

**COMMUNITIES**



**UNITED  
FOR EDUCATION**

# **Raymore-Peculiar R-II School District**

## **Auditors' Report June 30, 2016**

# INDEPENDENT AUDITORS' REPORT

To the Board of Education  
Raymore-Peculiar R-II School District

## Paragraph #1

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities and each major fund of Raymore-Peculiar R-II School District as of June 30, 2016, and the respective changes in modified cash basis financial position thereof for the year then ended in accordance with the basis of accounting described in Note A.

**RAYMORE-PECULIAR R-II SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS  
FOR THE YEAR ENDED JUNE 30, 2016**

|   | <u>Expenditures</u>  | <u>PROGRAM REVENUES</u>     |   |   | Net (Expenditures)                        |
|---|----------------------|-----------------------------|---|---|---|
|   |                      | <u>Charges for Services</u> | <u>Operating Grants and Contributions</u> | <u>Capital Grants and Contributions</u> | <u>Revenue and Change in Net Position</u> |
|   |                      |                             |   |   | <u>Governmental</u>                       |
| <b>GOVERNMENTAL ACTIVITIES</b>            |                      |                             |   |   |   |
| Instruction                               | \$ 34,869,872        | \$ 1,320,141                | \$ 4,057,595                              | \$ 56,541                               | \$ (29,435,595)                           |
| Student services                          | 2,060,717            | -                           | 24,683                                    | -                                       | (2,036,034)                               |
| Instruction staff support                 | 3,824,116            | -                           | -   | -                                       | (3,824,116)                               |
| Building administration                   | 1,860,413            | -                           | -   | -                                       | (1,860,413)                               |
| General administration & central services | 2,607,533            | -                           | -   | -                                       | (2,607,533)                               |
| Operation of plant                        | 8,960,669            | 30,526                      | -   | -                                       | (8,930,143)                               |
| Transportation                            | 4,324,732            | -                           | 939,559                                   | -                                       | (3,385,173)                               |
| Food service                              | 2,499,098            | 1,490,052                   | 1,046,955                                 | -                                       | 37,909                                    |
| Community services                        | 724,839              | 691,479                     | 58,050                                    | -                                       | 24,690                                    |
| Facility acquisition and construction     | 11,125               | -                           | -   | -                                       | (11,125)                                  |
| Debt service:                             |                      |                             |   |   |   |
| Interest and fees                         | 2,543,970            | -                           | -   | -                                       | (2,543,970)                               |
| <b>Total Governmental Activities</b>      | <b>\$ 64,287,084</b> | <b>\$ 3,532,198</b>         | <b>\$ 6,126,842</b>                       | <b>\$ 56,541</b>                        | <b>(54,571,503)</b>                       |

**RAYMORE-PECULIAR R-II SCHOOL DISTRICT**  
**BALANCE SHEET - MODIFIED CASH BASIS**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2016**

|                           | <u>GENERAL<br/>FUND</u> | <u>SPECIAL<br/>REVENUE<br/>FUND</u> | <u>DEBT<br/>SERVICE<br/>FUND</u> | <u>CAPITAL<br/>PROJECTS<br/>FUND</u> | <u>TOTAL<br/>GOVERNMENTAL<br/>FUNDS</u> |
|---------------------------|-------------------------|-------------------------------------|----------------------------------|--------------------------------------|---|
| <b>ASSETS</b>             |                         |                                     |                                  |                                      |   |
| Cash and cash equivalents | \$ 9,604,540            | \$ -                                | \$ 3,267,259                     | \$ 26,950,462                        | \$ 39,822,261                           |
| Investments               | <u>5,503,423</u>        | <u>-</u>                            | <u>-</u>                         | <u>-</u>                             | <u>5,503,423</u>                        |
| Total assets              | <u>\$ 15,107,963</u>    | <u>\$ -</u>                         | <u>\$ 3,267,259</u>              | <u>\$ 26,950,462</u>                 | <u>\$ 45,325,684</u>                    |
| <b>FUND BALANCES</b>      |                         |                                     |                                  |                                      |   |
| Fund Balances:            |                         |                                     |                                  |                                      |   |
| Restricted                | \$ -                    | \$ -                                | \$ 3,267,259                     | \$ 26,563,670                        | \$ 29,830,929                           |
| Committed                 | -                       | -                                   | -                                | 386,792                              | 386,792                                 |
| Assigned                  | 834,461                 | -                                   | -                                | -                                    | 834,461                                 |
| Unassigned                | <u>14,273,502</u>       | <u>-</u>                            | <u>-</u>                         | <u>-</u>                             | <u>14,273,502</u>                       |
| Total fund balances       | <u>\$ 15,107,963</u>    | <u>\$ -</u>                         | <u>\$ 3,267,259</u>              | <u>\$ 26,950,462</u>                 | <u>\$ 45,325,684</u>                    |

