AUDIT REPORT

REVIEW OF THE

FRANCIS HOWELL R-III SCHOOL DISTRICT

ST. CHARLES COUNTY, MISSOURI

From The Office Of State Auditor
Claire McCaskill

Report No. 2000-15
March 9, 2000

Office Of The
State Auditor Of Missouri
Claire McCaskill

March 2000

YELLOW SHEET

The following problems were discovered as a result of an audit conducted by our office of the Francis Howell School District, St . Charles, Missouri.

During the two years ended June 30, 1999, the district received and spent over $6 million in basic state aid to which it was not entitled. This was caused by an error in the reporting of the district's average daily attendance data to the Department of Elementary and Secondary Education and an entitlement calculation error.

The district's attendance system records full-day attendance for kindergarten students. Because kindergarten students attend only one-half of each day, the district must divide the recorded attendance hours for kindergarten students in half before calculating the average daily attendance and reporting it to the Department of Elementary and Secondary Education. For the 1997-98 school year, the district failed to divide the kindergarten attendance hours in half.

The district does not have written policies and procedures governing the reporting of attendance data to the Department of Elementary and Secondary Education. Written policies and procedures are necessary to outline district employees' responsibilities in the attendance reporting and the review process. Without following a specific process, the district cannot ensure all steps are taken to ensure the accuracy of information reported to the Department of Elementary and Secondary Education. This concern was also noted by the district's independent auditors in the 1998-1999 audit report.

The district did not take adequate procedures to correct the attendance reporting errors when detected in October 1998. As a result, the district continued to be overpaid by the Department of Elementary and Secondary Education until the adjustment was made in June 1999. The district did not adequately estimate the effects of the 1997-98 error and the 1998-99 overestimate of eligible pupils and make the necessary budget adjustments. This situation was a contributing factor in the district becoming "Financially Stressed" for the year ended June 30, 1999.

During the last five years, the district has experienced significant growth in the revenues and expenditures of the operating funds. **Despite the growth in district revenues, the district has spent more than it received during three out of the last five years**.

Controls over expenditures are lacking or inadequate. Bidding procedures were not always followed, payments were made without the required purchase orders or vendor invoices, and some expenditures appeared excessive or unnecessary for district operations.

In July 1998, the district approved an administrative salary schedule covering the two years ending June 30, 2000. Administrators were given significant pay increases and ten additional administrators were hired, resulting in an increase in administrator salary expense of approximately $899,000 during the year ended June 30, 1999. For the year ending June 30, 2000, pay increases were provided through the salary schedule and although the district reduced the number of administrators by four, this will result in a net increase in administrator salary expense of approximately $236,000.

The district has implemented some budget reductions for the year ending June 30, 2000. This budget includes projected operating revenues and expenditures of approximately $113.6 million each. **With these projections, the estimated operating funds balance will continue to be approximately 1.7 percent of expenditures and the district will continue to be designated "Financially Stressed" for the year ending June 30, 2000**.

(over)

As noted in the "Review of 1999 Property Tax Rates" issued by the Missouri State Auditor on December 29, 1999, the 1999 property tax rate levied by the district for operating funds exceeded the tax rate ceiling by three cents per $100 in assessed valuation. **The district levied a property tax rate of $3.95 for operating funds, although the tax rate ceiling certified by the State Auditor was only $3.92. Based on the 1999 assessed valuation of $1,178,417,048, the district will receive approximately $354,000 more than legally permissible**. Our office recommends the School Board not levy amounts in excess of the ceiling and reduce future levies to reflect this overcharge.

The district does not have a policy prohibiting the acceptance of gifts and gratuities from district vendors. **During 1998 and 1999, district employees and board members received personal benefits from the district's construction management firm totaling $1,272**. This included golf tournament registration fees and a dinner for board members. During these years, the district conducted two selection processes for construction management services in which this firm was selected on both occasions. The acceptance of gifts from this firm could give an appearance of a conflict of interest or lack of independence of board members and district administrators.

The district's student transportation vendor paid $1,013 for lodging for the board President and former Finance Director to attend a customer forum conference in Miami, Florida. The conference was held on a Friday, and the lodging included attendance at a Professional Golfers Association (PGA) tournament sponsored by the vendor. ***An appearance of a conflict of interest could harm public confidence in the board and reduce the board's effectiveness***. A policy prohibiting these types of situations should be developed.

The school board provided the former Superintendent with a $42,000 cash advance upon signing a 31 month contract which began February 1, 1996. Under the terms of the contract, the former Superintendent would pay back the advance through payroll deductions of $7,000 per year over a six year period. Semi-monthly payroll deductions of $292 began in July 1996. The board should consider increasing the payroll deductions to ensure the advance is paid back in the time period noted in the separation agreement. In the future, the board should refrain from entering into such agreements.

During the year ended June 30, 1999, the district had four accounts with a credit card company. Two of these accounts were in the district's name, while the other two accounts were in the name of the former Superintendent and the former Finance Director. Employees could use the two district accounts for various expenditures such as travel expenses, registrations, and supplies. **Some informal procedures relating to the credit card accounts were developed. Our review of credit card payments noted the following concerns**:

- There were at least 118 charges totaling $19,941 made to the credit card accounts which were not supported by receipts or credit card slips.
- The statement and related receipts for one payment of $5,457 to a credit card account could not be located.
- Purchase orders were not prepared for purchases on the credit card accounts.
- The purpose of the expenditure was not documented for numerous charges to the credit card accounts. As a result, the propriety of the expenditure could not be determined.

The district does not have a formal written policy for the usage of cellular telephones and pagers. **During the year ended June 30, 1999 the district incurred costs of approximately $55,000 for monthly services and equipment purchases for 74 cellular phones and 66 pagers**. The phones and pagers were issued to various employees and board members and could be used for district business as well as personal use.

The district has engaged a firm since January 1990 to provide construction management services for all of its construction projects. This firm works with the district in the scheduling, planning, and design and construction management of construction projects. Payments to this firm during the year ended June 30, 1999 totaled approximately $720,000. **Our office recommends the School Board conduct a formal selection process for construction management services for all construction projects as required by district policy and state law**. In addition, all documentation of the process should be retained.

The school district does not always follow its bidding policies. The district's procurement policy requires that formal, written bids be obtained for all purchases which involve an expenditure of more than $5,000. The school district contracts with a transportation company to provide bus transportation for its students. The district has not solicited bids for transportation services since 1985. Procedures are not in place to adequately monitor transportation costs.

