



Claire McCaskill

Missouri State Auditor

November 2005

Davis R-XII School District

Year Ended June 30, 2004



Office Of
Missouri State Auditor
Claire McCaskill

November 2005

The following problems were discovered as a result of an audit conducted by our office of the Davis R-XII School District.

Despite a growth in revenues, the district has spent more than it received during the last two years, resulting in a financial decline. During 2002, the district opened an Early Childhood Center for both preschool aged children and infant and toddler aged children. Center revenues were not sufficient to operate either the preschool or infant and toddler centers, which has contributed to the district's deteriorating financial condition. In addition, the district has not adequately budgeted or monitored the expenditures of the Center. On June 30, 2005, the district discontinued providing services for toddler aged children.

The district is only provisionally accredited by the Department of Elementary and Secondary Education (DESE). A provisionally accredited district has not met enough of the Missouri School Improvement Program (MSIP) standards and indicators to be accredited. Further, based on the district's 2005 Annual Secretary to the Board Report, the Davis R-XII School District will be classified as a "financially stressed" district by DESE. For fiscal year 2006, the district has again budgeted expenditures to exceed revenues and as a result, further reducing its fund balance. Although the board president recommended an increase in the district's tax levy be placed on the August 2005 ballot, the board did not approve the ballot issue. In addition, the district overspent its budgets for the years ending June 30, 2005 and 2004. It appears the district is facing serious financial problems and action is needed to increase revenues or reduce expenditures.

The school board amended its budgets (at fiscal year end) after the actual expenditures were incurred. In addition, the original budgets approved by the school district were not accurate and complete, and did not include the superintendent's and lead teacher's salaries. Further, the board does not receive a detailed monthly financial report to monitor the financial condition of the district.

In December 2003, the board approved additional compensation in the form of stipends ranging from \$250 to \$500 to four employees for work previously performed relating to the district's MSIP report. These stipends or bonuses appear to represent additional compensation for services previously rendered and, as such, may violate the Missouri Constitution and appear contrary to an Attorney General's opinion.

(over)

YELLOW SHEET

The Superintendent did not prepare and submit time sheets to the board documenting the number of hours worked in the 2004-2005 and 2003-2004 school years. In addition, various administrative employees do not prepare timesheets.

The district provided over \$11,265 in educational assistance to its lead teacher without adopting an educational assistance plan or policy or entering into a written agreement with him regarding any employment requirements of the education assistance. In addition, the district did not report the value of the educational assistance provided to the lead teacher on his W-2 form as a taxable benefit.

The district's current bidding procedures could be made more effective by adopting a more comprehensive policy. The district does not perform a reconciliation of district invoices, an approved listing of bills, and the actual checks written. Additionally, the district needs to improve controls over canceling invoices, obtaining adequate supporting documentation, ensuring Forms 1099 are filed, preparing written contracts and reconciling fuel purchases and usage.

The open meeting minutes do not always adequately document the specific reasons for closing the meeting and actions taken by the board in the closed meetings. The school board held 20 closed meetings from July 2003 to July 2005 and all had discussions that did not clearly comply with the provisions of the Sunshine Law. In addition, the district's school board failed to follow its own policy for filling board vacancies.

The school board failed to follow district policies regarding student residency waivers and retaining documentation of substitute teacher's background checks, applications or certification. In addition, one substitute teacher's certification had expired prior to the district hiring him. The district also employed a librarian, guidance counselor, and physical education teacher that were not certified or appropriately certified by DESE to work in these subject areas during the 2003-2004 or 2004-2005 school years. Further the district has not corrected some of the concerns addressed in DESE's MSIP report.

Controls over meal and tuition collections including segregation of duties, depositing intact and timely, issuing receipts, and tracing meal accounts receivables/payables need improvement. In addition, employees who collect receipts and have access to monies are not bonded.

The audit report also includes some other matters related to payroll procedures, district expenditures, accounting controls, depository contract and collateral securities, and general fixed assets, upon which the school district should consider and take appropriate corrective action.

All reports are available on our website: www.auditor.state.mo.us

DAVIS R-XII SCHOOL DISTRICT

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STATE AUDITOR'S REPORT



CLAIRE C. McCASKILL
Missouri State Auditor

To the Board of Education
Davis R-XII School district

The State Auditor was petitioned under Section 29.230, RSMo, to audit the Davis R-XII School District. The school board had engaged Gerding, Korte, and Chitwood, P.C., Certified Public Accountants (CPA), to audit the district's financial statements for the year ended June 30, 2004. To minimize duplication of effort, we reviewed the report and substantiating working papers of the CPA firm. The scope of our audit of the school district included, but was not necessarily limited to, the year ended June 30, 2004. The objectives of this audit were to:

1. Perform procedures to evaluate the petitioners' concerns.
2. Review internal controls over significant management and financial functions.
3. Review compliance with certain legal provisions.

To accomplish these objectives, we reviewed minutes of meetings, written policies, financial records, and other pertinent documents; interviewed various personnel of the school district, as well as certain external parties; and tested selected transactions. Our methodology included, but was not necessarily limited to, the following:

1. We obtained an understanding of petitioner concerns and performed various procedures to determine their validity and significance.
2. We obtained an understanding of internal controls significant to the audit objectives and considered whether specific controls have been properly designed and placed in operation. However, providing an opinion on internal controls was not an objective of our audit and accordingly, we do not express such an opinion.
3. We obtained an understanding of legal provisions significant to the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting significant instances of noncompliance with the

provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion.

Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the school district's management and was not subjected to the procedures applied in the audit of the school district.

The accompanying Management Advisory Report presents our findings arising from our audit of the Davis R-XII School District.



Claire McCaskill
State Auditor

July 28, 2005 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits: Thomas J. Kremer, CPA
Audit Manager: Pamela Allison Tillery, CPA
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MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

DAVIS R-XII SCHOOL DISTRICT
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1. Financial Condition and District Budgets

Despite a growth in revenues, the district has spent more than it received during the last two years, resulting in a financial decline. The district has not performed a cost benefit analysis or adequately budgeted or monitored the expenditures of the Early Childhood Center, which has contributed to the district's deteriorating financial condition. In addition, the school board did not amend its 2005 and 2004 budgets until the actual expenditures had been incurred, and the school district's 2005 and 2004 budgets did not include the superintendent's and lead teacher's salaries. Finally, the board is not provided with adequate monthly financial information which would allow it to monitor the financial condition of the district.

