fully completed by both the auditor and the district, to KDE in accordance with the timeframe set forth in the "Annual Cycle for Local School District Audits." The form is provided in Appendix I.

Desk Review of Audits

Auditors **shall correct** technically deficient audit reports within thirty (30) days of being notified by KDE. The auditors shall correct all findings noted in addition to correcting the technically deficient matters. If the auditor does not issue a corrected audit report, then the auditor may **not** be allowed to conduct future Kentucky public school district audits. For district audit reports deemed technically deficient as a result of the prior fiscal year Desk Review, the auditor shall compare the prior fiscal year audit report and Desk Review findings to the current fiscal year audit report to verify all findings are addressed and an old version of the audit report has not been used.

If the audit report receives a rating of acceptable or acceptable with deficiencies, the auditor is **not required** to issue a corrected report; however, the auditor is required to use the prior fiscal year Desk Review as a resource in the following year so that findings are not repeated in the current fiscal year audit report. During KDE's initial review of the current fiscal year audit report, KDE reserves the right to require the auditor to submit a corrected audit report if the auditor fails to correct prior fiscal year Desk Review findings, regardless of the finding classification.

MUNIS Financial System and Uniform Chart of Accounts

Auditors shall be familiar with the district's financial system and the Uniform COA. Auditors shall use this information to provide the districts with the specific fiscal year 2024-2025 MUNIS COA coding/segment when recommending journal entries to districts [Example: org – object – project]. The Uniform COA is located on the KDE website at [Chart of Accounts](#).

Audit Scope

The audit shall cover an entire fiscal year ending June 30 unless otherwise specified by the SCSDA.

The audit shall cover **ALL** accounts of the local board of education including activity funds at all schools and bank accounts in the name of the district's finance corporation, if applicable.

Audits shall be conducted in accordance with auditing standards generally accepted in the United States of America *Government Auditing Standards* (U.S. GAAS) and, the provisions of 2 CFR 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

The scope of the audit shall include but not be limited to:

- Fund 1 - General Fund.
- Fund 2 - Special Revenue Fund.
- Fund 21 - Special Revenue District Activity Fund (annual);
- Fund 22 - Special Revenue District Activity Fund (multi-year);
- Fund 23 - Special Revenue Academy Fund (annual).
- Fund 25 - Special Revenue Student Activity Fund (annual);
- Fund 3XX - Capital Projects Funds.
- Fund 400 - Debt Service Fund;
- Fund 51 - Food Service Fund;
- Fund 5X - Other Enterprise Funds.
- Fund 7XXX - Fiduciary Funds -- Pension, Investment, and Private-Purpose Trust Funds; and
- Fund 8X - Fixed Assets

The auditor shall also ensure the allocation of tax receipts between the general and building funds is accurate.

If, during field work, it is determined that funds have been transferred to a school through the school-based council allocation process, those funds shall be considered board funds, not activity funds, and audited as part of the general fund.

Financial statements presented in the auditor's report shall comply with accepted accounting principles.

The auditor shall express an opinion on the financial statements of all funds covered in the scope of the audit. If the auditor is unable to express an unmodified opinion, the auditor shall state fully the reasons for the modification of opinion. The district recognizes it has the responsibility to correct any deficiencies that result in a modified opinion.

KDE encourages auditors and district finance personnel to submit electronic audit reports and associated documents in a format that meets section 508 of the Rehabilitation Act of 1973, as amended (29 U.S.C. § 794d). Information on complying with Section 508 can be found at [Create Accessible Electronic Documents Section508](#) and [Standards and Guidelines of Section 508](#).

Audit Report Requirements

Auditor's reports should follow the AICPA's requirements – refer to the AICPA's website at [AICPA - http://www.aicpa.org/](http://www.aicpa.org/). The auditor and finance officer should ensure the Audited Annual Financial Report, Audited Balance Sheet and Audit Report agree prior to the reports being submitted to KDE. The following items should be included in the audit report.

A. Introductory Section (Table of Contents, Letter(s) of Transmittal, if applicable)

B. Financial Section

1. Independent Auditor's Report on the Financial Statements
2. Management's Discussion and Analysis
3. Financial Statements
4. Notes to the Financial Statements
5. Required Supplementary Information (RSI)
6. Combining Statements
7. Individual Fund Statements
8. Schedule of Expenditures for Federal Awards, if applicable.
9. Statistical Information and any other required Supplemental Schedules, if applicable.
10. Independent Auditor's Report(s) on Internal Control and Compliance
11. The Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* and, if applicable, the Report on Compliance for Each Major Program and Report on Internal Control Over Compliance in Accordance with the Uniform Guidance.
12. The report(s) on internal control and compliance shall contain all control deficiencies identified during the audit that are classified as significant deficiencies or material weaknesses and any instances of noncompliance. These control deficiencies must be appropriately segregated and identified in the report and numbered by the fiscal year under audit (i.e., 2025-001, 2025-002). Findings presented as part of the report shall be well developed in accordance with *Government Auditing Standards* and 2 CFR 200 as applicable.
13. If a written management letter is issued, then it is required to be submitted to the board and KDE. Each management letter shall include management responses to the current year's comments and report on the status of previous management letter comments and the progress toward the resolution of concerns identified during the preceding audit. The management letter shall identify the applicable school associated with each reportable condition(s). The management letter should not contain significant deficiencies, material weaknesses or material non-compliance findings which are required to be reported within the audit report or Schedule of Findings and Questioned Costs (if applicable). If there are no management letter comments to report, then the auditor shall submit to KDE an email or letter stating that there were no management letter comments to report.
14. The High School Activity Fund Schedule shall categorize each individual activity fund by account, reflecting all activity funds of the high school. The High School Activity Fund Schedule shall show at a minimum: receipts, expenditures, beginning balance and ending balance. Elementary and Middle School Activity Funds shall be summarized showing at a minimum: receipts and

expenditures, beginning balance and ending balance in a single line per school. No school activity fund or individual activity account shall end or begin the fiscal year with a deficit balance.