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FRANCIS HOWELL R-III SCHOOL DISTRICT
ST. CHARLES COUNTY, MISSOURI

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ST. CHARLES COUNTY, MISSOURI

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CLAIRE C. McCASKILL
Missouri State Auditor

Honorable Mel Carnahan
Governor of Missouri
and
The Board of Education
Francis Howell R-III School District
4545 Central School Road
St. Charles, MO 63304

By his authority under Section 26.060, RSMo, Governor Carnahan requested the State Auditor's Office perform a review of the Francis Howell R-III School District in August 1999. In response to this request, the Missouri State Auditor's Office conducted a review of the district. The objectives of this review were to:

1. Review the district's financial condition and budgetary process.

2. Perform procedures we deemed necessary to evaluate citizens' concerns.

3. Review certain internal control procedures, legal compliance issues, and management practices to determine the efficiency and effectiveness of those procedures and practices.

Our review was made in accordance with applicable generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. The school board had engaged Schowalter & Jabouri, P.C., Certified Public Accountants (CPAs), to perform an audit of the district for the year ended June 30, 1999. To minimize any duplication of effort, we reviewed the report and substantiating workpapers of the CPA firm. We also reviewed board minutes, school district policies, and various school district financial records.

Our review was limited to the specific matters described above and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention which would have been included in this report.

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The accompanying History and Organization and Appendices are presented for informational purposes. This information was obtained from the district and its audited financial reports and was not subjected to auditing procedures applied during our review.

The accompanying Management Advisory Report presents our findings and recommendations arising from our review of the Francis Howell R-III School District.

Claire McCaskill
State Auditor

December 22, 1999 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits:	Karen Laves, CPA
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EXECUTIVE SUMMARY

REVIEW OF THE
FRANCIS HOWELL R-III SCHOOL DISTRICT
ST. CHARLES COUNTY, MISSOURI
EXECUTIVE SUMMARY

The Francis Howell R-III School District has experienced significant growth during the past several years. Enrollment has increased from 16,427 students in the 1994-1995 fiscal year to 18,513 students in the 1998-1999 fiscal year. During that five year period, operation costs of the district increased 58 percent, 82 percent of which represents salary and benefit costs. (See Appendix A for financial information.)

At the same time the district has seen its fund balances decrease, especially during the most recently completed fiscal year. The balance in the operating funds decreased from $8.3 million at June 30, 1994, to $2.0 million at June 30, 1999, and as a result, the district is currently designated “Financially Stressed” by the Missouri Department of Elementary and Secondary Education (DESE).

During the 1997-1998 and 1998-1999 fiscal years, the district received and spent approximately $6.8 million in state aid to which it was not entitled. This amount must be paid back to the state in future periods. This was caused by errors in reporting the district’s average daily attendance and by an error in its state aid entitlement formula calculation.

Public reports of the district’s financial crisis, including the attendance reporting error, surfaced in July 1999, and during July and August 1999, the State Auditor’s Office received numerous requests for petition audit information. On August 19, 1999, Governor Carnahan requested the State Auditor to perform a review of the district.

The district’s financial accounting and budgetary systems have apparently not kept pace with the growth of the district and are in need of improvement. The district does not have a detailed accounting procedures manual to provide clear guidance on procedures to be followed. Budgetary information has not always been appropriately developed, and modifications to such budgets have not been made timely, decreasing the budget's effectiveness as a management tool. From July 1997 to August 1999, the school board was not provided monthly financial summaries and it appears the board was not properly monitoring budgeted and actual revenues and expenditures. The board needs to address these issues to improve control and increase public confidence in the overall financial accountability of the district.

The district has not established procedures to ensure all expenditures are for necessary district-related purposes. Numerous payments for employee travel and other employee reimbursements were not supported by adequate documentation (i.e. missing invoices and receipts, no documentation of the travel purpose). The district paid $96,000 in charges on its credit card accounts without requiring credit card slips to be submitted, and several of these charges did not appear to be district-related. The district incurred $55,000 in cellular phone and pager expenses, and the district did not have adequate controls to ensure cellular phone usage was reasonable and was only for district purposes.

This audit makes numerous recommendations for improvements in the Francis Howell R-III School District's accounting and budgetary systems and for improvements in controls over district finances and expenditures. The school district could resolve a number of its internal and external problems by implementing the State Auditor's recommendations.

The positive results from implementing these recommendations will include better compliance with statutory, constitutional, and district requirements; additional guarantees that all public moneys are being appropriately spent; and greater assurance to the public that district finances are being properly handled. In addition, it is imperative that the district develop a plan to improve its financial condition and move off of the "Financially Stressed" list.

HISTORY AND ORGANIZATION

REVIEW OF THE
FRANCIS HOWELL R-III SCHOOL DISTRICT
ST. CHARLES COUNTY, MISSOURI
HISTORY AND ORGANIZATION

The Francis Howell R-III School District is located in St. Charles County and covers approximately 163 square miles.

The district operates three senior high schools (9-12), an alternative high school, five middle schools (6-8), nine elementary schools (K-5), and three early childhood family education centers (PK-K). Enrollment was 18,513 for the 1998-1999 school year. At June 30, 1999, the district employed 2,181 full- and part-time employees, including 77 administrative staff, 1,485 teachers and instructional support staff, and 619 support staff.

Francis Howell R-III School District has been classified under the Missouri School Improvement Program as "Accredited" by the Missouri Department of Elementary and Secondary Education.

A seven-member Board elected for three-year terms, serves without compensation as the policy-making body for the district's operations. Members of the Board at June 30, 1999 and their current terms of office are:

Name and Position	Current Term Expires
Catherine Elsea, President	April 2000
Pat Fitzgerald, Vice President	April 2001
Sandra Ferguson, Treasurer	April 2001
Sally A. Breck, Member (1)	April 2002
Ron Howard, Member	April 2000
Dr. Donald R. Wescott, Member (1)	April 2002
Vacant (2)	April 2000

Other Principal Officials	Annual Compensation
Dr. Lee Brittenham, Superintendent (3)	$ 119,636 (4)
Dr. Dan Brown, Central Area Superintendent (5)	92,755
Dr. Sheila Cone, North Area Superintendent	92,755
Dr. Tim Ricker, South Area Superintendent	92,755
Dr. Dan O'Donnell, Associate Superintendent Human Resources	92,755
John Hutchison, Associate Superintendent Finance (6)	92,755

(1) Elected to the board in April 1999, replacing Dr. James Walter (Vice President) and Barbra Goeckner (Treasurer).

(2) Jeff Carter was reelected in April 1999 and resigned in June 1999. Dr. James Walter was appointed in July 1999 to serve until the regular election in April 2000.