|                     | General<br>Fund     | Special<br>Revenue<br>Fund | Debt<br>Service<br>Fund | Capital<br>Projects<br>Fund |
|---------------------|---------------------|----------------------------|-------------------------|-----------------------------|
|                     | <u>          </u>   | <u>          </u>          | <u>          </u>       | <u>          </u>           |
| Restricted:         |                     |                            |                         |                             |
| Debt service        | \$ -                | \$ -                       | \$ 3,267,259            | \$ -                        |
| Capital projects    | <u>-</u>            | <u>-</u>                   | <u>-</u>                | <u>26,563,670</u>           |
| Total Restricted    | <u>-</u>            | <u>-</u>                   | <u>3,267,259</u>        | <u>26,563,670</u>           |
| Committed:          |                     |                            |                         |                             |
| Capital outlay      | <u>-</u>            | <u>-</u>                   | <u>-</u>                | <u>386,792</u>              |
| Assigned:           |                     |                            |                         |                             |
| Student activities  | 631,574             | -                          | -                       | -                           |
| Food service        | <u>202,887</u>      | <u>-</u>                   | <u>-</u>                | <u>-</u>                    |
| Total Assigned      | <u>834,461</u>      | <u>-</u>                   | <u>-</u>                | <u>-</u>                    |
| Unassigned          | <u>14,273,502</u>   | <u>-</u>                   | <u>-</u>                | <u>-</u>                    |
| Total fund balances | <u>\$15,107,963</u> | <u>\$ -</u>                | <u>\$ 3,267,259</u>     | <u>\$26,950,462</u>         |