15. The General Fund shall cover any negative balances in Governmental Funds. Deficits in Enterprise/Proprietary funds, except for food services, are not to be covered by General Funds, unless they are discontinued, then General Funds shall cover the deficit.
16. The following On Behalf Payments shall be properly displayed in the audit report and fully disclosed in the notes to the financial statements:
 - Health Insurance
 - Life Insurance
 - Administrative Fee
 - Health Reimbursement Account – HRA/Dental/Vision
 - Federal Reimbursements of Health Benefits (reduction)
 - Teacher’s Retirement System (TRS)
 - Technology
 - Kentucky Interlocal School Transportation Association (KISTA) Energy Savings
Capital Leases
 - School Facilities Construction Commission (SFCC) Debt Service

The “On Behalf Payments” link below may be used to obtain the on-behalf payments amounts.
[On-Behalf Payments](#)

17. The Schedule of Prior Year Findings and Questioned Costs shall reflect the status of prior year findings for both the financial statements and the federal awards or indicate that no prior year findings exist. Even if a federal audit is not performed, a Schedule of Prior Year Findings is still required.
18. Corrective Action Plan, if applicable.

District Responsibilities

- The local board of education shall enter into an agreement with an auditor using the Independent Auditor Contract contained herein. One signed contract is due to KDE on or before the due date reflected in the Annual Cycle for Local School District Audits. **The local board of education does not have a valid contract with the auditor until the COMMITTEE approves and the COMMITTEE Chair signs the contract.**
- Except in cases where special audits are authorized by the SCSDA, local boards of education shall select the auditor. Selection shall be made from the current licensure list provided by the Kentucky Board of Accountancy.
- The school district must obtain an engagement letter from the contracted CPA firm confirming the understanding of the terms of the engagement. The engagement letter may include additional items to address the specific needs of the district.
- 702 KAR 3:150 requires all local boards of education to report to the Commissioner of Education, “in writing, progress being made to correct exceptions appearing in school audits authorized by the SCSDA or, in writing, justify any failure to correct exceptions appearing in any school audit authorized by the SCSDA.” The report shall be due to the Commissioner within 45 days after receipt of the final audit report by the local board, or no later than December 31 following the close of the fiscal year, whichever occurs first.
- It is the responsibility of the district’s management (superintendent and finance officer) to properly record all adjusting entries on both the unaudited and audited AFRs and Balance Sheets. This responsibility includes entries for on behalf payments, fixed asset transactions, accruals and deferrals, and all other financial transactions. The district finance officer must possess suitable skills, knowledge, and experience (SKE) and understand the recommended audit adjustments provided by the auditor. The district shall also provide the auditor with an Audited AFR and Audited Balance Sheet which are in agreement with the audit report.
- Donated Commodities shall be included in the proprietary fund financial statements, and it is strongly encouraged that they be stated as a separate line item. Donated Commodities shall be stated separately as part of the nutrition cluster on the Schedule of Expenditures of Federal Awards (SEFA) and fully disclosed in the Notes to the SEFA.
- No school activity fund or individual activity account shall end or begin the fiscal year with a deficit balance.
- The General Fund shall cover any negative balances in Governmental Funds. Deficits in Enterprise/Proprietary funds, except for food services, are not to be covered by General Funds, unless they are discontinued, then General Funds shall cover the deficit.
- Costs incurred in the audit of federal grants, the federal school food programs, and school construction accounts may be charged back to those funds. Determine which grants allow audit costs as an administrative expense and in what amount. Districts expending less than \$750,000 in federal funds may not charge audit costs to federal grants but may charge other programs and accounts as appropriate. If a

district charges indirect costs to federal programs and food service, then they cannot also charge auditing services directly to those accounts.

- On behalf payments should be coded accurately in the MUNIS accounting system. The following link may be used by districts to record on behalf payments.
[On-Behalf Payments Information](#)
- The school district is responsible for informing their auditors of any property they possess that is located in a flood plain as determined by the FEMA Flood Insurance Rate Map (FIRM) located at [FEMA - https://msc.fema.gov/portal](https://msc.fema.gov/portal).
- The SCSDA recommends an audit firm rotation once every five (5) years as a best practice. After five (5) consecutive fiscal years, if there is no audit firm rotation the district shall provide a written explanation justifying why the district continues to use the same auditor. The written explanation shall be submitted to KDE through the Audit Acceptance Statement electronic web form process within the KDE SharePoint on or before **May 30th**.
- The school district must complete and submit the Audit Acceptance Statement (Statement) **electronic web form** through the KDE SharePoint on or before **May 30th**. The Statement shall be completed and submitted to KDE by the district's superintendent or finance officer, **on behalf** of the local board of education, requesting the financial accounts of the board be audited for FY 2024-2025 in accordance with the procedures adopted by the SCSDA. Also, the Statement shall consist of the board chosen auditor or audit firm name; contact information; audit cost; if applicable, explanation of the audit cost increase compared to the prior fiscal year audit cost; if applicable, explanation of why the local board elected to obtain the same auditor or audit firm for the last five (5) consecutive fiscal years; and some additional general auditor information. The Statement electronic web form submission instructions are located on the KDE website at [Audit Acceptance Statement Submission Instructions](#).
- The school district must **certify** that all audit adjustments have been entered into MUNIS and that an Annual Financial Report and Balance Sheet, which are in agreement with the audit report, will be transferred to KDE in conjunction with the audit report **by selecting the Statement of Certification (SOC) option** during the electronic submission process of the FY 2024-2025 Audited AFR and Balance Sheet to KDE on or before **November 15th**. The MUNIS Annual Financial Report Guide STW GL 2 instructions for creating and submitting the Annual Financial Report and Balance Sheet electronically to KDE and the Audited AFR and Balance Sheet Submission Guide are located on the KDE MUNIS Support and Guides website at [MUNIS Support and Guides](#), choose the General Ledger-Year End section in the drop down box.
- It is important for both the school district (superintendent and finance officer) and auditor to communicate and work together to reconcile the Audited AFR, Audited Balance Sheet and Audit Report **prior** to the reports being submitted to KDE. The district, working with its auditor, is strongly encouraged to complete the **optional** Validation Module accessible through the KDE SEEK program and resolve any discrepancies identified among the Audited AFR, Audited Balance Sheet and Audit Report.