(3) Placed on medical leave effective October 1, 1999 with salary and retirement benefits paid through January 31, 2001, and other benefits paid through June 30, 2000.

(4) The Superintendent also received $3,000 toward a tax sheltered annuity.

(5) Appointed Superintendent effective September 20, 1999. The position of Central Area Superintendent is currently vacant.

(6) Resigned on January 6, 2000, and this position is currently vacant.

Assessed valuation and tax rate information for the district are as follows:

	1999	1998
Assessed Valuation	$ 1,178,417,048	$ 1,047,971,082
Tax Rate	4.89*	4.94

* The 1999 tax rate exceeds the approved tax rate ceiling by $.03 per $100 assessed valuation.

MANAGEMENT ADVISORY REPORT

1. Financial Condition

During the last five years, the district has experienced significant growth in the revenues and expenditures of the operating funds (General Fund and Special Revenue Fund). Despite the growth in district revenues, the district has spent more than it received during three out of the last five years, resulting in a decline of the cash balance in the operating funds as follows:

		Year Ended June 30,				
		1999	1998	1997	1996	1995
Beginning cash balance	$	8,902,032	10,241,377	8,601,164	5,949,648	8,326,072
Revenues		110,330,108	104,588,013	96,007,014	86,005,360	72,807,469
Expenditures		(117,270,342)	(105,927,358)	(94,322,866)	(83,337,472)	(74,370,595)
Net transfers		0	0	(43,935)	(16,372)	(813,298)
Ending cash balance	$	1,961,798	8,902,032	10,241,377	8,601,164	5,949,648
Ending Cash Balance as a Percentage of Expenditures		1.67%	8.40%	10.86%	10.32%	8.00%

As shown in the above table, the financial condition of the operating funds has declined over the past few years. At June 30, 1999, the cash balance of the operating funds was only approximately $2.0 million, which includes $1.5 million in student activity funds which are generally not available for district operating expenditures. In addition, the district owed approximately $6.8 million back to the state. As a result, the district was designated "Financially Stressed" by the Missouri Department of Elementary and Secondary Education (DESE). "Financially Stressed" means the district's balances of its operating funds are below three percent of the expenditures in its operating funds. Several issues have contributed to the overall financial decline of the district:

A. The district did a poor job budgeting for the year ended June 30, 1999, as shown below:

		Year Ended June 30, 1999		
		Original Budget	Actual	Variance Favorable (Unfavorable)
Beginning balance	$	8,712,474	8,902,032	189,558
Revenues		111,588,150	110,330,108	(1,258,042)
Expenditures		111,571,319	117,270,342	(5,699,023)
Ending balance	$	8,729,305	1,961,798	(6,767,507)

The board was not provided monthly or periodic financial information during this time period to monitor the financial condition of the district. If better budgeting and monitoring procedures had been in place, it appears the board could have been in a position to address the financial decline in a more timely manner. See Management Advisory Report (MAR) No. 3 for more specific budgeting and financial reporting concerns.

B. During the two years ended June 30, 1999, the district received and spent approximately $6.8 million in basic state aid to which it was not entitled. This was caused by an error in the reporting of the district's average daily attendance data to the DESE and an entitlement calculation error. See MAR No. 2.

C. Controls over expenditures are lacking or inadequate. Bidding procedures were not always followed, payments were made without the required purchase orders or vendor invoices, and some expenditures appeared excessive or unnecessary for district operations. See MAR Nos. 7 through 12.

D. In July 1998, the district approved an administrative salary schedule covering the two years ending June 30, 2000. Administrators were given significant pay increases and ten additional administrators were hired, resulting in an increase in administrator salary expense of approximately $899,000 during the year ended June 30, 1999. For the year ending June 30, 2000, pay increases were provided through the salary schedule and although the district reduced the number of administrators by four, this will result in a net increase in administrator salary expense of approximately $236,000.

Additionally, the district negotiated salary schedules with teachers and support staff covering the two years ending June 30, 2000. District administrators indicate they are unable to make any significant reductions in salary expenses until after the period covered by the salary schedule.

E. During the year ended June 30, 1999, the district distributed approximately $201,000 to district employees as contingency salaries, and increased salaries by the same amount for the year ending June 30, 2000. Although these payments were not required by district policy, the board approved the distribution. See MAR No. 6.

The district has implemented some budget reductions for the year ending June 30, 2000. This budget includes projected operating revenues and expenditures of approximately \$113.6 million each. With these projections, the estimated operating funds balance will continue to be approximately 1.7 percent of expenditures and the district will continue to be designated "Financially Stressed" for the year ending June 30, 2000.

The district has not developed a long term plan to increase the balance in the operating funds and move out of the "Financially Stressed" category. On November 4, 1999, the board approved the development of sequential budgets to increase the balance in the operating funds to at least three percent of expenditures by the 2002-2003 school year. These budgets had not been developed at the time of our review.

During June 1999, the district attempted to pass a \$.50 operating fund rate increase which was defeated by voters. The board is at its tax rate limit without a vote. In fact, as noted in MAR No. 5, the 1999 tax rate set by the district exceeded the legal limit by \$.03 per \$100 in assessed valuation or approximately \$354,000 in property taxes. This should be returned to taxpayers through reductions of future year levies.

It appears that even with an increase in revenues, reducing expenditures will be necessary to improve the district's financial problems. Salary and benefit expenditures accounted for approximately 80 percent of the operating expenditures for the year ended June 30, 1999, and control over these expenditures should be a major concern.

To investigate potential ways to reduce future expenditures, the district recently performed a comparison of its expenditures to six other local districts of similar size during the year ended June 30, 1999. Based on this comparison, the district had the highest or one of the highest per pupil cost in the areas of special education, instruction, transportation, and executive administration. The district should consider these areas when making expenditure reductions for future budgets.

While increases in revenues and/or reductions in expenditures appear necessary, the district's financial condition can also be improved with more effective management practices and more effective controls and procedures. Some needed improvements are discussed in this report.

WE RECOMMEND the School Board carefully review the operations of the district and develop a plan which will remove the district from the "Financially Stressed" designation.

AUDITEE'S RESPONSE

A plan was written and delivered to the DESE in December 1999. Additional planning and a final revision of the plan will be required as the district's budget is developed for the 2000-2001 fiscal year.