A. During the four years ended June 30, 2005, the district experienced growth in the revenues and expenditures of their funds (Incidental Fund, Teachers Fund, and Capital Project Fund). Despite the growth in district revenues, the district has spent more than it received during the last two years, resulting in a decline of the balance in these funds as follows:

	Year Ended June 30,			
	2005*	2004	2003	2002
Beginning balance	\$ 79,103	167,300	151,316	141,960
Revenues	798,421	757,169	736,512	560,046
Expenditures	838,771	845,366	720,528	550,690
Ending balance**	38,753	79,103	167,300	151,316

* This information was obtained from the district's preliminary Annual Secretary to the Board Report ASBR (dated August 22, 2005).

**The 2005 ending balance includes \$27,178 of restricted fund balances according to the district's ASBR.

During 2002, the district opened an Early Childhood Center for both preschool aged children (age 3 to 5 years old) and infant and toddler aged children (six weeks to 3 years old). Center revenues were not sufficient to operate either the preschool or infant and toddler centers, which has contributed to the district's deteriorating financial condition as shown in the tables below:

	Year ended June 30,		
	2005	2004	2003
Preschool grant revenues	\$ 52,650	70,000	100,000
Preschool tuition revenues	20,035	18,789	6,277
Total revenues	72,685	88,789	106,277
Preschool expenditures	81,311	111,060	103,672
Difference	(8,626)	(22,271)	2,605

	Year ended June 30,		
	2005	2004	2003
Infant and toddler tuition revenues	\$ 30,979	22,144	11,622
Infant and toddler expenditures	48,050	47,373	29,020
Difference	(17,071)	(25,229)	(17,398)

The district received a preschool grant and charged tuition for children to attend the Center. The preschool grant provided for large amounts of funding at the beginning of the grant (during the year ending June 30, 2003) for start up costs and gradually declined in the following years. On June 30, 2005, the district discontinued providing services for toddler aged children. During the year ending June 30, 2006, the district expects to receive revenues totaling \$35,890 (from an extension for grant funds of \$25,000 and tuition monies of \$10,890), and plans to expend \$30,951.

In addition, the district has not adequately budgeted or monitored the expenditures of the Center as shown in the table below.

	Year ended June 30,		
	2005	2004	2003
Budget expenditures	\$ 149,361	110,862	125,427
Actual expenditures	129,361	158,433	132,692
Difference	20,000	(47,571)	(7,265)

In addition, based on the district's preliminary 2005 ASBR (dated August 22, 2005), the Davis R-XII School District will be classified as a "financially stressed" district by the Department of Elementary and Secondary Education (DESE). Section 161.520, RSMo 2000, considers a district to be "financially stressed" if the year end operating funds balance is less than three percent of expenditures or is negative. The district's ASBR report indicated the district's

operating or unrestricted fund balance of \$11,575 would be 1.44% of expenditures.

For fiscal year 2006, the district has budgeted revenues of \$787,631 and expenditures of \$809,215. With a beginning balance of \$38,753, the budget shows a projected fund balance of \$17,169 (including restricted balances) at June 30, 2006. Although the Board President recommended an increase in the district's tax levy be placed on the August 2005 ballot during the April 2005 board meeting, the board did not approve submitting the ballot issue. In addition, the district overspent its budgets for the years ending June 30, 2005 and 2004, (See part B below) and the board is not provided with adequate monthly financial information to monitor the financial condition of the district (See part D. below).

Further, the district is only provisionally accredited by DESE and may not be reevaluated for several years. A provisionally accredited district has not met enough of the Missouri School Improvement Program (MSIP) standards and indicators to be accredited. (See MAR No. 6.)

It appears the district is facing serious financial problems and action is needed to increase revenues or reduce expenditures. The board should closely review all budgeted expenditures and perform a cost/benefit analysis of the Center. In addition, the school district does not have a long-term financial plan. Although the budget process provides annual financial planning, the school board needs to plan long-term to ensure the school district can maintain or increase the fund balance. The district should continue to work with DESE to ensure it becomes accredited.

- B. The school board amended its 2004-2005 and 2003-2004 budgets on June 28, 2005 and June 22, 2004, respectively (at fiscal year-end) after the actual expenditures were incurred. The following table illustrates budget amendments made by the School Board during the 2005 and 2004 fiscal year:

<u>Fiscal Year and Fund</u>	<u>Original Budget</u>	<u>Actual Expenditures</u>	<u>Amended Budget</u>
2005 Teachers	388,690	409,523	409,523
2004 Incidental	360,115	450,137	450,137
2004 Teachers	378,700	395,229	395,299

Section 67.040, RSMo, allows for budget increases, but only after the governing body officially adopts a resolution setting forth the facts and reasons. Section 67.080, RSMo, provides that no expenditure of public monies shall be made unless it is authorized in the budget.

In light of the district's declining financial position, it is imperative for the district to prepare accurate budget estimates on a timely basis and for the board to closely monitor actual revenues and expenditures. The board should refrain from

approving expenditures in excess of the budgeted amounts, and if necessary, adopt budget amendments in accordance with state law.

- C. The original budgets approved by the school district are not accurate or complete. The school district's original budgets for the 2004-2005 and 2003-2004 fiscal years did not include the superintendent's and lead teacher's salaries. However, the amended budgets prepared at the end of the year (noted above) did include these salaries. The district had no explanation why the amounts had been originally omitted. Preliminary budgets are prepared by the Superintendent and submitted to the board before the new fiscal year begins on July 1st of each year. For the school board to have a full understanding of all the school district expenditures and to properly monitor school funds, the budget should be accurate and complete. This was also noted in the district's MSIP report issued in April 2004.
- D. The board does not receive a detailed monthly financial report. The Superintendent prepares a monthly report showing only beginning and ending cash balances and total revenues and expenditures of both the Teachers and Incidental Funds combined for the board to review at each meeting. The board is not provided with adequate monthly financial information to monitor the financial condition of the district, such as a budget to actual report or detailed reports of monthly revenues and expenditures of each fund. In addition, without accurate and detailed financial information, the board can not make informed decisions about the district's operations. To adequately monitor the financial condition of the school district, the board should be provided a detailed and accurate budget to actual report each month.

WE RECOMMEND the School Board:

- A. Monitor the district's financial position and take all necessary steps to improve the financial condition of the district. In addition, the district should perform a cost/benefit analysis of the Center to determine its feasibility.
- B. Ensure budget amendments are made prior to incurring the actual expenditures.
- C. Ensure the budget is accurate and complete.
- D. Ensure detailed budget to actual reports for each fund are prepared and reviewed.

AUDITEE'S RESPONSE

The School Board indicated:

- A. *As a cost savings step, we discontinued providing services for toddler aged children on June 30, 2005. We will monitor the district's finances monthly and take the necessary*

steps to improve the financial condition of the district. We will also revisit the possibility of placing an increase in the district's tax levy on the ballot.