KDE Responsibilities

KDE reviews the audit reports in comparison with the financial data reported in the districts' Audited AFR and Balance Sheet. KDE communicates discrepancies to districts and/or auditors and requests corrections or explanations as needed.

Desk Review of Audits

KDE has contracted with the APA to perform detailed 2 CFR 200 Desk Reviews of the school district audit reports. Auditors shall correct technically deficient audit reports within thirty (30) days of being notified by KDE. Then, KDE will review the revised audit reports to ensure the auditors corrected all findings noted in addition to correcting the technically deficient matters. During KDE's initial review of the current fiscal year audit report, KDE reserves the right to require the auditor to submit a corrected audit report if the auditor fails to correct prior fiscal year Desk Review findings, regardless of the report classification.

State Compliance Requirements

FY 06/30/2025

The KRS and KAR contain many restrictions and requirements that school districts must follow regarding school audits. The auditor shall perform the necessary procedures to determine district compliance with the following items and any others that may come to their attention during the course of the audit. The following list of statutes and regulations is not all inclusive and is provided merely to highlight certain significant statutes and regulations.

- ***Investment of Public Funds – Limitations – Written Investment Policy – Duties of State Local Debt Officer – Investment Pool – Rating Agency (KRS §66.480):***
This statute defines investment related items including, but not limited to, types of investments, defined limitations, and investment policy.
- ***Bonded Indebtedness (KRS §157.632):***
KRS §157.632 states: “It shall be the duty of the department, upon written request of the commissioner:
 - (1) To cause the certified public accountant auditing the district to audit the financial records relating to any identified and described bond issue of the commission, as an incident to the certified public accountant’s next ensuing annual audit of such board of education, and each subsequent annual audit; and to provide a statement or report to the commission.
 - (2) Upon receiving a notification and request from the commission to ascertain whether the lease of the board of education has been renewed and is in force in accordance with its terms, and if the same is ascertained to be in force; to withhold from the board of education a sufficient portion of any undisbursed funds then held or set aside or allocated by the department for the board of education, and to comply with the terms of the notification and request of the commission for the account of said board of education.”
- ***Nickels and Equalization (KRS §157.621, KRS §160.470), HB6-2024 Regular Session Veto Override in Part:***
Previously, to accommodate districts with growing numbers of students, school districts meeting the criteria in KRS §157.621 could levy an additional nickel for building fund needs. This nickel was levied by districts that met the criteria of a growth district, which is based on growth in the number of students, bonded indebtedness, current student enrollment in excess of available classroom space, and facility plan requirements. The statute also provides the criteria for the district to levy the second growth nickel, Base Realignment and Closure (BRAC) nickel, equalized facility funding nickel, and state equalization.
KRS §160.470(8)(a) states: “That portion of a general tax rate, except as provided in subsections (9) and (10) of this section, KRS 157.440, and KRS 157.621, levied by an action of a district board of education which will produce, respectively, revenue from real property, exclusive of revenue from new property, more than four percent (4%) over the amount of revenue produced by the compensating tax rate defined in KRS 132.010, shall be subject to a recall vote or reconsideration by the district board of education as provided for in KRS 132.017, and shall be advertised as provided for in paragraph (b) of this subsection.”
The 2024 budget bill (HB6) states, “Notwithstanding KRS §157.611 to §157.665, the School Facilities Construction Commission is authorized to make an additional \$40,000,000 in offers of assistance during the 2024-2026 fiscal biennium in anticipation of debt service availability during the 2026-2028 fiscal biennium. No bonded indebtedness based on the above amount is to be incurred during the 2024-2026 fiscal biennium.”

Further, HB 6 adds “Notwithstanding KRS 157.611 to 157.665 and 2022 Ky. Acts ch. 199, Part I, A., 27., (3), the School Facilities Construction Commission shall make offers of assistance in the specified amounts to the following local school districts in fiscal year 2024-2025:

- (a) \$8,041,000 to Breckinridge County Schools for Breckinridge County Middle School.
- (b) \$16,500,000 Campbellsville Independent Schools for Campbellsville Middle School.
- (c) \$7,100,000 to Cumberland County Schools for Cumberland County Elementary School.
- (d) \$5,000,000 to Ludlow Independent Schools for Ludlow High School.
- (e) \$12,000,000 to Martin County Schools for Inez Elementary School; and
- (f) \$13,000,000 to Rockcastle County Schools for Rockcastle County Middle School.

These schools are A1 schools, are ranked as a Priority 1 or 2 on the local school district’s facility plan and have levied a ten-cent equivalent tax dedicated to capital improvements. No local school districts receiving offers of assistance under this Act shall be eligible to receive additional offers of assistance until the 2028-2030 fiscal biennium.”

- **Use of Local District Capital Funds (KRS §157.420(7)) and HB727-2024 Regular Session provides:** “If a survey shows that a school district has no capital outlay needs as shown in subsection (4)(a)1., 2., 3., and 4. of this section, upon approval of the commissioner of education, these funds may be used for school plant maintenance, repair, insurance on buildings, replacement of equipment, purchase of school buses, and the purchase of modern technological equipment, including telecommunications hardware, televisions, computers, and other technological hardware to be utilized for educational purposes only.”

HB 727 (2024), Section 8, in part, provides:

“Until June 30, 2027, a local board of education of a district may provide for and commence the funding, financing, design, construction, renovation, or modification of the district's facilities in accordance with the provisions and restrictions established in statute and administrative regulation notwithstanding the requirements for prior approval for the district's plans and specifications from the chief state school officer under KRS 162.060, for the use of the district's capital outlay funds for projects from the commissioner of education under KRS 157.420, and for the district's transactions by the Kentucky Department of Education under KRS 160.160(3) and (4), and notwithstanding any administrative regulation that requires any of those entities to provide prior approval for the funding, financing, design, construction, renovation, or modification of school facilities.”