2. Attendance Reporting and State Funding

School districts receive state aid funding through the DESE. As outlined in Section 163.031, RSMo Cumulative Supp. 1999, state aid is calculated based on numerous factors including a factor called “eligible pupils” (EP). EP is defined as the sum of the average daily attendance (ADA) of the school term plus twice the ADA for summer school. The average daily attendance is calculated by dividing the total number of hours attended by students by the actual number of hours school was in session during that term. At the beginning of each school year, school districts estimate the EP for the school year, which is used in calculating state aid payments throughout the year. In July, after year end, the actual EP is reported to the DESE and the districts’ state aid payments are adjusted accordingly. The EP is audited annually by the school districts’ independent auditors.

For the 1997-98 school year, the Francis Howell School District originally estimated an EP of 15,888, and during May 1998, increased this estimate to 16,777. After the school year ended, the district reported an actual EP in the amount of 16,900, resulting in adjustments to the 1998-99 payments to reflect this increase. During the audit conducted in September and October 1998, the district’s independent auditors noted a discrepancy between the EP reported to the DESE and the actual audited EP. The audit noted an actual EP of 16,427. The district indicated a correction was mailed to the DESE in October 1998 to reflect the audited EP, but no follow-up was done. The DESE indicated that it did not receive this correction.

In August 1998, prior to discovering this error, the district estimated an EP of 17,683 for the 1998-99 school year, based on the EP of 16,900 reported for the 1997-98 school year. However, even after the district noted the 1997-1998 EP error, it did not re-estimate its 1998-99 EP of 17,683. The actual audited EP for 1998-99 was 16,936.

The DESE sent the district a letter dated April 7, 1999, requiring an explanation for the 473 eligible pupil discrepancy between the 1997-98 reported EP and the audited EP as noted in the audit report. The district indicated it did not receive this letter. On May 19, 1999, the district was again contacted by the DESE regarding the discrepancy and the district confirmed it was an error in its original calculations.

For the 1997-98 school year, the district received more state aid than it was due because the actual EP reported to the DESE was overstated by 473 students. The estimate for the 1998-99 EP was overstated by 747 students, so the district began receiving monthly payments which were too high. The DESE corrected a significant portion of the 1998-99 error on the district's June 1999 state aid payment.

In February 2000, the DESE completed its final calculation of the 1997-98 EP and determined that the district owes $3.0 million to the state. In addition, the DESE is in the process of reviewing the 1998-99 EP, and DESE officials currently estimate the district will owe approximately $1.5 million to the state. DESE officials have also discovered an error in the entitlement calculation for the 1998-99 fiscal year and the district will owe approximately $2.3 million to the state to correct this error. In total, the district owes approximately $6.8 million to the state which needs to be repaid in future periods.

Our review noted the following concerns:

A. The district's attendance system records full-day attendance for kindergarten students. Because kindergarten students attend only one-half of each day, the district must divide the recorded attendance hours for kindergarten students in half before calculating the ADA and reporting it to the DESE. The actual attendance hours as well as the school calendar hours are reported to the DESE through a computerized program called “Core Data.” The ADA and EP for the school year are calculated by the Core Data system based on the information entered by the district.

   For the 1997-98 school year, the district failed to divide the kindergarten attendance hours in half before posting the data to the Core Data system. This error was a significant cause of the EP overstatement of 473 students noted above. There was no supervisory review of the Core Data report to ensure accuracy before submitting it to the DESE.

   The district does not have written policies and procedures governing the reporting of attendance data to the DESE. Written policies and procedures are necessary to outline district employees’ responsibilities in the attendance reporting and the review process. Without following a specific process, the district cannot ensure all steps are taken to ensure the accuracy of information reported to the DESE. This concern was also noted by the district’s independent auditors.

B. The district did not take adequate procedures to correct the attendance reporting errors. As noted above, district officials indicated they sent a correction to the DESE for the audited EP for the 1997-98 school year; however, the district did not adequately follow up to ensure the corrections were received by the DESE and the necessary adjustments to the state aid payments were made. The district did not take any action to correct the 1998-99 estimated EP when its auditors discovered the 1997-98 reporting error in October 1998.

   As a result, the district continued to be overpaid by the DESE until the adjustment was made in June 1999. The district did not adequately estimate the effects of the 1997-98 error and the 1998-99 overestimate of EP and make the necessary budget adjustments. This situation was a contributing factor in the district becoming “Financially Stressed” for the year ended June 30, 1999, as noted in MAR No. 1.

C. The district’s method of computing ADA does not appear to fully comply with state law. Section 163.011(3), RSMo Cumulative Supp. 1999, defines ADA as the total number of attendance hours divided by the total number of hours school was in session. Instead of recording attendance on an hourly basis, the district records attendance as full-day attended, half-day attended, or full-day absent. The district's computerized attendance system converts this information into hourly information and computes the ADA.

Personnel from the DESE have expressed concern that the district's method of computing ADA does not fully comply with state law, and most school districts record attendance on an hourly basis rather than a daily or half-daily basis. Since ADA has a direct effect on calculating EP, the district may not be obtaining the correct amount of basic state aid. The district should review this situation and consider recording and tracking attendance on an hourly basis rather than on a daily basis.

WE RECOMMEND the School Board:

A. Establish written policies and procedures to ensure accurate attendance data is submitted to the DESE.

B. Ensure any discrepancies noted between the attendance data submitted to the DESE and reported in the annual audit are corrected in a timely manner. The effect on state aid revenue should be calculated and necessary budget adjustments should be made immediately to prevent unnecessary future adjustments and budget shortfalls.

C. Consider implementing a system which tracks and records student attendance on an hourly basis.

AUDITEE'S RESPONSE

A&C. The school district began analyzing its processes in late September 1999. The district will implement hourly attendance gathering for the 2000-2001 school year. Related policies and procedures will be established no later than June 30, 2000.

B. Within the policies stated above, discrepancies will be submitted to the DESE with the annual October Core Data report. The Francis Howell School District (FHSD) will encourage the DESE to make prompt and early reconciliation of the reports. Processes to accomplish the recommendation are under study. Appropriate changes will be made as quickly as possible, with full implementation no later than July 2000.

3. Budgets and Financial Reporting

A. Beginning in July 1997, the board did not receive monthly financial reports. The district's budgeting policy requires that monthly statements showing receipts, expenditures, and balances for each fund be prepared and submitted to the board. Without this information, the school board cannot adequately monitor the financial condition of the district or make necessary budget amendments. This concern was also noted by the district's independent auditors.

In September 1999, the Finance Office began submitting monthly summary reports of operating fund transactions and balances for board review. The reports summarize the percent of budgeted revenues received and expenditures incurred to date by major revenue and expenditure categories. In light of the district's current financial situation, timely review and monitoring of the budget to actual information is imperative.