|   | GENERAL<br>FUND    | SPECIAL<br>REVENUE<br>FUND | DEBT<br>SERVICE<br>FUND | CAPITAL<br>PROJECTS<br>FUND | TOTAL<br>GOVERNMENTAL<br>FUNDS |
|---|--------------------|----------------------------|-------------------------|-----------------------------|--------------------------------|
| <b>REVENUES:</b>                            |                    |                            |                         |                             |                                |
| Local                                       | \$ 21,885,387      | \$ 5,448,989               | \$ 8,842,169            | \$ 677,496                  | \$ 36,854,041                  |
| County                                      | 1,691,875          | 185,285                    | 478,592                 | -                           | 2,355,752                      |
| State                                       | 1,778,468          | 24,596,447                 | -                       | 153,000                     | 26,527,915                     |
| Federal                                     | 1,811,781          | 297,312                    | -                       | 56,541                      | 2,165,634                      |
| Other                                       | 33,745             | -                          | -                       | 7,395                       | 41,140                         |
| <b>Total Revenues</b>                       | <b>27,201,256</b>  | <b>30,528,033</b>          | <b>9,320,761</b>        | <b>894,432</b>              | <b>67,944,482</b>              |
| <b>EXPENDITURES:</b>                        |                    |                            |                         |                             |                                |
| Instruction                                 | 5,585,081          | 28,615,529                 | -                       | 5,015                       | 34,205,625                     |
| Student services                            | 993,813            | 1,066,904                  | -                       | -                           | 2,060,717                      |
| Instruction staff support                   | 2,471,616          | 1,352,500                  | -                       | -                           | 3,824,116                      |
| Building administration                     | 21,895             | 1,838,518                  | -                       | -                           | 1,860,413                      |
| General administration & central services   | 1,990,783          | 616,750                    | -                       | -                           | 2,607,533                      |
| Operation of plant                          | 5,400,566          | -                          | -                       | 1,156,968                   | 6,557,534                      |
| Transportation                              | 4,122,906          | 201,826                    | -                       | -                           | 4,324,732                      |
| Food service                                | 2,499,098          | -                          | -                       | 37,627                      | 2,536,725                      |
| Community services                          | 714,671            | 10,168                     | -                       | -                           | 724,839                        |
| Facility acquisition and construction       | -                  | -                          | -                       | 830,669                     | 830,669                        |
| Debt service:                               |                    |                            |                         |                             |                                |
| Principal retirement                        | -                  | -                          | 25,050,000              | 698,909                     | 25,748,909                     |
| Interest and fees                           | -                  | -                          | 2,098,156               | 445,814                     | 2,543,970                      |
| <b>Total Expenditures</b>                   | <b>23,800,429</b>  | <b>33,702,195</b>          | <b>27,148,156</b>       | <b>3,175,002</b>            | <b>87,825,782</b>              |
| Revenues Over (Under) Expenditures          | 3,400,827          | (3,174,162)                | (17,827,395)            | (2,280,570)                 | (19,881,300)                   |
| <b>Other Financing Sources (Uses):</b>      |                    |                            |                         |                             |                                |
| Transfers                                   | (4,574,162)        | 3,174,162                  | -                       | 1,400,000                   | -                              |
| Proceeds from sale of bonds                 | -                  | -                          | 18,375,000              | 27,000,000                  | 45,375,000                     |
| <b>Total Other Financing Sources (Uses)</b> | <b>(4,574,162)</b> | <b>3,174,162</b>           | <b>18,375,000</b>       | <b>28,400,000</b>           | <b>45,375,000</b>              |
| <b>Net change in fund balance</b>           | <b>(1,173,335)</b> | <b>-</b>                   | <b>547,605</b>          | <b>26,119,430</b>           | <b>25,493,700</b>              |
| Fund balance, beginning                     | 16,281,298         | -                          | 2,719,654               | 831,032                     | 19,831,984                     |
| Fund balance, ending                        | \$ 15,107,963      | \$ -                       | \$ 3,267,259            | \$ 26,950,462               | \$ 45,325,684                  |