- B. We have established a working budget that we will amend throughout the year as needed.*
- C. We have made adjustments to the 2005-2006 school year budget to clearly code and identify all salaries by staff, teachers, and administration.*
- D. The district administration will provide the board with a detailed budget to actual financial report monthly, and we will document our review of this report in the board minutes.*

2. Administrative Employees' Compensation and Payroll Procedures

The Superintendent's mileage allowance was not reported to the Internal Revenue Service (IRS) as taxable compensation. Also, the board approved additional compensation to four employees which appeared to be bonuses; these were not reported to the IRS as taxable compensation and taxes were not withheld. Additional controls over payroll need improvement, including timesheets are not prepared by administrative employees, time sheets prepared by hourly employees are not signed by the employee or the employee's supervisor, payroll duties are not adequately segregated, and the board failed to document why it did not pay a teacher in accordance with its salary schedule.

- A. The district pays the Superintendent a mileage allowance which is taxable compensation, but is not reported on his W-2 form. The Superintendent's 2004-2005 and 2003-2004 employment contracts each provide for a mileage allowance of \$6,000. According to expenditure records, the Superintendent was paid \$500 per month for mileage. IRS regulations require travel and expense reimbursements to be reported on the recipient's W-2 form unless the recipient is required to report related expenses to their employer. The district does not require the Superintendent to report his actual mileage. A similar comment was made by the district's auditor during the audit for the fiscal year ending June 30, 2004.
- B. In December 2003, the board approved additional compensation in the form of stipends to four employees for work previously performed relating to the district's MSIP report. The stipends ranged from \$250 to \$500 and totaled to \$1,750. The district indicated extra duties were performed by these individuals to prepare the report; however, it is unclear how the work was not within each employee's normal job duties outlined in their employment contracts. In addition, the district failed to enter into extra duty contracts or require the employees to document their time spent on this project. Further, these stipends were not included on the employee's W-2 form and taxes were not withheld. It is unclear why these stipends were treated differently than others, as we found evidence that the district entered into extra duty contracts with other employees who were paid stipends, reported those stipends on those employees' W-2 forms, and withheld taxes.

These stipends or bonuses appear to represent additional compensation for services previously rendered and, as such, may violate Article III, Section 39 of the Missouri Constitution and appear contrary to Attorney General's Opinion No. 72, 1955 to Pray, which states, "... a government agency deriving its power and authority from the Constitution and laws of the state would be prohibited from granting extra compensation in the form of bonuses to public officers after the service has been rendered." In addition, any additional compensation or stipends received by employees of the district should be reported on the employee's W-2 form.

- C. Each of the Superintendent's employment contracts required him to work 540 hours during both of the 2004-2005 and 2003-2004 school years. The Superintendent did not prepare and submit time sheets to the board documenting the number of hours worked in either school year. In addition, various administrative employees including the district Secretary, Early Childhood Center Director, and At Risk Aide do not prepare timesheets. The district Secretary does prepare a spreadsheet that tracks any leave earned, taken, and balances for all district employees (excluding the Superintendent) based upon leave request forms prepared by each employee. Timesheets are necessary to document hours actually worked, substantiate payroll expenditures, and provide the board with a method to monitor hours worked.
- D. Time sheets are prepared and maintained for hourly employees of the district; however, the time sheets are not signed by the employee or the employee's supervisor. Timesheets should be signed by the employee and the employee's supervisor to indicate their agreement to the actual time reported each month.
- E. Duties are not adequately segregated to provide the necessary internal controls over the payroll function. The district Secretary handles all payroll duties including preparation, record keeping, disbursing payroll checks, distributing employee W-2s, and maintaining the personnel files. A similar comment was made by the district's auditor during the previous annual audit for the fiscal year ending June 30, 2004.

In addition, the school board does not review or approve any payroll reports prepared by the district Secretary. As a result of not reviewing payroll reports for accuracy, the district failed to detect its under payment of payroll taxes to the IRS during the third quarter of 2003, and subsequently paid penalties and interest of \$600.

A proper segregation of duties provides a means of establishing control over assets, thus minimizing the risk of loss, theft, or misuse of funds. If segregation of duties is not possible, the comparison of the payroll disbursements to the payroll register and employees time sheets by an independent individual would provide another supervisory review to minimize the risk of loss, theft or misuse of

funds. The district's lack of adequate review procedures over payroll allows the potential for errors and misstatements which may not be detected.

- F. A teacher was not contracted to be paid in accordance with the district's salary schedule during the 2003-2004 school year, and the board did not document its reasons for deviating from the approved salary schedule in the board minutes. The Superintendent indicated the board approved paying a teacher starting her fifth year of employment a salary equivalent to that of a first year teacher. The district's salary schedule provides for salaries to be based upon years of service and education. District policy requires the board to be responsible for establishing salary schedules, terms of employment, and other personnel policies district wide. To ensure employees are treated fairly and equitably, teachers should be paid in accordance with salary schedules established by the board, and if necessary, the board should document its decisions to deviate from the district's salary schedule in its minutes.

WE RECOMMEND the School Board:

- A. Properly report all taxable fringe benefits, and amend the Superintendent's W-2 form.
- B. Stop the practice of paying bonuses, and amend the employee's W-2 forms.
- C. Ensure administrative employees prepare timesheets.
- D. Ensure all timesheets have been signed by both the employee and the employee's supervisor.
- E. Adequately segregate the payroll function of recording, calculating and dispersing payroll. At a minimum, there should be a documented supervisory review of the reconciliation between time sheets and payroll records. In addition, payroll records should be reconciled with payroll tax forms to ensure all payroll taxes are properly paid.
- F. Ensure teachers are paid in accordance with the district's salary schedule, and if deviations from the schedule are necessary, document the board's decisions in its minutes.

AUDITEE'S RESPONSE

The School Board indicated:

- A. *We will amend the Superintendent's W-2 form, and in the future, we will ensure any mileage allowances are included on W-2 forms.*

- B. *It was not our intention to pay bonuses. We intended for this to be a stipend. We were not aware of the law. In the future, we will ensure bonuses are not paid. We will amend the employees' W-2 forms.*
- C. *We will take this recommendation under advisement.*
- D. *We implemented this recommendation at the start of the 2005-2006 school year.*
- E. *We will have the district administrator review and sign-off on all payroll reports.*
- F. *In the future, we will document any deviations from the school district's salary schedule.*

3.	Expenditures
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The district provided over \$11,265 in educational assistance to its lead teacher without adopting an educational assistance plan or policy or entering into a written agreement with him regarding any future employment requirements. In addition, the district did not include the value of the educational assistance benefits on the lead teacher's W-2 as a taxable benefit. The district's current bidding procedures could be made more effective by adopting a more comprehensive policy, and the district's procedures for reviewing and approving invoices for payment are in need of improvement. Checks are signed in advance by the Board President and Treasurer, supporting documentation was not retained for some payments made, procedures are not in place to ensure Forms 1099 are always filed with the IRS, and the district did not always enter into written contracts defining services to be provided and benefits to be received. Further, controls over fuel, mileage reimbursements, and phone usage need improvement.