- **Eligibility for Membership on Local Board of Education (KRS §160.180):**

KRS §160.180 states:

- (1) As used in this section, "relative" means father, mother, brother, sister, husband, wife, son, and daughter.
- (2) A person shall only be eligible for membership on a board of education if the person:
 - (a) Has attained the age of twenty-four (24) years.
 - (b) Has been a citizen of Kentucky for at least three (3) years preceding the election and is a voter of the district for which he or she is elected.
 - (c) Has completed at least the twelfth grade or has been issued a High School Equivalency Diploma, as evidenced by:
 - 1. An affidavit signed under penalty of perjury certifying completion of the twelfth grade or the equivalent that has been filed with the nominating petition required by KRS 118.315; or
 - 2. A transcript evidencing completion of the twelfth grade or the results of a twelfth-grade equivalency examination that has been filed with the nominating petition required by KRS 118.315.
 - (d) Does not hold any elective federal, state, county, or city office.

- (e) Is not, at the time of his or her election, directly or indirectly interested in the sale to the board of books, stationery, or any other property, materials, supplies, equipment, or services for which school funds are expended;
 - (f) Has not been removed from membership on a board of education for cause; and
 - (g) Does not have a relative employed by the school district, in the case of a person elected after July 13, 1990. This shall not apply to a board member holding office on July 13, 1990, whose relative was not initially hired by the district during the tenure of the board member.
- (3) (a) A member of a board of education shall be subject to removal from office pursuant to KRS 415.050 and 415.060 if, after the election the member:
- 1. Becomes interested in any contract with or claims against the board, of the kind mentioned in subsection (2)(e) of this section.
 - 2. Moves his or her residence from the division for which he or she was chosen.
 - 3. Attempts to influence the employment of any school employee, except the superintendent or school board attorney.
 - 4. Is convicted of a felony.
 - 5. Performs acts of malfeasance in performance of duties prescribed by law:
 - 6. Willfully misuses, converts, or misappropriates public property or funds; or
 - 7. Does anything that would render the member ineligible for reelection.
- (b) In accordance with KRS 7.410, the Office of Education Accountability shall have the duty and responsibility to investigate current local board of education members for allegations of conduct prohibited by paragraph (a) of this subsection. After review and investigation, the Office of Education Accountability shall refer appropriate matters to the Attorney General.
- (4) A member of a board of education shall be eligible for re-election unless he or she becomes disqualified.
- (5) The annual in-service training requirements for all school board members in office as of December 31, 2014, shall be as follows:
- (a) Twelve (12) hours for members with zero to three (3) years of experience.
 - (b) Eight (8) hours for members with four (4) to seven (7) years of experience; and
 - (c) Four (4) hours for members with eight (8) or more years of experience. The Kentucky Board of Education shall identify the criteria for fulfilling this requirement.
- (6) (a) For all members of boards of education who begin their initial service on or after January 1, 2015, the in-service training requirements shall be:
- 1. Twelve (12) hours for members with zero to eight (8) years of experience each year, which shall include a minimum of:
 - a. One (1) hour of ethics training each year; and
 - b. One (1) hour of open meetings and open records training within the first twelve (12) months of initial service and at least once every four (4) years thereafter; and
 - 2. Eight (8) hours for members with more than eight (8) years of experience each year, which shall include a minimum of:
 - a. One (1) hour of ethics training each year; and
 - b. One (1) hour of open meetings and open records training at least once every four (4) years.
- (b) Training topics for members under this subsection with less than two (2) years of consecutive service shall include three (3) hours of finance and one (1) hour of superintendent evaluation within the first two (2) years of service. The Kentucky Board of Education shall identify criteria for fulfilling this requirement.

• **Salary Schedules (KRS §157.320(12) and KRS §157.350(3); 702 KAR 3:070):**

KRS 157.320(12) "Single salary schedule" means a schedule adopted by a local board from which all teachers are paid for one hundred eighty-five (185) days and is based on training, experience, and such

other factors as the Kentucky Board of Education may approve and which does not discriminate between salaries paid elementary and secondary teachers. If the budget bill contains a minimum statewide salary schedule, no teacher shall be paid less than the amount specified in the biennial budget salary schedule for the individual teacher's educational qualifications and experience;

KRS §157.350 states, in part:

“Each district which meets the following requirements shall be eligible to share in the distribution of funds from the fund to support education excellence in Kentucky:

- (3) Compensates all teachers on the basis of a single salary schedule and in conformity with the provisions of KRS §157.310 to §157.440

702 KAR 3:070 outlines the requirements for teachers' salary scheduling.

- ***Compliance with applicable laws and regulations governing procurement (KRS Title 45A, KRS §424.260 and 702 KAR 3:135):***

School districts must conduct procurement activities according to the following statutes and regulations. A district shall procure according to KRS 424.260 and 702 KAR 3:135 unless the district has adopted the applicable sections of KRS 45A as defined in KRS 45A.343.

KRS §45A.343(1) states: “Any local public agency may adopt the provisions of KRS §45A.345 to §45A.460. No other statutes governing purchasing shall apply to a local public agency upon adoption of these provisions.”

KRS §45A.351 to KRS §45A.353 contain specific requirements for procurements related to guaranteed energy savings.

KRS §45A.365(1) states: “All contracts or purchases shall be awarded by competitive sealed bidding, which may include the use of a reverse auction, except as otherwise provided by KRS 45A.370 to 45A.385 and for the purchase of wholesale electric power by municipal utilities as provided in KRS 96.901(1).”

KRS §45A.385 states: “The local public agency may use small purchase procedures for any contract for which a determination is made that the aggregate amount of the contract does not exceed forty thousand dollars (\$40,000) if small purchase procedures are in writing and available to the public.”

KRS §45A.420(3) states: “Nothing in KRS 45A.345 to 45A.990 shall deprive a local school district from acquiring supplies outside of price agreements with the Commonwealth of Kentucky if the supplies meet the same specifications as the contract items and the supplies are purchased at a lower price than is contained in the price agreement with the Commonwealth of Kentucky for such specific supplies and the purchase does not exceed two thousand five hundred dollars (\$2,500).”