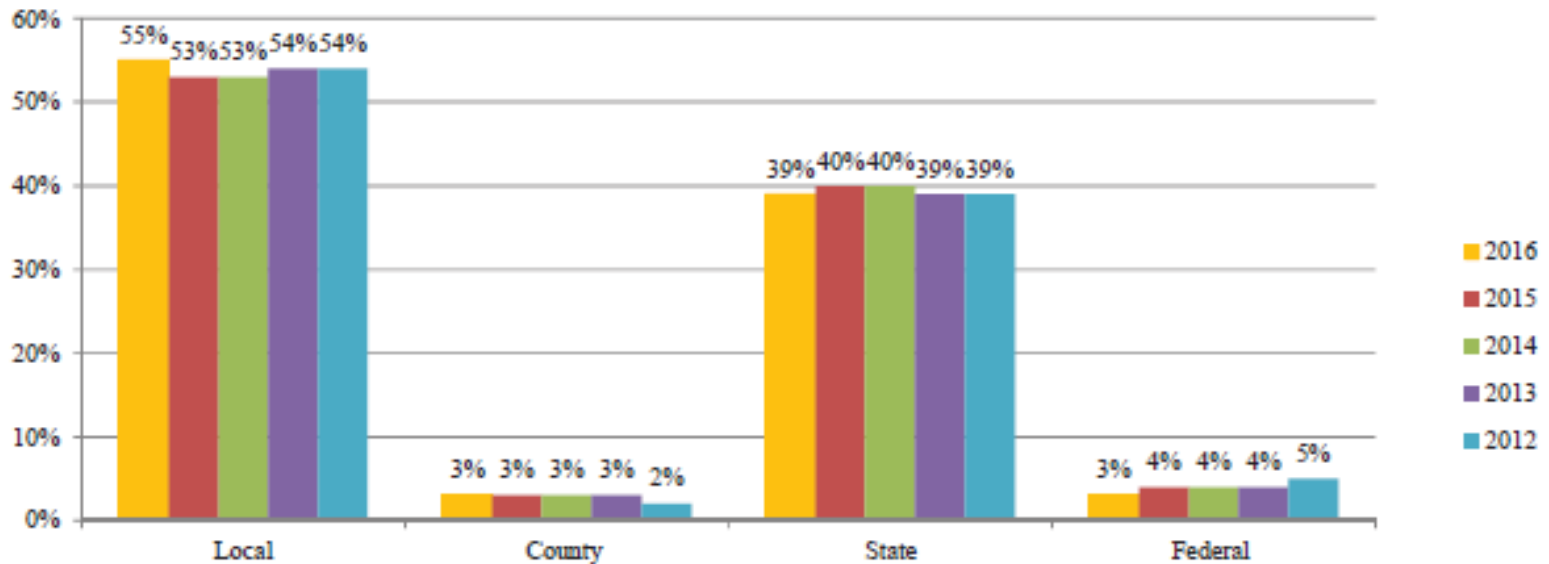
|                                     | <u>Balance</u><br><u>July 1, 2015</u> | <u>Additions</u>     | <u>Retirements</u>   | <u>Balance</u><br><u>June 30, 2016</u> | <u>Amount Due</u><br><u>Within One</u><br><u>Year</u> |
|-------------------------------------|---------------------------------------|----------------------|----------------------|--|---|
| Bonds Payable                       | \$ 39,710,000                         | \$ 45,375,000        | \$ 25,050,000        | \$ 60,035,000                          | \$ 3,850,000  |
| Lease Certificates of Participation | 7,315,000                             | -                    | 390,000              | 6,925,000                              | 425,000   |
| Capital Lease Obligations           | 792,180                               | -                    | 308,909              | 483,271                                | 234,570   |
| <b>Total</b>                        | <b>\$ 47,817,180</b>                  | <b>\$ 45,375,000</b> | <b>\$ 25,748,909</b> | <b>\$ 67,443,271</b>                   | <b>\$ 4,509,570</b>                                   |

| Year Ending<br>June 30, | Principal            | Interest             | Total                |
|-------------------------|----------------------|----------------------|----------------------|
| 2017                    | \$ 3,850,000         | \$ 1,820,070         | \$ 5,670,070         |
| 2018                    | 4,125,000            | 1,894,300            | 6,019,300            |
| 2019                    | 4,610,000            | 1,749,925            | 6,359,925            |
| 2020                    | 4,725,000            | 1,565,650            | 6,290,650            |
| 2021                    | 5,450,000            | 1,354,400            | 6,804,400            |
| 2022                    | 5,725,000            | 1,112,400            | 6,837,400            |
| 2023                    | 4,550,000            | 934,900              | 5,484,900            |
| 2024                    | 3,075,000            | 707,400              | 3,782,400            |
| 2025                    | 3,200,000            | 584,400              | 3,784,400            |
| 2026                    | 3,260,000            | 520,400              | 3,780,400            |
| 2027                    | 3,330,000            | 447,050              | 3,777,050            |
| 2028                    | 3,400,000            | 380,450              | 3,780,450            |
| 2029                    | 3,485,000            | 295,450              | 3,780,450            |
| 2030                    | 3,575,000            | 203,969              | 3,778,969            |
| 2031                    | 3,675,000            | 105,656              | 3,780,656            |
| <b>Total</b>            | <b>\$ 60,035,000</b> | <b>\$ 13,676,420</b> | <b>\$ 73,711,420</b> |