B. During the three years ended June 30, 1999, the district overspent final budgeted expenditures in various funds as illustrated below:

Fund	Budgeted Expenditures	Actual Expenditures	Variance Favorable (Unfavorable)
Year Ended June 30, 1999			
General Fund	$ 48,740,030	49,694,992	(954,962)
Special Revenue Fund	65,754,861	67,575,350	(1,820,489)
Capital Projects Fund	21,222,841	26,259,422	(5,036,581)
Year Ended June 30, 1998			
Special Revenue Fund	61,826,204	61,967,208	(141,004)
Debt Service Fund	7,580,245	7,903,974	(323,729)
Capital Projects Fund	29,625,564	33,390,117	(3,764,553)
Year Ended June 30, 1997			
General Fund	37,721,957	38,552,251	(830,294)
Special Revenue Fund	55,760,720	55,770,615	(9,895)

The board approved budget amendments throughout each fiscal year which are reflected in budgeted amounts in the schedule above. But, expenditures still exceeded the revised budget amounts. These concerns were also noted by the district's independent auditors.

The budget process provides a means to allocate financial resources in advance. Failure to adhere to the expenditure limits imposed by the budgets weakens the effectiveness of this process. Section 67.040, RSMo 1994, allows for budget amendments, but only after the governing body officially adopts a resolution setting forth the facts and reasons. Section 67.080, RSMo 1994, provides that no expenditure of public monies shall be made unless it is authorized in the budget.

In addition, the budget document was not presented to and approved by the school board in a timely manner. The budget for the year beginning July 1, 1999, was presented to and approved by the board in August 1999; and the budget for the year beginning July 1, 1998, was presented to and approved by the board in July 1998. The district's budgeting policy requires that the original proposed budget be submitted to the board in March and the final budget document be approved prior to the beginning of the fiscal year.

The budget is an important document for a school district. It provides a definite financial policy for the operations of the district and must be prepared carefully and thoroughly to encompass the broad spectrum of events and activities which occur during a fiscal year. Further, a complete and well-planned budget, in addition to meeting statutory requirements, can serve as a useful management tool by establishing costs expectations for each area and provide a means to effectively monitor actual costs. By properly monitoring the budget, the district can compare revenue and expenditure projections to actual results and make appropriate changes as needed.

C. The district periodically makes adjustments to the actual revenues and expenditures recorded on the district's computerized general ledger. Our review of adjusting journal entries for the year ended June 30, 1999, noted insufficient documentation or no documentation supporting many of the adjustments.

Five adjusting journal entries totaling approximately $721,000 lacked adequate supporting documentation. For three of these entries, the district retained no documentation supporting the adjustments. For two of these entries, adjusting journal forms or memos were retained; however, explanations or supporting calculations were not documented on the adjusting journal forms or memos. All adjusting journal entries should be supported by appropriate documentation to ensure such entries are appropriate and have been properly approved.

WE RECOMMEND the School Board:

A. Continue to ensure monthly financial reports are submitted and reviewed by the school board as required by district policy.

B. Ensure expenditures for individual funds do not exceed the amounts approved in the budget, unless proper and timely amendments are made prior to incurring the expenditures. In addition, the board should adopt annual budgets prior to the beginning of the fiscal year and ensure the original proposed budget is submitted to the school board by March of each year as required by district policy.

C. Ensure adequate supporting documentation is maintained for all adjusting journal entries.

AUDITEE'S RESPONSE

A. Monthly financial reports have been reinstituted. We are fully committed to continuing this practice.

B. The district administration will present, to the Board of Education, a preliminary budget for fiscal year 2000-2001.

C. Appropriate documentation is now being collected and retained for all adjusting journal entries.

4. Board of Education Policy and Accounting Procedures Manuals

A. In August 1998, the school board approved an agreement with the Missouri Consultants for Education (MCE) to develop new board policy, regulations, and forms manuals for a total cost to the district of $16,500. The draft manuals were provided to the district in January 1999; however, as of December 1999, the school board had not approved these manuals.

At the time of our review, the district was following the official Board of Education Policies and Regulations Manual developed by the Missouri School Board Association (MSBA) which was adopted in March 1990. Many of the policies within this manual were incomplete or outdated due to changes in state law. As noted throughout the MAR, there were no policies covering some situations.

B. The district does not have a policy prohibiting the acceptance of gifts and gratuities from district vendors. Such a policy is included in the MCE manual described in Part A which has not yet been adopted by the board.

During 1998 and 1999, district employees and board members received personal benefits from the district's construction management firm totaling $1,272. This included golf tournament registration fees and a dinner for board members. During these years, the district conducted two selection processes for construction management services in which this firm was selected on both occasions. The acceptance of gifts from this firm could give an appearance of a conflict of interest or lack of independence of board members and district administrators.

The district's student transportation vendor paid $1,013 for lodging for the Board President and former Finance Director to attend a customer forum conference in Miami, Florida. The conference was held on a Friday, and the lodging included attendance at a Professional Golfers Association (PGA) tournament sponsored by the vendor.

An appearance of a conflict of interest could harm public confidence in the board and reduce the board's effectiveness. A policy prohibiting these types of situations should be developed.

C. The district has not prepared a detailed accounting procedures manual to outline the policies and procedures to be followed in handling and recording financial transactions and records. As a result, school district personnel do not always know where to obtain needed information and who is responsible for various duties.

To standardize procedures and clearly assign duties, the district should adopt a detailed accounting procedures manual which would include at a minimum the following:

1) A list of all funds, the purpose, and the financial statement classification;

2) A summary of all accounting and reporting policies which should address applications of accounting principles and budgetary procedures;

3) An adequate account description for the chart of accounts; and

4) An appropriate description of all accounting procedures and routines including standard journal entries, samples of forms and reports to be generated, processing procedures and approval requirements.

This concern was also noted by the district's independent auditors.

WE RECOMMEND the School Board review the current policies and the manuals prepared by the MCE and adopt a complete set of policies and procedures governing the activities of the district. In addition, the board should develop a written accounting procedures manual outlining detailed procedures to be followed in handling and recording transactions.

AUDITEE'S RESPONSE

These activities are under way. An accounting procedures manual is in the process of development and will be completed by June 30, 2000.

5. 1999 Property Tax Rate

As noted in the "Review of 1999 Property Tax Rates" issued by the Missouri State Auditor on December 29, 1999, the 1999 property tax rate levied by the district for operating funds exceeded the tax rate ceiling by three cents per $100 in assessed valuation. The district levied a property tax rate of $3.95 for operating funds, although the tax rate ceiling certified by the State Auditor was only $3.92. Based on the 1999 assessed valuation of $1,178,417,048, the district will receive approximately $354,000 more than legally permissible.

