



November 9, 2022

Members of the Board of Education
Grayson County School District
Leitchfield, Kentucky

Kentucky State Committee for School District Audits
Frankfort, Kentucky

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Grayson County School District (District) as of and for the year ended June 30, 2022, 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 auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion 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.

However, during our audit we became aware of deficiencies in internal control other than significant deficiencies and material weaknesses, and matters that are opportunities for strengthening internal controls and operating efficiency. This letter summarizes our comments and suggestions regarding these matters. This letter does not affect our report dated November 9, 2022, on the financial statements of the District.

2022 MANAGEMENT COMMENTS

Findings noted were as follows:

TAX REVENUES:

Finding:

Utilities tax revenues accruals were not recorded in the proper period. This resulted in an overstatement of current year utilities tax revenue. This error was immaterial to the General Fund, and therefore, was not corrected in the audited financial statements. This is a repeat comment.

Recommendation:

In future years, all tax revenues should be recorded in the proper period and all tax revenue should be analyzed for appropriate entries prior to closing each year.

FOOD SERVICE FUND

Finding:

Grant funds that were unspent at year end were not recorded as unearned revenue. An adjustment was made to correct the balance at fiscal year end.

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2022 MANAGEMENT COMMENTS, Continued

FOOD SERVICE FUND, CONTINUED

Recommendation:

We recommend an analysis of grant funds for appropriate entries prior to closing each year.

DEBT SERVICE FUND

Finding:

In prior years, discounts on bonds which had been refunded were not removed and netted with the deferred charges on refunding at the time of defeasance. This is a repeat comment.

Recommendation:

Because the maturity dates of the refunding and defeased bond issues were the same, this error had no impact on the net results of operations, and therefore, was not corrected in the audited financial statements. In fiscal year 2023, the expired discounts should be reclassified to deferred charges on refunding, with the appropriate recalculation of annual amortization expense.

LEASOR REVENUE

Finding:

A written agreement could not be located for a year-to-year lease of farm land.

Recommendation:

We recommend an annual lease be executed in writing.

ACTIVITY FUNDS (SCHOOL LEVEL):

Findings noted and frequency of occurrence are follows:

Ticket Sales:

The number of tickets sold on the ticket sales report was understated by one based on the reconciliation of beginning and ending ticket numbers documented:

Grayson County Middle School (2)

Recommendation:

We recommend that Activity Fund bookkeepers be reminded of the importance of adhering to the "Red Book" and performing generally accepted practices which enhance internal control for the District.

District Response to 2022 Management Comments:

See the electronically submitted Management Letter Comments Spreadsheet for detailed responses.

2021 MANAGEMENT COMMENTS

Annual Financial Report (AFR)/Balance Sheet (BS)

Finding:

The AFR/BS received for audit was not fully adjusted and balanced.

Follow up:

A fully adjusted and balanced AFR/BS was received for the audit in fiscal year 2022.

TAX REVENUES:

Finding:

Utilities tax revenues were improperly recorded on a cash basis. This resulted in an understatement of current year utilities tax revenue. This error was immaterial to the General Fund, and therefore, were not corrected in the audited financial statements.

Follow up:

Utilities tax revenue was recorded on a cash basis for fiscal year 2022. This comment will be repeated.

Finding:

A receivable for telecom tax revenue was recorded in error at year end. This error was immaterial to the General Fund, and therefore, was not corrected in the audited financial statements.

Follow up:

Telecom tax revenue was recorded properly in fiscal year 2022.

SPECIAL REVENUE FUND

Finding:

Federal funds passed through the state to the District for Food Service administration were incorrectly recorded as state revenue in the Special Revenue Fund. The funding was correctly reported in the Schedule of Expenditures of Federal Awards (SEFA).

Follow up:

Federal funds were properly recorded for fiscal year 2022.

Finding:

Certain costs incurred in June 2021, payable at fiscal year end, and disbursed in July 2021 were incorrectly charged as grant expenditures of projects/grants with periods beginning 7/1/2021, based on disbursement date instead of the date the costs were actually incurred. These errors were immaterial to the Special Revenue Fund, and therefore, were not corrected in the audited financial statements.

2021 MANAGEMENT COMMENTS, Continued

SPECIAL REVENUE FUND, CONTINUED

Follow up:

Cost were properly charged to grants as required under generally accepted accounting principles, auditing standards and the Uniform Guidance in fiscal year 2022.

DEBT SERVICE FUND

Finding:

In prior years, discounts on bonds which had been refunded were not removed and netted with the deferred charges on refunding at the time of defeasance.

Follow up:

Discounts on refunded bonds were not netted with deferred charges on refunding during fiscal year 2022. This comment will be repeated.

Finding:

Immaterial balances remain in five debt service fund bank accounts associated with matured or refunded bonds.

Follow up:

Bank accounts associated with matured or refunded bonds were closed during fiscal year 2022.

ACTIVITY FUNDS (SCHOOL LEVEL):

Findings noted and frequency of occurrence are follows:

Budgets:

No individual activity account budgets were prepared:

Clarkson Elementary School (1)

Grayson County High School (1)

No principal's combining budget was prepared:

Clarkson Elementary School (1)

Deposits:

The deposit was not made timely:

Clarkson Elementary School (2)

Form F-SA-6 was not present:

Clarkson Elementary School (1)

No remitting date was noted on Form F-SA-6:

Clarkson Elementary School (2)

Grayson County High School (1)

2021 MANAGEMENT COMMENTS, Continued

ACTIVITY FUNDS (SCHOOL LEVEL), CONTINUED:

Follow up and resolution:

The District regularly communicates with bookkeepers, and also holds quarterly meetings to remind them of the importance of following Redbook procedures. Additionally, month end financial statements are reviewed at Central Office.

We will review the status of these comments during our next audit engagement. We have already discussed the comments and suggestions with District personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This communication is intended solely for the information and use of management, the Board of Education, the Kentucky Department of Education, and others within the District, and is not intended to be, and should not be, used by anyone other than these specified parties.

RingDann CPAs PSC