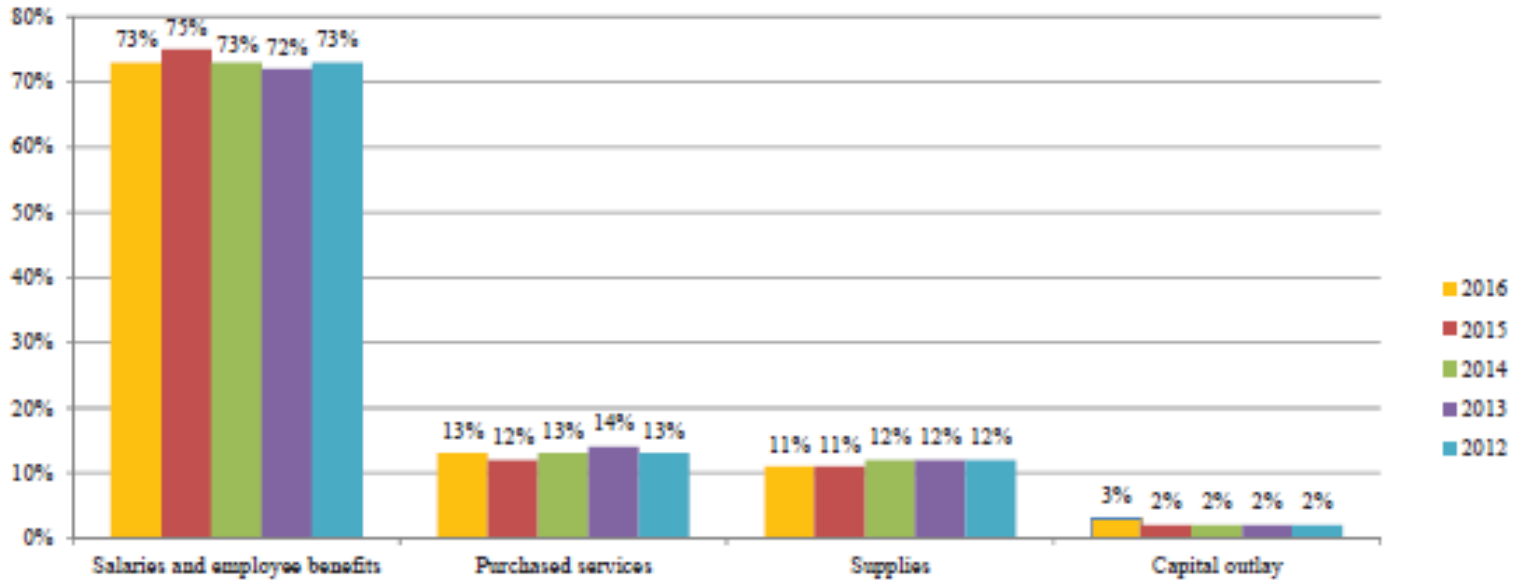
| Year Ending<br>June 30, | <u>Principal</u>           | <u>Interest</u>            | <u>Total</u>                |
|-------------------------|----------------------------|----------------------------|-----------------------------|
| 2017                    | \$ 659,570                 | \$ 328,697                 | \$ 988,267                  |
| 2018                    | 664,692                    | 313,610                    | 978,302                     |
| 2019                    | 434,009                    | 297,960                    | 731,969                     |
| 2020                    | 450,000                    | 281,748                    | 731,748                     |
| 2021                    | 475,000                    | 263,747                    | 738,747                     |
| 2022                    | 485,000                    | 241,623                    | 726,623                     |
| 2023                    | 520,000                    | 218,972                    | 738,972                     |
| 2024                    | 535,000                    | 194,798                    | 729,798                     |
| 2025                    | 545,000                    | 169,335                    | 714,335                     |
| 2026                    | 585,000                    | 143,347                    | 728,347                     |
| 2027                    | 1,020,000                  | 112,733                    | 1,132,733                   |
| 2028                    | 330,000                    | 63,652                     | 393,652                     |
| 2029                    | 345,000                    | 43,357                     | 388,357                     |
| 2030                    | 360,000                    | 22,140                     | 382,140                     |
| <b>Total</b>            | <b><u>\$ 7,408,271</u></b> | <b><u>\$ 2,695,719</u></b> | <b><u>\$ 10,103,990</u></b> |

|         | 2016                 | 2015                 | 2014                 | 2013                 | 2012                 |
|---------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Local   | \$ 36,854,041        | \$ 33,224,588        | \$ 32,405,715        | \$ 32,285,032        | \$ 32,500,945        |
| County  | 2,355,752            | 1,902,720            | 1,712,476            | 1,657,753            | 1,484,370            |
| State   | 26,527,915           | 25,656,204           | 24,337,044           | 23,493,447           | 23,223,083           |
| Federal | 2,165,634            | 2,614,077            | 2,398,736            | 2,267,298            | 2,801,548            |
| Other   | 41,140               | 20,684               | 12,550               | 2,696                | 513                  |
|         | <b>\$ 67,944,482</b> | <b>\$ 63,418,273</b> | <b>\$ 60,866,521</b> | <b>\$ 59,706,226</b> | <b>\$ 60,010,459</b> |



