

TOWN OF LEE, MASSACHUSETTS

**Independent Accountants' Report On Applying
Agreed-Upon Procedures Over Compliance
Applicable to Massachusetts School Districts'
End-Of-Year Pupil And Financial Report**

June 30, 2019

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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Board of Selectmen and School Committee
TOWN OF LEE, MASSACHUSETTS

We have performed the procedures specified in the Massachusetts Department of Elementary and Secondary Education's (DESE) *Compliance Supplement for Massachusetts School Districts Agreed Upon Procedures Engagements: (Updated December 2019)*, and enumerated below, as it relates to the Massachusetts School Districts' End-of-Year Financial Report (EOYR) prepared by the Town of Lee, Massachusetts School Department (the District) for the fiscal year ended June 30, 2019. We performed these procedures solely to assist the Town of Lee, Massachusetts (the Town) and DESE evaluate the Town's assertion that it has complied with the requirements applicable to the preparation and filing of the EOYR.

The Town's management is responsible for the preparation and fair presentation of the EOYR. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representations regarding the sufficiency of the procedures specified in the Massachusetts Department of Elementary and Secondary Education's Compliance Supplement applicable to the EOYR for the purpose for which this report has been requested or for any other purpose.

The procedures that we performed and our findings are as follows:

Schedule 1 - Revenue and Expenditure Summary

1. Trace Revenues from Local Sources reported on Schedule 1 to the Town and District accounting ledgers. Also, trace the revenues reported on District's accounting ledgers to revenues reported on Schedule 1. These amounts should agree.

Findings:

No exceptions were found as a result of applying this procedure.

2. Trace the revenue from state aid, federal grants, state grants, and revolving and special funds to the detail in District's accounting ledgers. Also, trace the revenues reported on District's accounting ledgers to revenues reported on Schedule 1. These amounts should agree with the possible exception of revenue from state aid, federal grants and state grants, which are entered by the State based on allotments. Determine if the District verified the grant amounts received with the detail posted on the DESE website and pre-populated by DESE. Determine if the District verified the grant amounts received with the detail posted on the ESE website and pre-populated by ESE.

Findings:

No exceptions were found as a result of applying this procedure.

3. Trace the amounts reported for general fund education expenditures from Schedule 1 line 1850 to the Town accounting ledgers and to the District accounting ledgers. Also trace the expenditures reported on District's accounting ledgers to expenditures reported on Schedule 1. These amounts should agree. If a "crosswalk" exists between the accounting ledgers and the EOYR, verify that the crosswalk agrees with the accounting ledgers in total and trace a sample of expenditures from the crosswalk to the accounting ledger.

Findings:

No exceptions were found as a result of applying this procedure.

4. Trace the amounts reported for a sample of DESE functions (i.e. teaching, principal), State Objects (i.e. professional salaries (01), other salaries (02), and other expenditures (04 - 06) and DESE programs (i.e. regular day, SPED, etc.) in Schedule 1 to the detail in the accounting ledgers or to the crosswalk, if applicable. These amounts should agree.

Findings:

The following exceptions were noted:

- a. Line 921, Column 5 (School Leadership-Building; Professional Salaries) reported salaries of \$190,633, which were salaries for the elementary and middle/high school principals. Leadership salaries should also include the salaries for the elementary and middle/high school deans of students of \$83,455 and \$67,046, respectively.
- b. Line 1576, Column 5 (Heating of Buildings; Other Expenses) reported expenses of \$304,493. Heating of building expenses reported in the accounting ledger are \$104,107. The variance of \$200,386 consists of other building repairs and utilities expenses which should be re-classed to Utility Services and Maintenance of Buildings lines on the EOYR.

We recommend that the District file an amendment in order to correct the items noted above. No additional exceptions were found as a result of applying this procedure.

5. Test Extraordinary Maintenance expenditures for the following (4300): Verify that expenditures do not include salaries. Verify that the expenditures include applicable principal portions of a loan or the cost of a lease/purchase agreement. Verify that expenditures classified as Extraordinary Maintenance (4300) do not exceed the per project dollar limit for extraordinary maintenance (\$150,000). Trace the expenditures to the detail in the accounting ledgers.

Findings:

No exceptions were found as a result of applying this procedure.

6. Determine how expenditures for fringe benefits are assigned or allocated to Schedule 1 Employee Benefits, Insurance (5100, 5200).
 - a. Trace the reported cost to the detail in the accounting ledgers using the methodology indicated. These amounts should agree.
 - b. Determine if expenses are charged to 5150 Employee Separation Costs. If no expenses are charged inquire if any district employees retired in FY19. In the event district employees retired, there should be costs/expenses reported.
 - c. Determine if the district reported Insurance for Retired Employees (5260) separately and appropriately.

Findings:

No exceptions were found as a result of applying this procedure.

7. Verify that expenditures charged to Line(s) 1683 and 2060 - Short-term Interest (5400) relate exclusively to Revenue Anticipation Notes (RAN's).

Findings:

No exceptions were found as a result of applying this procedure.

8. Verify that expenditures charged to Line 1684 and 2065- Short-term Interest - BAN's (5450) relate exclusively to Bond Anticipation Notes (BAN's).

Findings:

Line 2065, Column 5 reported \$25,200, which duplicates long-term principle and interest payments properly reported on Lines 2130 and 2140. The expenditures do not relate to bond anticipation notes. We recommend an amendment be filed to remove the expenses reported on Line 2065, Column 5.