- A. The district provided over \$11,265 in educational assistance to its lead teacher without adopting an educational assistance plan or policy or entering into a written agreement with him regarding any employment requirements of the educational assistance. In addition, the district did not report the value of the educational assistance provided to the lead teacher on his W-2 form as a taxable benefit. During the year ended December 31, 2004, the district paid a university \$7,745 for tuition, and also reimbursed the lead teacher \$1,087 and \$194, for mileage and books, respectively, so that he could obtain a masters degree in elementary education and his certification to act as a principal. During the period January 1 through June 30, 2005, the district paid additional amounts for tuition, mileage, and books and testing fees, of \$1,470, \$304, and \$465, respectively. The lead teacher provided us documentation that he attended classes during nonworking hours. The district did not establish an educational assistance plan or policy nor did it enter into a written agreement with the lead teacher that would have required him to work for the district for a certain period of time to ensure the district received some benefit from its investment. In addition, IRS Publication 15-B, *Employer's Tax Guide to Fringe Benefits*, indicates that if the employer

does not have an educational assistance plan and the benefits received by the employee are not a working condition of employment, the entire amount of educational assistance would be a taxable benefit to the employee.

- B. The district's bidding policy only requires competitive bidding for construction of facilities that are projected to exceed \$15,000, its insurance contract, bank depository services, and other products or services as required by law. The district's current bidding procedures could be made more effective by adopting a more comprehensive policy. The following are examples of purchases for which the district did not follow a bid process or did not retain adequate bid documentation:

Item	Cost
Trailer for the Center	\$ 48,356
Food (2003-2004 school year)	18,289
Food (2004-2005 school year)	14,346
Computer equipment (one time payment)	4,222
Computer maintenance (2004-2005 school year)	5,000
Heating unit (one-time payment)	4,142
Bus repairs (one-time payment)	3,604
Auditing services (2003-2004 school year)	2,000
Auditing services (2004-2005 school year)	2,500

Competitive bidding helps ensure the school district receives fair value by contracting with the lowest and best bidders. Bidding helps ensure all parties are given an equal opportunity to participate in the district's business.

A more comprehensive policy would require bidding and would identify specific bidding procedures that are required for all types of expenditures. Bids could be handled by telephone quotation, sealed bids, or advertised sealed bids. Different approaches may be appropriate depending on the dollar amount of the purchase. Written documentation of bids also provides evidence that the board has complied with its procurement policy. Bid documentation should include a list of vendors contacted, a copy of the bid specifications, copies of all bids received, justification for awarding the bid, and documentation of discussion with vendors.

- C. The district does not perform a reconciliation of district invoices, the listing of bills reviewed by the school board, and the actual checks written. The school board reviews and approves a listing of expenditures each month; however, the listing does not always include some expenditures paid prior to each board meeting. In addition, while the Superintendent indicated he reviews invoices prior to payment, his review is not documented, and the board does not review invoices and/or supporting documentation unless a specific expenditure is questioned. For example, neither the board nor the Superintendents' approval was documented on either the listing of expenditures reviewed by the board or the actual invoices for 37 of 52 expenditures we selected for review.

Good business practice requires all disbursements to be closely scrutinized by the board or someone independent of the disbursement process and properly authorized. Failure to properly review all invoices and other supporting documentation, and to document authorization, increases the possibility of inappropriate disbursements occurring. To adequately document the board's review and approval of all disbursements; a complete and detailed listing of bills should be prepared and signed or initialed by the board to denote their approval, and retained with the official minutes. In addition, the Superintendent should document his review of each invoice, and an independent reconciliation of invoices; the approved listing of bills; and actual checks written should be performed.

- D. Invoices are typically not marked paid or otherwise cancelled by the district Secretary or board members. In addition, receipt of goods or services is not always indicated on the invoice prior to the expenditure being approved for payment. For example, receipt of goods or services was not indicated for computer equipment (\$4,222), fuel (\$1,175), and storage containers (\$556). Canceling invoices and all other supporting documentation reduces the possibility of duplicate payments, and documentation of the receipt of goods or services is necessary to ensure the district actually received the items or services being paid.
- E. Checks are signed in advance by the Board President and Board Treasurer for payroll expenditures and other bills that are due prior to the board meeting. To adequately safeguard assets, checks should not be signed until all pertinent information is completed and supporting documentation for the disbursement is reviewed and approved by the board.
- F. The district issued five checks totaling \$750 to the food service cook during the 2003-2004 and 2004-2005 school years to purchase food for the cafeteria and snacks for the after school program. Supporting documentation was not retained for \$600 of these advances. The district Secretary indicated these advances were used to purchase food at a local grocery store that only accepts cash and debit cards for payment; however, other documentation indicated that some of the purchases were made at vendors where the district had a charge account. Also, adequate supporting documentation for various other district expenditures including student t-shirts, hotel accommodations, and bus repairs was not always retained.

All expenditures should be supported by vendor invoices to ensure the obligation was actually incurred and the expenditure represents an appropriate use of funds. When circumstances arise where a check is issued prior to receiving supporting documentation of district purchases, the board should perform a follow up review of the transaction to ensure district funds were expended as intended.

- G. The district has no procedures in place to ensure Forms 1099 are always filed with the IRS when required. As a result, the district did not file 1099s with the IRS for

computer services and bus repairs totaling approximately \$5,000 and \$2,000, respectively.

Section 6041 through 6051 of the Internal Revenue Code require payments of \$600 or more for professional services or for services performed as a trade or business by non-employees (other than corporations) be reported to the federal government on Forms 1099.