In August 1999, the school district reported the $3.95 operating levy to the State Auditor's Office and the St. Charles County Clerk. In a letter dated September 15, 1999, the State Auditor's Office notified the County Clerk of the 1999 tax rate ceiling, and a copy of the letter was mailed to the district. The district failed to contact the County Clerk to lower the tax rate to the ceiling amount certified by the State Auditor. The former Finance Director indicated he was not aware of his responsibility to contact the County Clerk with the change.

Tax rate ceilings are determined based on the requirements of Section 137.073, RSMo, and Article X, Section 22 of the Missouri Constitution (the Hancock Amendment). School districts should ensure property tax rates levied do not exceed the tax rate ceilings established by state law.

WE RECOMMEND the School Board not levy amounts in excess of the ceiling and reduce future levies to reflect this overcharge.

AUDITEE'S RESPONSE

The district will voluntarily correct the $.03 error on the 1999-2000 tax rate ceiling. The board voted on February 3, 2000, to roll back the 2000-2001 property tax levy by $.03 to repay the "over collection" in 1999-2000.

6. Personnel Policies and Procedures

A. On July 16, 1998, the school board approved contingency language for the teacher and administrative salary schedules covering the two years ending June 30, 2000. According to the agreements, teachers and administrators would receive salary increases contingent upon the levels of property tax collections and student attendance.

The district distributed $201,022 in local tax collections to teachers and administrators as a one-time payment for the year ended June 30, 1999, and this same amount ($201,022) was added to teacher and administrator salaries for the year ending June 30, 2000. Although these payments would not have been required by the terms of the original contingency agreement, the board approved a change to the language, causing the distributions.

The original contingency language indicated the salary schedules shall be adjusted based on the formula which included the amount of current year's property tax collections received through March 1999. Because the amount received through March 1999 did not trigger any contingency payments, the board approved a change to base the contingency calculations on the tax collections received through April 1999.

Because of the declining financial condition during the year ended June 30, 1999, the decision by the school board in April 1999 to incur additional expenses of approximately $402,000 appears questionable.

B. District sick leave policies for certificated staff (including teachers) and support staff allow for unlimited sick leave to the extent the amount spent to employ substitutes does not exceed the amount budgeted. The budget is to be established by allowing eight days of substitute pay per employee. The policies require that substitute costs in excess of the budget be deducted from the last salary check of the employees absent during the year. For certificated staff, the budget must be exceeded by two percent before the deduction is required, and the deduction is based on the number of sick leave absence days in excess of three for each employee. For support staff, the deduction is to be made for all sick leave absence days when the budget is exceeded.

According to district records, the district spent approximately $1,090,000 in the year ended June 30, 1999 for substitutes replacing employees during sick leave absence. Our review of this situation noted the following concerns:

1) The district has not established procedures to adequately track sick leave costs to ensure compliance with policy requirements. According to district records, the budgeted expenditures for sick leave substitutes were exceeded by more than two percent, and $63,204 should have been deducted from applicable certificated staff's salaries and $9,362 should have been deducted from applicable support staff's salaries for the year ended June 30, 1999. However, district officials indicated that due to inaccurate tracking and posting of substitute salaries, sick leave costs are not accurate and no salary deductions should be made. The district has not reviewed the substitute salary costs to determine the actual sick leave costs and to determine whether any deductions are required.

2) The amount budgeted for support staff sick leave is not calculated in the manner described in the board policy. Rather than budgeting substitute salaries for eight days per support staff employee, the district simply increases the prior year budget by an estimated amount. The district could not provide the amount which should have been budgeted in accordance with the board policy.

Procedures to adequately budget, record, and track sick leave costs should be established so that the district can comply with its policy. Enforcement of the policy may help reduce the number of sick leave days utilized by employees, and reduce the costs incurred by the district

C. During the year ended June 30, 1999, the district paid employees approximately $390,000 in stipend payments for attending training and meetings outside of their contract or work day. The district does not have a policy governing stipend payments made to district employees.

Supporting documentation for stipend payments was often insufficient or did not agree to amounts paid. For example, stipends totaling $415 were paid to eight teachers and six paraprofessionals in which most individuals were paid for a half day, although the workshop was held for only 1.5 hours. District officials indicate there are no review or monitoring procedures to ensure stipend payments are only made for training or meetings attended outside normal work days.

A policy should be established documenting when stipends can be paid and the rates to be paid, and adequate records should be maintained supporting all stipend payments. In addition, procedures should be established to ensure stipend payments are only made for meetings and training attended outside normal work days.

D. The school board provided the former Superintendent with a $42,000 cash advance upon signing a 31 month contract which began February 1, 1996. Under the terms of the contract, the former Superintendent would pay back the advance through payroll deductions of $7,000 per year over a six year period. Semi-monthly payroll deductions of $292 began in July 1996.

The district entered into a separation and release agreement with the former Superintendent on September 17, 1999. According to the agreement, the former Superintendent will receive his contractual salary through January 31, 2001 and the advance shall be paid in full no later than April 1, 2001. Although the payback period of the advance was reduced by 15 months, the separation agreement did not require an increase in the payroll withholdings to payback the cash advance.

The board should consider increasing the payroll deductions to ensure the advance is paid back in the time period noted in the separation agreement. In the future, the board should refrain from entering into such agreements.

WE RECOMMEND the School Board:

A. Make payments only as required by the contingency salary payment agreements. Such agreements should be reviewed and the board should consider discontinuing such agreements in the future.

B. Establish adequate procedures to budget, record, and track sick leave costs. The district should recalculate fiscal year 1999 sick leave expenses and, when sick leave budgets are exceeded, deductions from employee salaries should be made as required by leave policies.

C. Establish a formal written policy regarding stipend payments and ensure adequate documentation is maintained supporting the payments. In addition, review procedures should be implemented to ensure stipend payments are made for only training and meetings attended outside normal work days.

D. Review the cash advance to the former Superintendent and consider entering into negotiations to increase the payroll deductions to ensure the advance is paid back in the time period specified in the separation agreement. In the future, the board should refrain from providing long-term cash advances to employees.

AUDITEE'S RESPONSE

A. The district administration strongly urges the discontinuance of contingency language in employee negotiations, which are currently in progress.