KRS §424.260(1) states “Except where a statute specifically fixes a larger sum as the minimum for a requirement of advertisement for bids, no city, county, or district, or board or commission of a city or county, or sheriff or county clerk, may make a contract, lease, or other agreement for:

- (a) Materials.
- (b) Supplies, except perishable foods such as meat, poultry, fish, egg products, fresh vegetables, and fresh fruits.
- (c) Equipment; or
- (d) Contractual services other than professional.
involving an expenditure of more than forty thousand dollars (\$40,000) without first making newspaper advertisement for bids. This subsection shall not apply to the transfer of property between governmental agencies as authorized in KRS 82.083(4)(a).”

702 KAR 3:135 Section 1 states “For a school district electing not to adopt KRS 45A.345 to 45A.460, the following shall apply:

- (1) Notices for bidding advertised by boards of education for purchases of materials, supplies, equipment, or contractual services, where advertising for bids is required or allowed by statute, shall describe the materials, goods, or services to be bid and the time and place for the receipt and opening of bids;
- (2) All bids shall be submitted in writing, typewritten or in ink as to be legible, and sealed, and they shall be opened and read publicly at the time and place designated for the bid opening;
- (3) A bid shall not be changed after it is opened. This shall not prevent the acceptance or rejection of alternates which are specified as a part of the regular bid forms and specifications. Negotiation of contracts subsequent to the time bids are submitted shall be prohibited. Late bids or proposals shall not be considered;
- (4) If the lowest bid is not accepted, the board shall record in the minutes the reasons for the rejection.
- (5) All bids submitted and related information shall be filed and made available for review by interested parties, except for information exempted pursuant to KRS 61.878; and
- (6) Notification of the awarding of the contract shall be given in writing to all bidders. This notice shall include a list of all bidders together with their bid amounts.

- ***Conflicts of Interest (KRS § 156.480(2)):***

KRS §156.480(2) states “No employee of any county or independent school district with decision-making authority over the financial position of the school district shall have any pecuniary interest, either directly or indirectly, in an amount exceeding twenty-five dollars (\$25) per year, either at the time of or after his appointment to office, in supplying any goods, services, property, merchandise, or services, except personal services that are in addition to those required by contract for employment, of any nature whatsoever for which school funds are expended. If any person specified in this subsection receives, directly or indirectly, any gift, reward, or promise of reward for his influence in recommending or procuring the use of any goods, services, property, or merchandise of any kind whatsoever for which school funds are expended, he shall upon conviction be fined not less than fifty dollars (\$50) nor more than five hundred dollars (\$500), and his office or appointment shall without further action be vacant.”

- ***Collection of School Taxes (KRS §160.500 - .510):***

KRS §160.500(1) states: “School taxes shall be collected by the sheriff for county school districts and by the regular tax collector of the city or special tax collector for the independent school districts at the same time and in the same manner as other local taxes are collected, except as provided in this same manner as other local taxes are collected, except as provided in this section and in KRS 160.510. The bond of the regular or special tax collector shall be made to cover the duties as the tax collector of the school district or districts for which he or she collects taxes. The tax collector shall be entitled to a commission equal to his or her expenses incurred in collecting the school taxes, provided that the commission shall not be less than one and one-half percent (1.5%) or more than four percent (4%) of the amount of school taxes collected, plus four percent (4%) of the amount of any interest earned on the amounts collected and invested by the tax collector prior to distribution to the school district. No allowance shall be made for the collection of school taxes to any collecting officer who continues to collect taxes after the term that would not be allowed him or her had he collected the taxes during his or her term.”

KRS §160.500(2) states: “An independent school district may select a special tax collector to collect its school taxes. If an independent school district selects a special tax collector, a majority of the members of the independent school district board of education shall fix a commission for the special tax collector at a rate of not less than one and one-half percent (1.5%) and not more than four percent (4%) of the school taxes or school funds collected by the special tax collector from the local school levy in such independent school district, plus four percent (4%) of the amount of any interest earned on the amounts collected and

invested by the tax collector prior to distribution to the school district. The special tax collector shall be required to execute bond in the same manner as provided in KRS 160.560 for the execution of a treasurer's bond, and the penal sum of the bond shall not be less than the aggregate of the tax bills that come into the hands of the special tax collector."

KRS §160.505 states: "KRS 160.500 to the contrary notwithstanding, if a tax authorized by KRS 160.593 to 160.597, 160.601 to 160.633, and 160.635 to 160.648 shall be collected by a board of education, the board of education shall appoint a person who shall be responsible for collection and administration of such tax. If one (1) or more boards of education agree in writing to levy identical taxes authorized by the statutes mentioned hereinabove, the boards of education so agreeing shall jointly appoint a person who shall be responsible for collection and administration of such tax as provided for in KRS 160.593(2). The position may be full-time or part-time and his compensation shall be fixed by the board and/or boards of education. The bond of this person shall be made to cover his duties as tax collector."

KRS §160.510 states: "The tax collector shall, on or before the tenth day of each month, pay to the depository of the district board of education the amount of school tax collected up to and including the last day of the preceding month, except that the county clerk shall deduct his collection fee before payment to the district board of education depository. The amount so paid together with the classes of property from which it was received shall be reported in writing to the treasurer of the board. The report shall be accompanied by a duplicate of the receipt for the money given to the tax collector by the depository. The tax collector shall make final settlement with the district board of education at the same time he makes final settlement with the local taxing authority to which he is responsible. Blanks for such purposes shall be furnished by the Kentucky Board of Education."

- ***Interest on Investment of School Taxes (KRS §134.140(2)):***

KRS 134.140(2) states: "As part of the monthly distribution of taxes to a district board of education as required by KRS 134.191, the sheriff shall pay to the board of education that part of the investment earnings for the month which are attributable to the investment of school taxes, less an amount not to exceed four percent (4%) of the earned monthly investment income to reimburse the sheriff for the costs of administering the investment."

- ***Compliance with Bonds, Penal Sum (KRS §160.560(2); 702 KAR 3:080 Section 2):***

KRS §160.560(2) states: "The treasurer shall execute an official bond for the faithful performance of the duties of his office, to be approved by the local board and the commissioner of education. The bond shall be guaranteed by a surety company authorized to do business in this state and shall be in an amount determined by the board of education in accordance with the administrative regulations promulgated by the Kentucky Board of Education. The premium on the bond shall be paid by the board of education. A copy of the bond shall be filed with the board of education and with the commissioner of education."