- H. The district did not always enter into written contracts defining services to be provided and benefits to be received. For example, the district paid an individual \$500 a month during the 2004-2005 school year for computer technical services. The district did not enter into a written agreement for these services. Written contracts are necessary to ensure all parties are aware of their duties and responsibilities and to prevent misunderstandings. Written contracts should specify the services to be rendered and the manner and amount of compensation to be paid. In addition, Section 432.070, RSMo, require contracts for political subdivisions to be in writing.
- I. Mileage and fuel usage logs are not reconciled to fuel purchases. Fuel for a diesel fuel bus is purchased at a local station, and the district also maintains an unleaded fuel tank at the school for two other buses. Established procedures required bus drivers to complete mileage and fuel usage logs for each bus indicating how much fuel was pumped. The district spent approximately \$9,500 and \$13,200 for fuel during the fiscal years ending June 30, 2005 and 2004, respectively. To ensure the reasonableness of fuel expenditures, the district should reconcile mileage and fuel usage logs to fuel purchased. Failure to account for fuel purchases could result in loss, theft, and misuse.

In addition, the district reimbursed some employees for personal mileage driven to seminars and meetings; however, mileage reimbursement requests submitted by the employees did not always include detailed information about the purpose of the trip and the destination. To ensure mileage reimbursement requests are reasonable and represent valid expenditures, the board should require the requests to be adequately detailed, including the purpose and destination of each trip.

- J. The district has not developed a written policy regarding phone usage. Our review of the district's phone bill for August through September, 2003 noted several personal long distance calls. A formal written policy is necessary to address the usage and the monitoring of the district phones to ensure they are used for business purposes. The district should consider prohibiting personal use, except in cases of emergency.

WE RECOMMEND the School Board:

- A. Establish an educational assistance plan/policy, and enter into written agreements with employees receiving educational assistance. In addition, the board should

ensure an amended W-2 is prepared and filed with the IRS for the lead teacher's educational assistance.

- B. Adopt a more comprehensive bid policy which requires bidding and establishes bidding guidelines for other types of expenditures. Such bid policies should include criteria on how bids are to be solicited and when formal advertising should be used. Documentation of bids received and the bid process should be retained. If sole source procurement is necessary, the district should retain documentation of these circumstances.
- C. Ensure detailed and complete listings of bills are prepared, that the board's approval is reflected on the listing, and that the listing is retained. In addition, either the board should review the invoices or assign someone independent of the check preparation and signing process to perform and document this review. Approved listings of bills should also be compared to checks written.
- D. Ensure all invoices are properly canceled, by marking the invoice 'Paid,' this would reduce the possibility of duplicate payments, and require all invoices to be initialed or signed by a district employee to indicate acceptance of the goods or services.
- E. Discontinue the practice of signing checks in advance.
- F. Ensure documentation is retained for all expenditures. In the future, if checks need to be issued prior to receiving supporting documentation, the board should perform a follow up review of the transaction to ensure funds are expended as intended.
- G. Ensure Forms 1099 are prepared and submitted to the IRS as required.
- H. Enter into written agreements with all parties that clearly detail the services to be performed and the compensation to be paid or benefits received.
- I. Ensure a documented periodic reconciliation of fuel purchased to amounts used is performed, and investigate any significant discrepancies. In addition, the board should require employees to record detailed information as to actual mileage, destinations traveled, and the purpose of district business on mileage reimbursement requests.
- J. Develop a formal written policy regarding the use of the district's telephones, including a provision prohibiting their use for personal reasons. In addition, the district should establish a monitoring system, and ensure an independent and adequate review of the phone bills is performed.

AUDITEE'S RESPONSE

The School Board indicated:

- A. We consulted with DESE on this issue, and they indicated title funds could be used for this purpose. However, we were not aware of the Internal Revenue Service Publication on education assistance. We will amend the employee's W-2 form. The lead teacher attended class from 5:30 to 9:30 p.m. on Wednesday evening in Pleasant Hill over the past 18 months to obtain a certificate to be the principal of the school district.*
- B. We will reevaluate our bidding policy.*
- C. We will require the district administrator to review and sign all invoices and bills. We will require the district administrator to provide a complete list of bills and invoices to the board for our review. We will include board member signature lines on the list of invoices and bills to indicate the board's approval.*
- D. The district secretary is currently marking all invoices paid, and we will require the district administrator to initial the invoice to document receipt of goods or service.*
- E. If the need arises that checks need to be signed in advance, the board member pre-signing the checks will document their review of those checks/transactions at the next board meeting.*
- F. We will obtain and retain documentation for all purchases.*
- G. We will prepare and submit Forms 1099.*
- H. We recently entered into a written agreement for these computer services.*
- I. We will periodically reconcile the amount of fuel purchased to mileage logs maintained. We will ensure the established detailed mileage reimbursement form is used.*
- J. We will adopt a phone policy and review bills for personal calls.*

4.

Conflicts of Interest and Financial Disclosure

Various board members violated the district's conflicts of interest and financial disclosure policy. For example:

- The board president's wife was hired as the at risk aide and as a bus driver several years ago (prior to her husband serving on the school board). While the Board President abstained from voting on any salary increases related to his wife, he was the **only** board member that signed/approved his wife's written employment contract. By

signing his wife's employment contract, it appears the Board President may have violated the district's conflict of interest policy.

The district's conflict of interest policy provides for board members to make a good faith effort to avoid a conflict of interest, and if a situation arises which involves the potential for a conflict of interest, the board member will declare his interest and refrain from action regarding the transaction in question.

- School board members did not file financial interest statements with the district as required.

The district's financial disclosure policy requires all board members to file a financial interest statement with the district which discloses all potential board member and employee conflicts of interest including transactions between any business entity in which such individuals have a substantial interest. Substantial interest is defined as ownership by the individual, his/her spouse, or dependent children, either singularly or collectively of ten percent or more of any business entity or an interest having a value of \$10,000 or more, or receipt of a salary, gratuity or other compensation of \$5,000 or more from any individual partnership, organization or association within any calendar year.

WE RECOMMEND the School Board strictly enforce the district's conflict of interest and financial disclosure policy.

AUDITEE'S RESPONSE

The School Board indicated the former board president is no longer the president. We will adopt a written policy that will address this issue and require another board member to sign any contracts involving relatives. We will file financial interest statements.

5. School Board Minutes and Appointment Policies

The open meeting minutes do not always adequately document the specific reasons for closing the meeting and actions taken by the board in the closed meetings. In addition, the district's school board failed to follow its own policy for filling board vacancies.

- A. The open meeting minutes do not always adequately document the specific reasons for closing the meeting and actions taken by the board in the closed meetings. In addition, it is not clear whether some issues discussed by the board in the closed meetings complied with the provisions of the Sunshine Law. The school board held 20 closed meetings from July 2003 to July 2005 and all had discussions that were questionable.

For example, on April 13, 2004, the board approved the staff handbook and leave policies, on July 13, 2004, the board approved a severe weather school closing

policy, and on August 10, 2004, the board approved dividing the infant and toddler room to make a two to three year old room in the early childhood center.