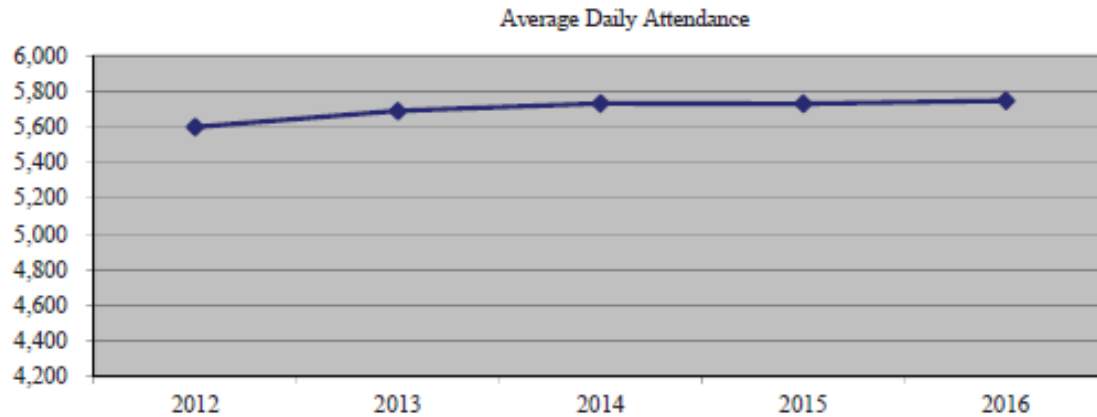
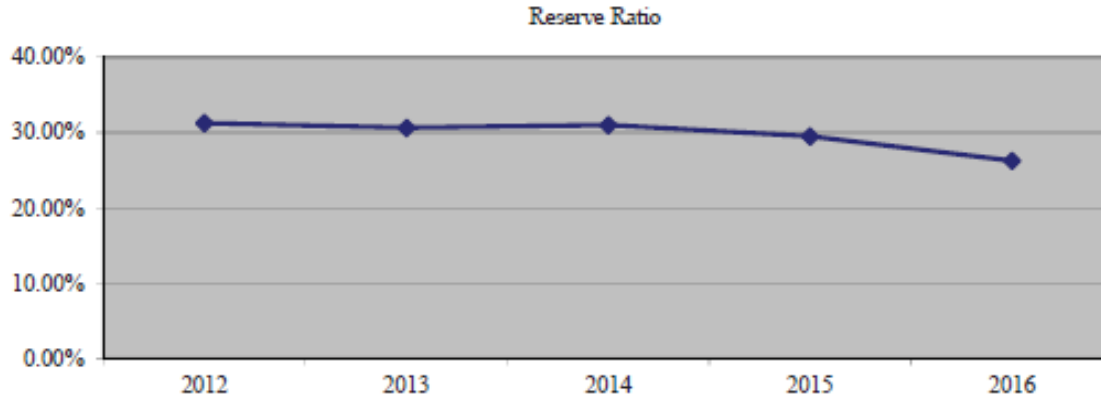
Note: The above graphs do not include proceeds from the sale of bonds.