Fidelity bond, penal sum for treasurer, finance officer, and others. 702 KAR 3:080.
Section 2.

- (1) A local board of education shall require a fidelity bond from the board treasurer, the finance officer, and others holding similar positions who are responsible for district funds or who receive and expend funds on behalf of the school district.
- (2) A local board of education, on the advice of the Commissioner of Education, shall determine the amount of the penal sum of the fidelity bond for all employees by July 1st of each year.
- (3) The local board of education shall submit the fidelity bonds to the Commissioner of Education for approval no later than July 31st of each year. A district shall not resubmit a multiyear bond for approval in subsequent years if the bond amount is still adequate.

Pledge of Collateral (Formerly Bond of Depositories) (KRS §160.570(1), (2) and KRS §41.240):

KRS §160.570(1) states: “Each board of education shall appoint a bank, trust company, or savings and loan association to serve as its depository, and if its annual receipts from all sources exceed one hundred thousand dollars (\$100,000), **it may designate additional depositories. The depository may be designated for a period not to exceed two (2) years, and before entering upon its duties shall agree with the board as to the rate of interest to be paid on average daily or monthly balances.**”

KRS §160.570(2) states: “The depository selected shall, before entering upon its duties, provide collateral in accordance with KRS 41.240, to be approved by the local board of education in accordance with Kentucky Board of Education administrative regulations, and to be approved by the commissioner of education. A board of education may enter into an agreement with its depository whereby the premium on collateral guaranteed by a surety company may be paid either by the board or by the depository. If the board pays the premium, the depository shall allow the board not less than two percent (2%) interest on its average daily or average monthly balances.”

KRS §41.240 outlines the pledge of collateral required for state depositories.

- ***Substitute Teacher Pay (702 KAR 3:075):***

702 KAR 3:075 states: “Section 1.

- (1) A local board of education shall adopt annually a per diem pay schedule for substitute teaching.
- (2) A substitute teacher shall be paid on a single salary schedule based on training and experience.
- (3) A substitute teacher shall be ranked in accordance with requirements outlined in KRS 157.390.
- (4) The pay schedule for substitute teaching shall be the same, higher, or lower than the rate of pay for a regular full-time teacher.

- ***Transportation Reimbursement (KRS §158.110 and KRS §158.115):***

Both statutes outline requirements relating to the transportation of pupils, supplementation of school bus transportation out of general funds and required reporting.

- ***Payment of Salaries to School Employees (KRS §160.291, KRS §161.011(5) and 702 KAR 3:060):***

KRS §160.291 outlines payment of salaries, extra duties and fringe benefits to all school employees working on a continuing, regular basis. KRS 161.011(5) details requirements of employment contracts with classified employees. Additionally, 702 KAR 3:060 establishes procedures relative to payment of certified and classified school employees.

- ***Publication of the Budget and Annual Financial Statement (KRS §424.220, KRS §424.250 and KRS §160.463):***

KRS 424.220(1) states: “Excepting officers who are exempted under subsection (8) of this section, every public officer of any city, county, or district less than a county, or of any board, commission, or other authority of a city, county, or district whose duty it is to collect, receive, have the custody, control, or disbursement of any funds collected from the public in any form shall, at the expiration of each fiscal year, prepare an itemized, sworn statement of the funds collected, received, held, or disbursed by him or her during the fiscal year just closed, unless he or she has complied with KRS 424.230.”

KRS 424.220(4) states: “The financial reporting and publishing requirements for a school district are provided in KRS 160.463.”

KRS 424.250 states in part: “...the board of education of the district shall cause the budget to be advertised for the district by publishing a copy of the budget in a newspaper.”

KRS 160.463 states:

- (1) “The school board of each public school system shall direct its superintendent to publish the

complete annual financial statement and the school report card annually:

- (a) In the newspaper of the largest general circulation in the county.
- (b) Electronically on a Web site of the school district; or
- (c) By printed copy at a prearranged site at the main branch of the public library within the school district.

- (2) If publication on a Web site of the school district or by printed copy at the public library is chosen, the superintendent shall be directed to publish notification in the newspaper of the largest circulation in the county as to the location where the document can be viewed by the public.
- (3) The notification shall include the address of the library or the electronic address of the Web site where the documents can be viewed.
- (4) Each system's financial statements shall be prepared and presented on a basis consistent with those of the other systems.

- ***No Extensions of Credit (Sections 177 and 179 Kentucky Constitution):***

Extension of credit by the Board of Education is prohibited in Sections 177 and 179 of the Kentucky Constitution.

- ***Incompatibility (Sections 165 and 237 Kentucky Constitution):***

Incompatible offices and employment are outlined in Sections 165 and 237 of the Kentucky Constitution. Refer also to KRS 61.080, 160.180, and 160.345.

- ***Exceeding of Budget per KRS §160.550 and 702 KAR 3:050:***

KRS §160.550(1) states: "No superintendent shall recommend and no board member shall knowingly vote for an expenditure in excess of the income and revenue of any year, as shown by the budget adopted by the board and approved by the Kentucky Board of Education, except for a purpose for which bonds have been voted or in case of an emergency declared by the Kentucky Board of Education."

702 KAR 3:050 states: "Any application to exceed the current budget filed under this administrative regulation, as well as any emergency declared by the chief state school officer, shall be submitted to the State Board for Elementary and Secondary Education for a final decision."

- ***Adherence to budget and tax cycle outlined in KRS §160.470, KRS §160.345, 702 KAR 3:246, KRS §132.0225, House Bill 6 (2024):***

702 KAR 3:246, Section 2(1) requires a district to "provide notice to school councils of a tentative allocation by March 1 and notice of an updated allocation by May 1 of each year for the funds and positions identified in Sections 4, 5, 6 and 8 of this administrative regulation for the next budget year in accordance with this administrative regulation." See also KRS §160.345(2)(f).