Section 610.022, RSMo, requires that before any meeting may be closed, the question of holding the closed meeting and the reason for the closed meeting shall be voted on at an open session. In addition, the law provides that public governmental bodies shall not discuss any other business during the closed meeting that differs from the specific reasons used to justify such meeting, record, or vote. In addition, Section 610.021, RSMo, allows the board to discuss certain subjects in closed meetings including litigation; real estate transactions; bid specifications and sealed bids; personnel matters; and confidential or privileged communications with auditors. The board should restrict the discussion in closed sessions to the specific topics listed in Chapter 610 of the state statutes.

- B. The district's school board failed to follow its own policy for filling board vacancies. Two board members resigned and new members were subsequently appointed between April 2004 and January 2005; however, board minutes did not indicate that the board interviewed or approved (by vote) either of the candidates in accordance with their own policy. The school board's unexpired term fulfillment/vacancy policy states the board will (1) announce and make public notification in a local newspaper of any school board vacancies, (2) interview perspective candidates in open session, and (3) approve any candidate by vote in open session.

To ensure board member appointments to vacant positions are handled fairly and to ensure the best candidate is appointed, the board should follow its own policy.

WE RECOMMEND the School Board:

- A. Ensure minutes document the vote to go into closed session, state the reasons for going into closed session, and publicly disclose the final disposition of applicable matters discussed in closed session. In addition, the board should ensure closed meetings are conducted according to state law.
- B. Review and follow its policy for filling board vacancies.

AUDITEE'S RESPONSE

The School Board indicated:

- A. *We will follow state laws regarding closed meetings.*
- B. *In the future, we will follow district policy.*

The Davis R-XII school board failed to properly document hearings and decisions made regarding student residency waivers. In addition, the district did not retain documentation of substitute teachers' background checks, applications, and certifications, and one substitute teacher's certification had expired prior to the district hiring him during the 2003-2004 school year. Also, the district employed a Librarian, a Guidance Counselor, and a Physical Education teacher that were not certified or appropriately certified by DESE to work in these subject areas during either the 2003-2004 or the 2004-2005 school years. Further, the district has not corrected some of the areas of concerns addressed in DESE's MSIP report.

- A. District policy and state law allows residency enrollment requirements to be waived for some students and requires school boards to convene a hearing to consider the student's request for a waiver. However, the Davis R-XII school board failed to document a hearing was held and the discussions or reasons related to approving or disapproving student waivers in the board minutes. To document compliance with district policy and state law and to ensure consistent treatment of individuals receiving residency waivers, the district should document the waiver hearing and the reasons for approving or disapproving waivers in the board minutes.
- B. District policy requires all substitute teachers to be certified by DESE and to satisfactorily complete background checks and screenings. The policy also requires all substitute teachers' applications and certifications from DESE to be processed in the Superintendent's office; however, the district did not retain documentation of the substitute teachers' background checks, applications, or certifications. Further, one substitute teacher's certification had expired prior to the district hiring him during the 2003-2004 school year. To ensure substitute teachers are qualified and certified by DESE, documentation of each substitute teacher's background check, application, and certification should be retained in the employee's personnel file.
- C. The district employed a librarian, guidance counselor, and physical education (P.E.) teacher that were not certified or appropriately certified by DESE to work in these subject areas during the 2003-2004 or 2004-2005 school years. For example: (1) The district employed an individual who was **only** certified as a substitute teacher as the school's guidance counselor during the 2003-2004 school year. The district subsequently hired (in August 2004) an appropriately certified guidance counselor 1 day a week. (2) The at risk aide/bus driver served as a part time librarian during the 2003-2004 school year, although she was not certified by DESE. The district subsequently hired (in August 2004) a certified librarian 1 day a week. (3) The district employed the lead teacher to teach P.E. during the 2004-2005 school year, although he was not appropriately certified by DESE. The district plans for the lead teacher to continue to teach P.E. during the 2005-

2006 school year. DESE's MSIP report issued in March 2004 also reported the district's Guidance Counselor and Librarian were not appropriately certified or certified by DESE. To ensure students are receiving quality instruction and the district becomes accredited, the district should ensure employees are appropriately certified by DESE.

- D. The district has not corrected some of the concerns addressed in DESE's MSIP report. While the Superintendent and Lead Teacher told us some of the areas of concern have been or are in the process of being corrected, other concerns have not been resolved. In addition, the Lead Teacher indicated that the district could not be reevaluated by MSIP until the district student's Missouri Assessment Program (MAP) scores meet the standards set by DESE. The earliest the district can be reevaluated is in the fall of 2006 (dependent upon the student's MAP scores).

DESE's MSIP reviewed various procedures of the district for compliance with state and federal requirements and issued a report in March 2004. The MSIP report addressed many areas of concerns and recommended the district to **only** be provisionally accredited. Some of the areas of concern include: 1) library improvements are needed, including adequate seating/workspace, updated resources, additional hours of service, and a certified librarian, 2) a certified guidance counselor is needed, 3) improvements are needed in the professional development of teachers, 4) the district failed to demonstrate substantial compliance with state and federal regulations for implementing Individuals with Disabilities Education Improvement Act, and does not provide appropriate services to identify gifted students, 5) the district failed to evaluate its teachers, survey its graduates in their first or second year of high school regarding their preparation for high school, or include a statement of nondiscrimination on its job applications and vacancy notices, 6) the district's budget is not complete and is not utilized to monitor revenues and expenditures, and 7) the district's Parents As Teachers Committee has not been established, and the district's Guidance Advisory Committee does not have community representation.

To ensure the district will be accredited, the district needs to correct concerns addressed in the MSIP report and continue to work with DESE to ensure any new state and federal standards or requirements are met.

WE RECOMMEND the School Board:

- A. Clearly document the reasons for approving or denying residency waivers in the board minutes.
- B. Ensure substitutes are certified by DESE, and background checks, applications, and certifications are documented in each employee's personnel file.
- C. Ensure employees are certified by DESE.

- D. Ensure concerns addressed in the MSIP report are corrected, and continue to work with DESE to ensure any new state and federal standards or requirements are met.