|                            | GENERAL<br>FUND      | SPECIAL<br>REVENUE<br>FUND | DEBT<br>SERVICE<br>FUND | CAPITAL<br>PROJECTS<br>FUND | 2016<br>TOTALS      | 2015<br>TOTALS      | 2014<br>TOTALS      | 2013<br>TOTALS      | 2012<br>TOTALS      |
|----------------------------|----------------------|----------------------------|-------------------------|-----------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Salaries                   | \$ 7,511,700         | \$ 25,631,674              | \$ -                    | \$ -                        | \$33,143,374        | \$32,305,840        | \$30,979,906        | \$30,553,730        | \$29,103,239        |
| Employee benefits          | 2,467,833            | 7,565,799                  | -                       | -                           | 10,033,632          | 9,545,677           | 8,325,194           | 7,512,337           | 7,088,820           |
| Purchased services         | 7,354,013            | 504,722                    | -                       | -                           | 7,858,735           | 6,919,168           | 6,919,406           | 7,205,893           | 6,606,254           |
| Supplies                   | 6,466,883            | -                          | -                       | -                           | 6,466,883           | 6,407,217           | 6,194,640           | 6,188,690           | 5,918,187           |
| Capital outlay             | -                    | -                          | -                       | 2,030,279                   | 2,030,279           | 829,228             | 769,898             | 675,962             | 431,691             |
| Principal                  | -                    | -                          | 25,050,000              | 698,909                     | 25,748,909          | 5,879,507           | 5,384,120           | 3,641,589           | 25,162,033          |
| Interest and other charges | -                    | -                          | 2,098,156               | 445,814                     | 2,543,970           | 2,226,313           | 2,233,385           | 2,557,755           | 3,761,012           |
|                            | <b>\$ 23,800,429</b> | <b>\$ 33,702,195</b>       | <b>\$ 27,148,156</b>    | <b>\$ 3,175,002</b>         | <b>\$87,825,782</b> | <b>\$64,112,950</b> | <b>\$60,806,549</b> | <b>\$58,335,956</b> | <b>\$78,071,236</b> |



Note: The above graphs do not include expenditures for debt service or for capital improvements.

| <u>General and Special Revenue Funds</u> | <u>2012</u>       | <u>2013</u>       | <u>2014</u>       | <u>2015</u>       | <u>2016</u>       |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|
| Total Fund Balances                      | \$ 15,238,688     | \$ 15,774,687     | \$ 16,258,016     | \$ 16,281,298     | \$ 15,107,963     |
| Total Expenditures                       | <u>48,716,502</u> | <u>51,460,650</u> | <u>52,419,146</u> | <u>55,177,901</u> | <u>57,502,624</u> |
| Reserve Ratio                            | 31.28%            | 30.65%            | 31.02%            | 29.51%            | 26.27%            |
| Average Daily Attendance                 | 5,601.17          | 5,691.34          | 5,733.52          | 5,731.27          | 5,748.77          |



**REPORT ON THE ADMINISTRATION'S ASSERTIONS  
ABOUT COMPLIANCE WITH SPECIFIED  
REQUIREMENTS OF MISSOURI LAWS AND REGULATIONS**

**Paragraph #3**

In our opinion, the administration's assertions that the District complied with the aforementioned requirements for the year ended June 30, 2016, are fairly stated in all material respects.

**Paragraph #4**

We noted an immaterial instance of noncompliance with the aforementioned requirements that we have reported to the administration of the District in the accompanying Schedule of State Findings.

# Schedule of State Findings

## ATTENDANCE

During our audit, we noted that the District did not maintain a list of students that supports the figures reported in Core Data for the January free and reduced lunch count. We recommend that in the future the District maintain reports from the attendance software to support all figures reported in Core Data.

We also noted that the Resident II student hours of attendance did not agree with the hours reported to DESE. We recommend that the District implement controls to insure that the District's attendance data is reconciled to the data reported to DESE. As a result of our audit, Core Data has been corrected.

## TRANSPORTATION

During our audit, we noted the number of students with disabilities transported on separate routes were overstated by 11 riders on the Application for State Transportation Aid. As a result of our audit, the Application for State Transportation Aid has been corrected.

## BOARD APPROVAL OF CONTRACTS

Missouri Statutes regarding school contracting require a majority of the board to approve every contract, regardless of the dollar amount involved. This includes every purchase order and contract that a district may enter. Both §162.301 (seven director districts) and §162.511 (urban districts) state that "no contract shall be let, person/teacher employed, bill approved or warrant ordered unless a majority of the whole board votes therefor." §432.070, RSMo. Requires that the contract be entered into prior to performance under the contract. We tested expenditures noting that while the vendor invoices were approved by the Board as part of the consent agenda, the contracts were not presented to the Board for approval. We recommend that the administration present to the Board a listing of contracts up for renewal or award each applicable month, allowing for discussion and approval by the Board.