KRS §132.0225(1) states:

- (a) A taxing district that does not elect to attempt to set a rate that will produce more than four percent (4%) in additional revenue, exclusive of revenue from new property as defined in KRS 132.010, over the amount of revenue produced by the compensating tax rate as defined in KRS 132.010 shall establish a final tax rate within forty-five (45) days of the department's certification of the county's property tax roll.
- (b) For boards of education, the forty-five (45) days shall begin from the date of the department's certification to the chief state school officer as required by KRS 160.470(4).
- (c) A city that does not elect to have city and valorem taxes collected by the sheriff as provided in KRS 91A.070(1) shall be exempt from the forty-five (45) day deadline.
- (d) Any nonexempt taxing district that fails to meet the forty-five (45) day deadline shall be required to use the compensating tax rate for that year's property tax bills.

House Bill 6 (2024) states: “Allocations to School-Based Decision-Making Councils: Notwithstanding KRS 160.345(8), for each fiscal year, a local board of education may reduce the allocations to individual schools within the district as outlined in 702 KAR 3:246, secs. 6, 7, and 8. The allocation under 702 KAR 3:246, sec. 6, shall not be less than \$100 per pupil in average daily attendance.”

KRS 160.470 (6)(a) states, in part: “On or before May 30 of each calendar year, each district board of education shall adopt a tentative working budget which shall include a minimum reserve of two percent (2%) of the total budget.”

KRS 160.470(6)(b) states: “Each district board of education shall submit to the Kentucky Board of Education no later than September 30, a close estimate or working budget which shall conform to the administrative regulations prescribed by the Kentucky Board of Education.” Evidence of board action can be found in the official minutes of the board.

- ***SFCC Participation (KRS §157.611 - .640, KRS §157.650, KRS §157.660, 750 KAR 2:010 and 702 KAR 4:180):***

The School Facilities Construction Commission (SFCC) was established to help local school districts meet their school construction and education technology needs. The commission administers two separate programs: the school construction funding program and the education technology program. Funds appropriated for each program to the school district are to be maintained and audited separately.

For the School Facilities Construction program, noncompliance with KRS 157.611(2), 157.615(1), 157.620(1-3), 157.622(5), 157.625(4), 157.627(1-3, 5), or 157.632(1) shall be noted.

For the Education Technology Funding program, refer to KRS 157.650 - 157.660 and 750 KAR 2:010. Expenditures from the technology fund must be consistent with the district’s approved technology plan.

702 KAR 4:180 Section 2 states: “A District Facilities Plan, and requested amendments thereto, shall be developed in accordance with the standards and hearing procedures contained in the “Kentucky School Facilities Planning Manual,” June 2008”. The manual, incorporated by reference in 702 KAR 4:180, can be found on KDE’s website at [Kentucky School Facilities Planning Manual](#).

- ***Interest Earned on Restricted Accounts (KRS §157.615 and KRS §157.620):***

KRS §157.615 states: “As used in KRS 157.611 to 157.640, unless the context requires otherwise:

- (1) “Available local revenue” means the sum of the school building fund account balance; the bonding potential of the capital outlay and building funds; and the capital outlay fund account balance on June 30 of odd-numbered years. These accounts shall be defined in the manual for Kentucky school financial accounting systems...”

KRS 157.620(1)(b) provides:

To participate in the school construction funding program, the district must have unmet needs as defined by KRS 157.615 and must meet the following criteria:

[...]

- (b) On July 1 of odd-numbered years, the district board of education shall restrict all available local revenue, as defined by KRS 157.615, for school building construction, to be utilized in accordance with the priorities determined by the most current school facilities plan approved by the Kentucky Board of Education.

- KRS 157.615(2) provides interest earned on restricted funds required by this section shall become part of the restricted funds.

- **Retirement Systems:**

Compliance with applicable statutes and regulations governing the Teachers' Retirement System (TRS) is located at [Teachers Retirement System – Employers](#) and the County Employees' Retirement System (CERS) is located at [County Employees' Retirement System - KPPA Employers](#).

- **Property Insurance (KRS §160.105 and 702 KAR 3:030):**

KRS 160.105(1) states: "The Kentucky Board of Education shall by regulation require each school district to:

- (1) Provide for fire and extended insurance coverage on each building owned by the board which is not surplus to its needs as shown by the approved facilities plan. The requirement for such coverage shall not exceed replacement cost and shall allow for the features of coinsurance and deductibles..."

702 KAR 3:030 establishes requirements for the level of insurance coverage. Referring to the following KDE, District Facilities Branch's webpage link for the latest Property Insurance Replacement Cost.: [Property Insurance Replacement Costs](#). KDE urges districts to insure surplus property with an insurance policy sufficient to protect their investment.

- **Sick Leave (KRS §157.420(3)):**

KRS 157.420(3) states: "A district that compensates its teachers or employees for unused sick leave at the time of retirement, pursuant to KRS 161.155, may create an escrow account to maintain the amount of funds necessary to pay teachers or employees who qualify for receipt of the benefit. The fund is limited to not more than fifty percent (50%) of the maximum liability for the current year to be determined according to the number of staff employed by the district on September 15. Interest generated by the account shall be calculated as part of the total amount. The funds shall not be used for any purpose other than compensation for unused sick leave at the time of retirement and shall not be considered as part of the general fund balance in determining available local revenue for purposes of KRS 157.620."

- **Per Diem and Expenses for Board Members (KRS §160.280):**

KRS 160.280 states:

- (1) Members of the boards of education shall receive no salaries, but members of the boards of education may receive, for each day a regular or special meeting is attended, a per diem of one hundred fifty dollars (\$150) and their actual expenses. Members shall receive this same per diem for training required by KRS 160.180. In no case shall the expenses incurred within the district or per diem of any member exceed six thousand dollars (\$6,000) in any calendar year.
- (2) Members of boards of education may be reimbursed for actual and necessary expenditures incurred outside the district in performance of their duties authorized by the board.
- (3) All claims shall be made out according to law and filed with the secretary of the board and shall be approved and paid as other claims against the board.
- (4) Board members shall be eligible to participate in any group medical or dental insurance plan provided to employees of the district pursuant to KRS 161.158. Participating board members shall pay the full cost of any premium required for their participation in the plan.

Legislative changes, if applicable, will supersede the data approved in the fiscal year 2024-2025 Audit Contract package.