AUDITEE'S RESPONSE

The School Board indicated:

- A. *In the future, we will follow district policy and document reasons for approving or denying residency waivers in the board minutes.*
- B. *We will require the administrator to update substitute teacher files annually to ensure documentation of certification, background checks, and applications is on hand.*
- C. *Currently all teachers are certified; however, the P.E. teacher is teaching outside his certified subject area. We will continue to work towards requiring all teachers to be appropriately certified.*
- D. *We have corrected some of the concerns noted in the MSIP report and are working towards resolving the others. This is an ongoing process involving much attention and time.*

7. Accounting Controls

Controls over meal and tuition collections need improvement. Accounting duties are not adequately segregated, receipts are not deposited intact or in a timely manner, pre-numbered receipt slips are not issued for monies received, and an adequate system for tracking meal accounts receivables/payables has not been established. The district Secretary maintains a petty cash fund for small purchases. It is not maintained on an imprest basis and a petty cash ledger is not maintained. Employees who collect receipts and have access to money are not covered by an employee bond.

The district collects monies for meals (breakfast, lunch, and milk) and tuition for the Early Childhood Center and after school care. The district collected \$5,750 and \$53,101 for meals and tuition during the 2004-2005 school year.

The At Risk Aide collects meal monies and prepares a daily cash ledger that indicates the date, payee, composition of the receipt (cash/check), number and dollar amount of meals and snacks, and after school care tuition purchased by each student. In addition, she prepares a daily log of meals and snacks served to each student/teacher.

Parents deposit tuition payments in a drop box at the Center. The Lead Teacher collects tuition from the drop box and remits it to the district Secretary. The district Secretary prepares a log of tuition receipts received from the Lead Teacher. An attendance spreadsheet is prepared by the Center Director that documents the student's name, dates attended, amount, date paid, and the check number.

- A. Accounting duties are not adequately segregated. The At Risk Aide is primarily responsible for receiving, recording, preparing the deposit, and transmitting meal monies to the district Secretary for depositing. Although the district secretary deposits the monies, she does not reconcile the monies received and deposited to the ledger of meal monies collected.

In addition, the district Secretary records tuition receipts, and prepares and makes the deposit.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls could be improved by requiring the district Secretary to reconcile meal monies received and deposited to the Director's ledger of meal monies collected, and segregating accounting and bookkeeping duties regarding tuition monies among available employees or by implementing an independent documented review of records by another employee or the Superintendent.

- B. Receipts are not deposited intact or in a timely manner. During a cash count conducted on April 26, 2005, meal and tuition receipts totaled to \$352 and \$449, respectively. These meal receipts and others collected subsequent to the cash count totaling \$692 were not deposited by the district Secretary until May 23, 2005. These tuition receipts and others collected subsequent to the cash count totaling \$2,479 were not deposited by the district Secretary until May 5, 2005. In addition, of the meal receipts counted, cash receipts totaled to \$80; however, only \$18 in cash was deposited. According to the district Secretary, \$62 cash was given to the At Risk Aide for a change fund; however, this was not adequately documented. Also, checks and money orders are not restrictively endorsed immediately upon receipt.

To adequately safeguard receipts and reduce the risk of loss or misuse of funds, deposits should be made intact daily or when accumulated receipts exceed \$100, and checks should be restrictively endorsed immediately upon receipt.

- C. Pre-numbered receipt slips are not issued for any monies received. To properly account for all receipts and ensure they are properly deposited, pre-numbered receipt slips should be issued for all monies received and reconciled to monies deposited.
- D. The At Risk Aide does not have an adequate system to track meal accounts receivables. The school district processed approximately \$5,750 and \$7,228 in meal receipts for the 2004-2005 and 2003-2004 school years, respectively. The At Risk Aide records monies received from students on a daily cash ledger sheet. She then records the number of meals purchased on each student's meal ticket by drawing an open circle for each meal purchased. As a student is served a meal in the cafeteria, the At Risk Aide fills in the open circle. Because the At Risk Aide

does not track the dollar value associated with the meals purchased or served, she can not readily identify the dollar value of any meal accounts receivables/payables. To ensure proper accountability over meal collections and meal accounts receivables/payables, an adequate system for tracking meals purchased, served, and any meal monies on hand should be established. In addition, the accounts receivable balance should be reconciled with meal monies on hand.

- E. The district Secretary maintains a petty cash fund for small purchases; however, it is not maintained on an imprest basis. The Secretary indicated miscellaneous cash receipts collected from the purchase of school supplies by parents, any change returned from cash purchases made by the At Risk Aide, or change from small purchases are placed in the petty cash fund. In addition, the district does not maintain an adequate petty cash ledger or proper documentation to support the receipts and disbursements of the petty cash fund. During a cash count conducted on April 26, 2005, the petty cash fund contained \$25 with no supporting documentation. The district could provide no documentation of how much money was collected and spent through this petty cash fund during the 2004-2005 or 2003-2004 school years.

To ensure all receipts are appropriately handled and recorded, and disbursements are proper, the district should maintain the petty cash fund on an imprest basis, meaning the fund should be maintained at a constant predetermined balance, and the cash on hand plus the total of all paid invoices should always equal the predetermined balance. The fund should only be reimbursed by district checks equal to the amount of the paid invoices and other district receipts should not be added to the fund. In addition, the district should maintain a petty cash ledger documenting receipts, disbursements, and the balance of the petty cash fund and retain documentation to support disbursements of the fund.

- F. The Board President, Board Treasurer, and district Secretary are authorized to sign checks; however, only the Board Treasurer is bonded. In addition, other employees who collect receipts and have access to money are not covered by an employee bond. As a means of safeguarding assets and reducing the district's risk if a misappropriation of funds would occur, all employees handling monies should be adequately bonded.

WE RECOMMEND the School Board:

- A. Ensure the district Secretary reconciles meal monies received and deposited to the ledger of meal monies collected. In addition, provide for an adequate segregation of duties or the performance of independent reviews of the accounting records regarding early child care tuition monies.
- B. Ensure all receipts are deposited intact daily or when accumulated receipts exceed \$100.

- C. Require pre-numbered receipt slips to be issued for all monies received.
- D. Ensure the At Risk Aide maintains an adequate system for tracking the dollar value of meals purchased, served, on hand, and due. In addition, the accounts receivable balance should periodically be reconciled with meal monies on hand.
- E. Maintain the petty cash fund on an imprest basis and retain adequate documentation for all petty cash disbursements. The district should also ensure a petty cash ledger is maintained.
- F. Ensure all employees or Board Members with access to cash or that sign checks are adequately bonded.

AUDITEE'S RESPONSE

The School Board indicated:

- A. *We will require the district administrator to reconcile cash receipts to deposits.*
- B. *We will make deposits intact at least weekly.*
- C. *We are currently issuing pre-numbered receipt slips.*
- D. *We have installed a food service software program that will allow us to track meal monies.*
- E. *We have established a petty cash fund of \$25.00, and the district secretary is maintaining a ledger and retaining documentation of all petty cash fund expenditures.*
- F. *We have already obtained bond coverage for these employees.*

8.	Depository Contract and Collateral Securities
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The district has not solicited proposals for its checking and depository services nor entered into a written agreement with its depository bank in several years. In addition, the district has not established procedures to monitor collateral securities pledged by its depository bank, and as a result, funds were under collateralized.

