



The Honorable Mayor, Members of the
City Council of Shepherdsville, Kentucky
Shepherdsville, Kentucky

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities and each major fund of the City of Shepherdsville, Kentucky (the "City") as of and for the year ended June 30, 2021, in accordance with auditing standards generally accepted in the United States of America, we considered the City'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding 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. However, as discussed below, we identified certain deficiencies in internal control that we consider to be a material weaknesses and other deficiencies that we consider to be significant deficiencies.

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 to the City's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the following deficiencies in internal control be material weaknesses.

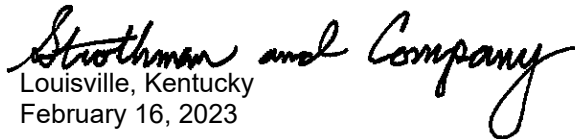
- Material Adjustments--During our audit several adjustments were necessary in order for the financial information to be presented under the appropriate accounting standards required for governments. The City management should increase their awareness and knowledge of all procedures and processes involved in preparing financial statements and develop internal control policies to ensure proper financial statement presentation.
- Segregation of Duties--During our review of internal controls, we determined that the City does not have proper segregation of duties of all procedures and processes involved in preparing financial statements and develop internal control policies to ensure proper financial statement presentation.
- Missing Records--While performing internal control testing, we noted several files that support cash receipts and cash disbursement transactions missing. We recommend the City ensure that

proper support is kept for accounting transactions in accordance with the Commonwealth of Kentucky's document retention requirements.

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. We consider the following deficiencies in internal control to be significant deficiencies.

- Inadequate Collateral of Deposits--The City failed to maintain sufficient collateral to avoid exposure risk on its cash deposits in excess of the FDIC insurance limits. We recommend the City diversify deposits to more financial institutions in a manner that prevents deposits from exceeding FDIC insurance limits or obtain third-party collateral for the amount of deposits in excess of FDIC insurance limits.
- Timely Issuance of Audited Financial Statements--The 2021 financial statements were issued 19 months after year end. This causes the City to be in noncompliance with the State regulation and grant agreements. The City should establish a process to ensure that the financial statement information is readily available and devote the resources necessary to complete the financial audit in a timely manner.

This communication is intended solely for the information and use of management, the audit committee, and other within the City, and is not intended to be an should not be used by anyone other those specified parties.


Louisville, Kentucky
February 16, 2023