Appendix I – Audit Extension Request

Audit Fiscal Year 2024 – 2025

Audit Firm Name: _____ Audit Firm Telephone Number: _____

Auditor Name: _____

District Name: _____

Requested Extension Date: _____

Extensions are being carefully scrutinized by the State Committee for School District Audits and are by no means automatically approved. It is of utmost importance that the audits be completed by the due date, and that the audits agree to the districts' AFRs per the audit contract.

THIS SECTION MUST BE COMPLETED BY AUDIT FIRM

- 1) What are the specific reasons the audit cannot be completed on or before November 15th?
 - a) Audit Firm Issues?
 - b) School District Issues?
- 2) When did the audit firm begin work on the audit?
 - a) Summarize work completed to date.
 - b) Summarize work yet to be completed.
- 3) Has the firm encountered any difficulties working with the district personnel or their financial records?
- 4) Does the audit firm or district need guidance from KDE in order to complete the audit on time?
- 5) How many school district audits is this firm performing for the current audit year?
- 6) Has the audit firm requested extensions for any other districts?
 - a) If yes, how many?
Provide the names of those districts.
 - b) What reasons are given for the other districts' extension requests?
- 7) Was an extension requested by this audit firm for this district for the prior audit year? If yes, what were the reasons given for the extension request?
- 8) Was an extension requested by this audit firm for any other districts for the prior audit year? If yes, what were the reasons given for the extension requests?

Appendix I – Audit Extension Request
Audit Fiscal Year 2024 – 2025

Audit Firm Name: _____
Superintendent Name: _____
District Telephone Number: _____

District Name: _____
Finance Officer Name: _____

THIS SECTION MUST BE COMPLETED BY THE SCHOOL DISTRICT

- 1) Were you aware that your audit firm has requested an extension?
- 2) Does the audit firm or district need guidance from KDE in order to complete the audit on time?
- 3) Have there been any difficulties or problems between the district and the audit firm?
- 4) Has the district provided the audit firm with all of the documentation requested, including the Management Discussion and Analysis? If no, please explain what has not been submitted to the auditor and what steps are being taken to resolve the matter.
- 5) Does the district believe that an extension is necessary?

If the audit cannot be completed by the deadline, the auditor shall submit an Audit Extension Request form, fully completed by both auditor and the district, to KDE by October 1, 2025. This form is provided and must be completed and submitted electronically as follows:

Finance.Reports@education.ky.gov
with the “DISTRICT NAME AUDIT EXTENSION REQUEST”
in the subject line (SUBJECT: DISTRICT NAME AUDIT EXTENSION REQUEST)
Carbon copy School District Superintendent and Finance Officer

ACCOUNTANT/FIRM

DATE

DISTRICT

DATE

Appendix II - Submission Instructions

Due to KDE on or before May 30, 2025

AUDIT ACCEPTANCE STATEMENT WEB FORM:

- The **Audit Acceptance Statement web form**, which includes the justification section for using the same auditor/audit firm for five consecutive years, must be completed and submitted electronically through KDE SharePoint at [Staff KY Schools SharePoint](#).
The Audit Acceptance Statement electronic web form submission instructions are located on the Financial Audit Contract Information KDE website at [Audit Acceptance Statement Submission Instructions](#).

AUDIT CONTRACT AND OTHER DOCUMENTS:

- Copies of the signed **audit contract**, latest peer review report, any letter of response (if applicable) and acceptance letter are due to KDE. Submit documents electronically to Finance.Reports@education.ky.gov.

Due to KDE on or before November 15, 2025

ELECTRONIC COPIES:

- The **Audited AFR and Balance Sheet** that are in agreement with the FY2024-2025 audit report must be submitted through the KDE SEEK District Data Submission program at [SEEK](#). The MUNIS Annual Financial Report Guide STW GL 2 instructions for creating and submitting the Annual Financial Report and Balance Sheet electronically to KDE and the Audited AFR and Balance Sheet Submission Guide are located on the KDE MUNIS Support and Guides website at [MUNIS Support and Guides](#), choose the General Ledger-Year End section.
- The **Statement of Certification (SOC)** must be certified and submitted **by selecting the SOC option** during the electronic submission of the FY 2024-2025 Audited AFR and Balance Sheet through the KDE SEEK District Data Submission program at [SEEK](#). One electronic copy of the **audit report** must be submitted to the following e-mail address: Finance.Reports@education.ky.gov with the “DISTRICT NAME AUDIT” in the subject line (SUBJECT: DISTRICT NAME AUDIT).
- The audit report shall be submitted in ADOBE ACROBAT (PDF) with the file name “FY2024-2025 FA District Name.pdf”. Example: FY2024-2025 FA Adair Co.pdf. One electronic copy of the management letter must be submitted, either included with the audit report or in a separate PDF file. If submitted separately, it must be submitted to the same address listed above for submission of the audit report with the file name “FY2024-2025 FA District Name Mgt Ltr.pdf”. Example: FY2024-2025 FA Adair Co Mgt Ltr.pdf.
- The audit report and management letter must be **signed** and saved as a PDF file. Files must be text-based PDF and unlocked for improved accessibility.
- Electronic audit documents cannot be password protected.
- Single Audits must be submitted electronically to the **Federal Audit Clearinghouse** at [Federal Audit Clearinghouse](#), in accordance with 2 CFR 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.
- FY 2024-2025 Audit Findings and The Management Letter Comments Spreadsheet must be submitted to the following email address: Finance.Reports@education.ky.gov with the “District Name Audit Findings and Mgmt Letter Comments” in the subject line. All auditor firms or auditors must comply with the specified spreadsheet format located on the KDE website at [Audit Findings & Management Letter Comments Spreadsheet Template](#).
- Deliver one signed paper copy of the **audit report** to the **school district**.

Due to KDE within the timeframe designed by KDE

RESUBMISSION:

- If it is determined that the audit report needs to be revised and resubmitted to KDE, either during the audit review process or as a result of 2 CFR 200 Desk Review findings, the auditor will submit one electronic revised and signed copy of the audit report to KDE within the timeframe designated by KDE. No hard copy of the revised audit report is required.
- The entire audit report shall be resubmitted to the local board, KDE, and all other parties to whom the original audit report was submitted.