B. *The district currently takes great effort in tracking and recording employee absences. District policies will be followed in regard to sick leave and the tracking of sick leave costs for the 1999-2000 school year.*

C. *A comprehensive policy will be developed regarding stipend payments and their tracking by June 30, 2000. Adequate documentation will be established within that policy. (Note: Our year-round elementary schedule may have contributed to the impression that teachers who were "off-cycle" were being paid stipends while working)*

D. *The district administration recommends discussion with the Board of Education and district legal counsel in this matter. The district administration recommends the discontinuance of this practice in the future.*

7. Expenditures

A. The district has adopted a formal policy for payment procedures that requires an itemized invoice and a receiving document containing the signature of an authorized employee on file before a payment can be processed. The invoice must have been issued in response to a purchase order approved by the Superintendent or appropriate supervisor.

1) Some payments were processed without an original invoice or other adequate supporting documentation.

2) Several payments were processed without a properly approved purchase order.

3) Several invoices did not contain an indication of approval by the appropriate supervisor.

4) Several invoices were not cancelled to prevent duplicate payment. District procedures require each invoice to be stamped as “paid” to ensure the invoice cannot be paid again.

To ensure the obligation was actually incurred and properly approved, all expenditures should be supported by properly approved purchase orders and original invoices and supporting documentation. Invoices should be cancelled to prevent duplicate payment.

B. The district’s employee expense reimbursement policy requires an approved voucher and supporting receipts prior to payment. Our review of payments to employees and board members for expense and travel reimbursements noted the following concerns:

1) During the year ended June 30, 1999, district travel expenses, including numerous trips to out-of-state and in-state conferences and meetings, were at least $176,770.

   Reimbursements made to employees for travel expenses were not always supported by adequate documentation of actual expenses incurred. Some reimbursements were not supported by an expense report. Many employee expense reports did not contain sufficient information such as the date of trip, trip origin, destination, and purpose. Some invoices for hotels, meals, and other expenses reimbursed by the district could not be located. For example, during March 1999, the Board President was reimbursed $168 for travel expenses to a conference in Miami, Florida. The claim was not supported by an expense report or invoices. Another example is the rental of a minivan in the amount of $790 used by several teachers during a gifted education conference at the University of Connecticut in July 1999. One of the teachers claimed he paid for the rental on his credit card and was reimbursed by the district without providing a copy of the paid credit card statement.

   Without a detailed travel expense report including documentation supporting the expenses claimed, the district cannot determine the propriety of payments made for travel expenses.

2) Expense reimbursements are not always submitted on a timely basis. For example, one expense report totaling $1,664 covered a period of 10 months. The district's policy requires expense reports to be submitted monthly.

3) Some reimbursements for lodging and mileage appear excessive based on documentation provided. For mileage, an individual claimed two round trips from the district to Columbia, Missouri, totaling 560 miles, while the actual mileage is approximately 400 miles (200 miles per round trip). For lodging, the district paid $184 per night in Phoenix, Arizona, and $210 per night in New Orleans, Louisiana, while federal per diem maximums are $106 and $88 per night, respectively.

   To ensure public funds are spent wisely, travel expenses paid by the district should be necessary, reasonable, and adequately documented. The district should consider adopting maximum limits on lodging and meal expenses.

4) Employees and board members are reimbursed by the school district for purchases of materials, supplies, and other items. There is often no approved purchase order or expense claim form, or any other type of documentation supporting the expense claim such as an invoice or a copy of the credit card slip. The purpose of the purchase is often not documented. For example, in November 1998, the Board President was

reimbursed $400 for supplies for a negotiation party held at her house. Payment was made without an approved purchase order, reimbursement claim form, or invoices supporting the payment.

Employees are allowed to purchase large quantities of supplies and be reimbursed by the district, which circumvents the district's purchase order system. For example, reimbursements to the current Superintendent for history project supplies totaled $4,921 during the year ended June 30, 1999.

Adequate supporting documentation for expense reimbursements should be obtained to ensure the district does not pay for items not intended for school purposes. Large purchases of supplies should be made through the district's purchasing procedures rather than the employee expense reimbursement process to ensure the best prices are paid and the purchases are approved in advance.

C. The district does not have a formal written policy for the payment of employee relocation. District officials indicate that the procedure is to pay for moving expenses for administrators from assistant principals up to the superintendent level. The Finance Office requires that three written quotations from moving companies be submitted along with original invoices. During the two years ended June 30, 1999, the district paid approximately $17,000 in moving expenses for five district employees.

For payments to two employees of $3,812 and $3,072, the district did not retain complete documentation of the bid process for selecting the moving companies. The bid documents for the companies selected were retained; however, the bids from the other companies were not retained. The former Finance Director was paid $2,000 which was not supported by invoices or other documentation. The former Finance Director agreed to return this amount to the district in full by March 2000.

Formal written policies for employee relocation are necessary to ensure relocation expenses are reasonable, necessary, and adequately documented.

D. Accounting duties are not adequately segregated. District personnel who process invoices for payment also distribute the actual checks to the vendors. This increases the risk that unauthorized expenditures may occur and go undetected. Personnel who process invoices for payment should not be distributing the actual checks.

WE RECOMMEND the School Board:

A. Require approved purchase orders and approved adequate supporting documentation (such as original invoices) be on file before processing payments in accordance with district policy. In addition, all invoices should be canceled to prevent duplicate payment.

B.1. Require detailed travel expense reports which include information such as trip date, origin, destination, and purpose. In addition, all applicable supporting documentation, such as paid invoices or receipts, should be submitted before payment is made.

2. Ensure travel expense reports are submitted monthly as required by district policy.

3. Ensure reimbursement claims are reasonable and consider establishing maximum limits on lodging and meal reimbursements.

4. Require sufficient documentation supporting employee reimbursements for purchases of supplies and other items. Expense reports should document the purpose of the purchase and should contain approved purchase orders and invoices or receipts. The board should establish guidelines and limits for items purchased through the employee reimbursement process.

C. Establish a policy for relocation of district employees stating allowable costs and limits, eligible employees, and required quotes and supporting documentation.

D. Segregate the duties of processing invoices for payment and distributing actual checks.

AUDITEE'S RESPONSE

A. The policies for approving purchase orders and other related processes will be followed based upon new policies adopted by the Board of Education in January 2000.

B.1.
& 2. Administrative regulations are in place and will be appropriately applied.

3. Administration will recommend to the Board of Education a policy that establishes limits on claims for approved lodging and other reimbursements, by June 30, 2000.

4. Administration will follow policies regarding reimbursements and will require sufficient documentation for purchase of supplies and other items.

C. Administration will recommend a policy for relocation expenses by June 30, 2000.

D. The administration recommends the employment of an additional accounts payable staff member to accomplish this recommendation.