- A. The district has not solicited proposals for its checking and depository services nor entered into a written agreement with its depository bank in several years. In January 2005, the district was only earning 1.23% in interest, paying for the rental of a safe deposit box, and being charged fees for returned checks. To ensure the quality of banking services and ensure interest earnings received by the district are maximized, the district should procure its banking services through a competitive bid process. A written depository contract helps both the bank and

the district understand and comply with the requirements of any banking arrangement. The contract, among other things, may specify the bank fees for check printing, checking account services, safe deposit boxes, interest charges for borrowing funds, interest rates for invested funds, and a requirement for the bank to pledge collateral security for any deposits in excess of Federal Deposit Insurance Corporation (FDIC) coverage. In addition, the district's bidding policy requires competitive bidding for bank depository services.

- B. The district has not established procedures to monitor collateral securities pledged by its depository bank, and as a result, funds were under collateralized. The amount of collateral securities pledged by the district's depository bank to cover deposits of the school district was insufficient by approximately \$85,463, \$10,209, and \$25,000 during January 2005, 2003 and 2002, respectively. A similar comment was made by the district's auditor during the previous audit for the fiscal year ending June 30, 2003. Section 110.020, RSMo, requires that the value of securities pledged shall at all times be not less than 100 percent of the actual amount on deposit less the amount insured by the FDIC. Inadequate collateral securities leave district funds unsecured and subject to loss in the event of a bank failure.

WE RECOMMEND the School Board to seek proposals or competitively bid the district's banking services, enter into a written depository agreement with its depository bank, and establish monitoring procedures to ensure its depository bank pledges adequate collateral securities at all times.

AUDITEE'S RESPONSE

The School Board indicated they will bid banking services and include collateral security requirements in the bid specifications. They will also monitor district funds to ensure funds are adequately secured.

9. General Fixed Assets

A permanent detailed record of the property owned by the district has not been properly maintained. Physical inventories of property located in each classroom and in the administrative offices have not been performed in several years. The last physical inventory for some of the classrooms was conducted in 2000, with others that dated as far back as 1994. In addition, the district does not tag or otherwise identify fixed assets as property of the district. Further, the districted has not recorded the Early Childhood Center building valued at \$48,000 on its property records.

Property records should be maintained on a perpetual basis, accounting for property acquisitions and dispositions as they occur. Additions should be reconciled to purchases annually. Complete and accurate property records are necessary to secure better internal control over district property, provide a basis for determining proper insurance coverage,

and provide assurance to the public that assets purchased with school monies are being utilized by the school district. Physical inventories are necessary to ensure the property records are accurate, identify any unrecorded additions and deletions, detect theft of assets, and identify obsolete assets. Pre-numbered tags, when affixed to property items, allow for identification of property in the records and may deter the potential for personal use of district assets.

A similar condition was noted by the district's auditor in the previous annual audit for the year ending June 30, 2004.

WE RECOMMEND the School Board establish property records for all fixed assets and require annual physical inventories of the fixed assets. Additions to the property records should be reconciled to purchases annually, and pre-numbered inventory tags that label each item as "Property of Davis R-XII School District" should be attached to all fixed assets. The Early Childhood Center building should be added to the district's property listing.

AUDITEE'S RESPONSE

The School Board indicated they will prepare a listing of district property and periodically conduct inventories. They will attach property tags to fixed assets.

HISTORY, ORGANIZATION AND
STATISTICAL INFORMATION

DAVIS R-XII SCHOOL DISTRICT
HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

The Davis R-XII School District is located approximately 11 miles west of Clinton on Highway T. It covers approximately 87.6 square miles within Henry County.

The district operates an elementary school (grades K-8) and a early childhood center (pre-school). Enrollment in the elementary school and early childhood center was approximately 44 and 25, respectively, for the 2003-2004 school year. The district employed approximately 28 full- and part-time employees, including 1 administrator, 12 teachers, and 15 support staff.

The Davis R-XII School District has been classified under the Missouri School Improvement Program (MSIP) as "Provisionally Accredited" by the Missouri Department of Elementary and Secondary Education. A provisionally accredited district has not met enough of the MSIP standards and indicators to be accredited.

An elected board acts as the policy-making body for the district's operations. The board's seven members serve three-year terms without compensation. Members of the board during the year ended June 30, 2004, were:

School Board	Dates of Service During the Year Ended June 30, 2004
David L. Vaughn, President (1)	July-June
Donald O. Batschelett, Jr., Vice President (2)	July-June
Amanda K. Cothorn, Treasurer (3)	July-June
Michael R. Hendrich, Member	July-June
Donald A. Hale, Member (4)	July-June
Brian Danforth, Member	July-April
Keri A. Spurgeon, Member (5)	April-June
Darren M. Sanders, Member (6)	July-June

(1) Michael Hendrich was approved by the board as President in April 2005.

(2) Amanda Cothorn was approved by the board as Vice President in April 2005.

(3) Keri Spurgeon was approved by the board as Treasurer in April 2005.

(4) Replaced by Sue Steward in April 2005.

(5) Replaced Brian Danforth, who resigned in April 2004.

(6) Replaced by Sheryl Hull, who was elected in April 2005.

The district's other principal officials during the year ended June 30, 2004, are identified below. The compensation of these officials is established by the school board.

Other Principal Officials	Dates of Service During the Year Ended June 30,2004	Compensation Paid for the Year Ended June 30, 2004
Larry D. Hagedorn, Superintendent (1)	July-June	\$ 22,500
Jeff Levy, Lead Teacher/Preschool teacher(2)	July-June	30,000
Juli Schmedding, Early Childhood Center Director	July-June	28,637
Judy Sanders, Secretary	July-June	32,833

- (1) Superintendent's salary for fiscal year 2005 is \$23,400. A \$6,000 mileage allowance is included in the salary amount each year.
- (2) Jeff Levy will become Principal in July 2005 with a salary of \$36,000. Job duties of a lead teacher include many duties of a principal; however, the lead teacher is not certified as a principal.

Assessed valuations and tax rates for 2004 and 2003 were as follows:

Assessed valuation	\$ <u>13,039,561</u>	\$ <u>10,964,194</u>
Tax rate:		
General	\$ 3.559	\$ 3.559