**INDEPENDENT AUDITORS' 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**

Paragraph #4

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

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR  
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER  
COMPLIANCE AS REQUIRED BY OMB CIRCULAR A-133**

**Paragraph #5, pg. 49**

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2016.

**Paragraph #3, pg. 50**

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



**RAYMORE-PECULIAR R-II SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2016**

**A. SUMMARY OF AUDITORS' RESULTS**

*Financial Statements*

Type of auditors' report issued on whether the financial statements audited were prepared in accordance with the modified cash basis: Unmodified

Internal control over financial reporting:  
 Material weakness(es) identified? \_\_\_\_\_ Yes  X  No  
 Significant deficiency(ies) identified? \_\_\_\_\_ Yes  X  None reported

Noncompliance material to financial statements noted? \_\_\_\_\_ Yes  X  No

*Federal Awards*

Internal control over major federal programs:  
 Material weakness(es) identified? \_\_\_\_\_ Yes  X  No  
 Significant deficiency(ies) identified? \_\_\_\_\_ Yes  X  None reported

Type of auditors' report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? \_\_\_\_\_ Yes  X  No

Identification of major programs:  
 Child Nutrition Cluster CFDA No. 10.553 and 10.555

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

Auditee qualified as low-risk auditee? \_\_\_\_\_ Yes  X  No

**RAYMORE-PECULIAR R-II SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2016**

**B. FINDINGS - FINANCIAL STATEMENTS AUDIT**

None

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS  
AUDIT**

None

# Report to Administration

To the Board of Education  
Raymore-Peculiar R-II School District

In planning and performing our audit of the financial statements of Raymore-Peculiar R-II School District for the year ended June 30, 2016, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control.

During our audit, we noted certain matters involving the internal control and other operational matters that are presented for your consideration. (We previously reported on the District's internal control in our report dated September 6, 2016.) This letter does not affect our report dated September 6, 2016, on the financial statements of Raymore-Peculiar R-II School District.

These comments are not unusual in nature from what we see in other school districts. Our comments and recommendations, all of which have been discussed with appropriate members of administration, are intended to improve the internal control or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. We will review the status of these comments during our next audit engagement. Our comments are summarized as follows:

# Report to Administration

**FREE AND REDUCED LUNCH VERIFICATION** - During our audit of the District's compliance with the food service program requirements, we noted errors by program personnel in performing the annual verification. The District was required to select a sample of ten approved applications to verify household income. We noted that for two of the applications, the District had verified household income using net pay calculations rather than gross income amounts. In both instances, the applications should not have been eligible for program benefits based on gross income amounts. We recommend that District personnel responsible for administration of food service receive additional training to ensure compliance with program requirements.

*Auditee Response:* We will ensure that District personnel responsible for free and reduced lunch eligibility verification receive adequate training to ensure compliance with program requirements.

# Report to Administration

**PAYROLL REPORTING** - During our audit of payroll, we noted that the totals reported on the District's quarterly Forms 941 for Federal, Social Security and Medicare wages did not match the District's Form W-3 for the 2015 calendar year. We noted that amounts reported on Form W-3 were correct. However, on Forms 941, Federal wages were understated by \$10,816 and Social Security wages and Medicare wages were overstated by \$1,002, and \$273, respectively. We recommend the District reconcile these differences and submit corrected forms to the Internal Revenue Service. We also recommend the District perform an annual reconciliation of Forms 941 to Form W-3 and provide additional training to payroll processing personnel.

*Auditee Response:* Amounts reported on the District's quarterly IRS Forms 941 did not include the value of discounts given to employees for before and after school care services and other adjustments that were made to correct employee compensation. These adjustments were made at year end when the District's IRS Forms W-2 and W-3 were prepared. We will begin making these adjustments quarterly before filing the IRS Forms 941, and perform an annual reconciliation of the Forms 941 to Form W-3.

This report is intended solely for the information and use of the Board of Education and the administration and is not intended to be and should not be used by anyone other than these specified parties.

*Westbrook & Co., P.C.*

September 6, 2016

