



CAMPBELL, MYERS AND RUTLEDGE, PLLC

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Members of the Board of Education
Allen County School District
Scottsville, Kentucky 42164

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 Allen County Board of Education as of and for the year ended June 30, 2025, in accordance with auditing standards generally accepted in the United States of America, we considered Allen County School 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 Allen County School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Allen County School District's internal control.

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 or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified.

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 entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

During our audit, we became aware of opportunities for strengthening internal controls described in the following schedule.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with various governmental unit 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, Allen County School District, others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Campbell, Myers & Rutledge, PLLC

Certified Public Accountants

January 6, 2026

PRIOR YEAR FINDINGS

No uncorrected prior year findings

CURRENT YEAR FINDINGS

2025-001 Noncompliance with Regulations – Insurance Coverage

Criteria: KRS 160.105 and KAR 702 3:030 detail the Kentucky Department of Education's requirements for the board of education to procure insurance coverage for all buildings and their contents for an amount equal to 100 percent of the replacement cost as shown on the schedule of values certified by the Kentucky Department of Education or as determined through a certified replacement cost appraisal.

Condition: The District did not have adequate insurance coverage to comply with the requirements set forth by the Kentucky Department of Education.

Cause: The District's insurance carrier did not utilize the proper square footages when extending coverage.

Effect: The District was not in compliance with insurance coverage requirements set forth by the Kentucky Department of Education.

Recommendation: We recommend that the District provide their insurance provider all proper square footages to amend the policy to comply with replacement costs shown on the schedule of values certified by KDE and review the coverage annually upon policy renewal.

Response: The District recognizes that there was insufficient coverage during fiscal year 2024-2025. The District has provided the proper square footage to the insurance carrier and amended their policy for fiscal year 2025-2026. The District has developed a system to review coverage annually upon policy renewal to verify that coverage is in compliance with requirements set forth by KDE.

2025-002 Allen County Board of Education

Criteria: A properly designed and implemented system of internal controls is important to mitigate the inherent risks associated with all financial processes undergone by the District.

Condition: The District lacks communication and a sufficient system of internal controls in the payroll process to mitigate the inherent risk of errors.

Cause: The District did not adequately document and communicate changes in payroll to finance staff.

Effect: Finance staff lacked a complete understanding about the composition of period pay for selected employees.

Recommendation: We recommend that the District implement a system of internal controls to ensure that no changes to payroll can be made without the full understanding of finance staff. We recommend that a master spreadsheet recalculating every employee's period pay based on annualized figures be developed and reconciled to each payroll during the process. Any differences must be explained, and the spreadsheet should be updated for the change.

Response: The District recognizes the importance of adequate communication in the payroll process. The District has implemented a process to improve communication with finance staff regarding Human Resources changes.

2025-003 Allen County School District – Activity Funds

Criteria: The Kentucky Department of Education's Accounting Procedures for Kentucky School Activity Funds (Redbook) sets forth guidelines that govern financials for student activities.

Condition: During the year it was noted that there were several minor infractions related to the improper filling out of fundraiser and inventory forms as required by Redbook.

Cause: Staff was not properly informed or trained in the details of proper form usage per the Redbook.

Effect: Compliance with The Redbook was not achieved.

Recommendation: We recommend that the District implement uniform training for Activity Fund financial staff to learn Redbook requirements.

Response: The District recognizes the importance of adequate recordkeeping and Redbook compliance and is implementing a program to properly train Activity Fund staff.

2025-004 Allen County School District – External/Booster Organizations

Criteria: The Kentucky Department of Education's Accounting Procedures for Kentucky School Activity Funds (Redbook) sets forth guidelines that govern accounting for student activities.

Condition: Annual financial activity of external/booster organizations was not reported in accordance with Redbook requirements. Budgets (F-SA-4B) are required to be submitted to the principal within the first 30 days of the school year or within thirty days of the first transaction of the group. Annual financial activity is required to be reported to the principal by July 25 following the end of the fiscal year.

Cause: Staff were not properly informed or trained in the details of external/booster organization financial reporting requirements.

Effect: The external/booster organization did not achieve compliance with Redbook financial reporting requirements.

Recommendation: We recommend that the District require external/booster organization members to comply with Redbook financial reporting requirements.

Response: The District recognizes that financial reporting requirements have not been followed in the past but will begin requiring that these requirements be satisfied by external/booster organizations in the future.