9. Identify expenditures reported as long-term School Construction debt for principal (8100) and interest (8200). Verify that bond anticipation notes are not included in these functions. Trace the reported costs to the Town Treasurer's debt schedule. Trace the reported amount to the detail in the accounting ledgers. These amounts should agree. Note: If the District received a lump sum wait list or progress payment from the Mass. School Building Authority, verify that the revenue was reported on line 130 and that expenses were reported for paydown of principal (8100), or Purchase of Land and Buildings (7100, 7200) if applicable.

Findings:

No exceptions were found as a result of applying this procedure.

10. Trace the expenditures for tuition payments: to other school districts in state (9100), to out of state schools (9200), to non-public schools (9300), to member collaboratives (9400), and assessments to member regional school districts (9500) to the detail in the accounting ledgers. These amounts should agree. Note: If the District prepaid FY20 Special Education Tuition, verify prepaid tuition was not included as an FY19 expense. If the District prepaid FY19 tuition from FY18, that amount should be included as an FY19 expense.

Findings:

No exceptions were found as a result of applying this procedure.

11. For Town expenditures that result in services directly related to the school committee:

- a. Obtain a copy of a written agreement between the School Committee and Town officials documenting agreed upon methodologies to be used when allocating, distributing or assigning Town expenditures to the District.
- b. Test the amounts reported using the documented methodology. These amounts should agree.

Findings:

Per discussion with Town Management and the School, an agreement was not executed for fiscal year 2019. It is our understanding that a preliminary version was agreed to by the Town, but after additional changes were made by the School, a final agreement was not provided to be signed by the Town and School Committee.

12. Expenditures from Federal Grants, State Grants and Special Funds

- a. Trace amounts claimed as Circuit Breaker expenses on line 3080 Column 7 to the Accounting ledgers or journals.
- b. Determine if the District charged a restricted indirect rate to grants and indicate so in the report.
The District has not charged a restricted indirect rate to grants.

Findings:

No exceptions were found as a result of applying this procedure.

Schedule 3 - Instructional Expenditures

13. For Schedule 3 expenditures:

- a. Trace the amounts reported by school location on the linked file to the accounting ledgers. These amounts should agree.
- b. If staff is assigned to more than one school, determine if the District maintains a payroll system or spreadsheet to document the assignment of staff salaries by school location.
- c. If allocations are used to assign staff salaries to schools, programs, functions or objects, was the allocation supported by a documented methodology?
- d. If allocations are used for non-salary expenditures, determine if the District maintains a documented methodology for consistency in application. Allocations are acceptable on Schedule 3 for non-salary expenditures although direct assignment or charging is preferable.
- e. Ensure amounts reported as district-wide cannot be assigned to a specific school.

Findings:

No exceptions were found as a result of applying this procedure.

Schedule 4 - Special Education Expenditures by Placement

14. Ascertain the methodology used to allocate, distribute or assign SPED costs to the placement on Schedule 4 and review the propriety of the methodology. Test the amounts reported on Schedule 4 using this methodology. These amounts should agree.

Findings:

No exceptions were found as a result of applying this procedure.

Schedule 7 - Pupil Transportation Reimbursement

15. Trace the transportation expenditures reported on Schedule 7 to the transportation expenditures reported on Schedule 1. These amounts should agree. Determine the methodology used to allocate transportation expenditures on Schedule 7 and verify the accuracy of the allocations. Also if applicable, verify that reimbursable expenditures have been reduced by transportation revenue received from students transported.

Findings:

No exceptions were found as a result of applying this procedure.

16. Determine if there is adequate detail to support amounts reported (expenses and riders) for Special Education pupils transported outside the District.

Findings:

No exceptions were found as a result of applying this procedure.

17. Trace the pupils reported on Schedule 7 to the detailed transportation records and verify that the amounts reported on Schedule 7 are accurate and consistent with the detailed records.

Findings:

The Special Education rider counts reported on the EOYR were not updated for fiscal year 2019, and do not agree to the count sheets provided by the School. We recommend the District update the counts reported on the EOYR and adjust the allocation of expenses as necessary.

No additional exceptions were found as a result of applying this procedure.

18. Determine if the District's accounting system separates costs in order to facilitate reporting as outlined in Schedule 7 (In or Out of District, Pre-School, Non-Public, School Choice & Charter School).
 - a. Determine if reimbursable expenditures claimed on Line 4283 (Homeless To Outside the District) and Line 4285 (Homeless From Outside the District) are supported by adequate documentation.
 - b. Determine foster care transportation was not claimed as homeless.

Findings:

No exceptions were found as a result of applying this procedure.

Schedule 19 - Annual School Budget

19. Determine if the School District has reported all changes to Schedule 19 Part A.1 - Appropriation by School Committee to the ESE. Compare the final School Committee Appropriation to Schedule 19 Part A.1 as filed/amended to determine if all changes were reported.

Findings:

No exceptions were found as a result of this procedure.

20. Determine amounts budgeted in Schedule 19 Part A.2 are consistent with methodologies outlined in the agreement noted in procedure 4 above.

Findings:

No exceptions were found as a result of this procedure.

21. Determine that retiree health insurance (5250) is reported separately.

Findings:

No exceptions were found as a result of this procedure.

Other Item

Additional audit time was required to agree the revenues and expenses reported in the EOYR to the accounting ledger due to the lack of a crosswalk. In the future, we recommend the School use a crosswalk if the EOYR cannot be directly traced back to the accounting ledger.

We were not engaged, to and did not, conduct an audit, the objective which would be the expression of an opinion on the End-of-Year Financial Report. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Town of Lee, Massachusetts and the DESE and is not intended to be and should not be used by anyone other than those specified parties.

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April 9, 2020

STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS

Prior Year Finding 2018-001

As recommended, the School Business Administrator corrected misclassifications in the FY2018 EOYR and submitted revisions to DESE on January 2, 2019.