8. Credit Card Accounts

During the year ended June 30, 1999, the district had four accounts with a credit card company. Two of these accounts were in the district's name, while the other two accounts were in the name of the former Superintendent and the former Finance Director. Employees could use the two district accounts for various expenditures such as travel expenses, registrations, and supplies.

Some informal procedures relating to the credit card accounts were developed. The Finance Office maintained a log for checking out the two district credit cards; however, this system was not always used. Original receipts and invoices were required to be sent to the Finance Office to be reconciled to the monthly statements and posted to various accounts. Payments on the credit card accounts during the year ended June 30, 1999 totaled $96,033. Our review of credit card payments noted the following concerns:

1) There were at least 118 charges totaling $19,941 made to the credit card accounts which were not supported by receipts or credit card slips.

2) The statement and related receipts for one payment of $5,457 to a credit card account could not be located.

3) Purchase orders were not prepared for purchases on the credit card accounts.

4) The purpose of the expenditure was not documented for numerous charges to the credit card accounts. As a result, the propriety of the expenditure cannot be determined. For example, there were charges totaling $4,068 at local restaurants for which the purpose was not documented. There were also numerous travel expenses for hotels, airline tickets, and meals charged to the credit card accounts which did not include documentation supporting the purpose of the trip. While the district had documented the validity of some of these charges, the public purpose or benefit to the district for some of these expenses appears questionable.

Due to the district's financial condition and concerns it had with the use of the credit card accounts, the district closed all four accounts in September 1999. There were no formal procedures for use of the credit card accounts, including authorization, approval, and review of expenditures. As a result, controls over expenditures were circumvented and payments were processed without purchase orders, supporting documentation, approval, and documentation of purpose. Without these controls, the district cannot ensure purchases are for school purposes.

WE RECOMMEND the School Board review the expenditures charged to the credit card accounts for propriety, and seek reimbursement for any purchases which were not necessary district expenses. If accounts are opened in the future, controls and procedures should be established.

<u>AUDITEE'S RESPONSE</u>

All credit card accounts have been closed and will not be reopened.

9.	**Cellular Telephones and Pagers**

The district does not have a formal written policy for the usage of cellular telephones and pagers. During the year ended June 30, 1999 the district incurred costs of approximately $55,000 for monthly services and equipment purchases for 74 cellular phones and 66 pagers. The phones and pagers were issued to various employees and board members and could be used for district business as well as personal use. Individuals were provided with service plans ranging from $11.99 to $89.99 per month, depending on the number of airtime minutes provided in the plan.

The monthly cellular phone invoice for May 1999 totaled $4,815. On this invoice, twelve individual phone charges exceeded $100, and the three largest individual charges were $480, $317, and $223. The $480 amount was for the former Finance Director, who used 1,968 airtime minutes, or an average of 64 minutes per day during this billing period, including weekends. The $317 amount was for an elementary school principal and included $180 in roaming charges. The $223 amount was for the School Board President, who used 1,635 airtime minutes, or an average of 53 minutes per day, including weekends.

Numerous calls were made between district cell phones during the course of normal business hours. It appears that overall phone costs could be reduced by using the district's wired phones rather than cellular phones. During May 1999, approximately 200 calls, representing over 20% of the total airtime minutes used, were made between the cellular phones of the former Finance Director and the School Board President.

The district did not require individuals assigned phones to reimburse the district for personal calls; however, some individuals have recently reimbursed the district for a portion of the charges for their assigned phones.

Due to the current financial situation, the district has reduced the number of cellular phones and pagers in use, and required some employees to reimburse the district for all or part of their monthly cellular phone charges. District records indicate that employee cell phone reimbursements received in November and the first week of December 1999, totaled $2,467.

The board should develop policies and procedures for cellular phone and pager usage and determine which individuals may need a phone or a pager. Usage of the cellular phones and pagers should be monitored to ensure it is necessary and for district business only.

<u>WE RECOMMEND</u> the School Board establish a policy for cellular phone and pager usage stating the individuals authorized to be assigned a phone or pager, and allowable use of the phones and pagers. All billings should be reviewed for reasonableness and the board should ensure cell phones are used only for district business. In addition, the prior years' bills should be reviewed and reimbursement requested for any personal calls.

AUDITEE'S RESPONSE

The administration will submit a policy for the use of cell phones to the Board of Education for approval no later than June 30, 2000.

10. Construction Projects

Through funding received from voter-approved bond issues, the district has entered into projects for the renovation and construction of various school facilities. Expenditures for facilities acquisition and construction totaled approximately $25 million during the year ended June 30, 1999. Our review of the district's construction projects noted the following areas of concern:

A. The district has engaged a firm since January 1990 to provide construction management services for all of its construction projects. This firm works with the district in the scheduling, planning, design and construction management of construction projects. Payments to this firm during the year ended June 30, 1999 totaled approximately $720,000.

1) The district did not conduct a formal selection process for construction management services until March 1998. During 1998 and 1999, this process was performed for construction management services for the ninth and tenth elementary schools, and the Early Childhood Special Education Center. Each time, the district awarded contracts to the same management firm to continue providing services to the district. Formal selection processes were not conducted for prior projects.

Documentation supporting the March 1998 construction manager selection process was not retained. The district maintained a report summarizing the proposals received from eight construction management firms; however, the original proposals were not retained. District officials indicated that requests for proposals were advertised; however, documentation supporting the advertisement was not retained.

Based on available billing records, approximately $666,000 was paid to this firm during the year ended June 30, 1999 for projects started prior to March 1998 for which there was no formal selection process.

Section 8.679, RSMo 1994, requires proposals for services of a construction manager to be solicited by advertisement if the cost of any construction project exceeds $500,000. The district's policy for selecting construction management services outlines specific criteria in selecting a firm. The district should continue this process to ensure it is receiving the best services and rates. Documentation of proposals should always be retained as evidence of the district's established procedures and to show statutory requirements are followed.

2) The district does not adequately monitor construction management costs for each project. For projects started prior to March 1998, a separate contract for each project was not established outlining the proposed management fees, labor, and reimbursable costs associated with the project. Instead, a change order form is used to document approval of the monthly fixed fee and labor rates for all projects each year. Only some labor costs are documented for each project on the monthly billing statements. The management fees, reimbursable costs, and remaining labor costs are lumped on the billing, rather than listed by project. As a result, the district cannot monitor the costs for each project.

For those projects started since March 1998, the monthly billing statements do indicate the management fees, labor, and reimbursable costs for each project; however, the billing statements do not include the proposed project costs and the district does not compare amounts billed to the proposed costs.

Written contracts are necessary to outline the services to be rendered and the manner and amount of compensation to be paid. Contracts should be detailed to outline the proposed costs for each project. The district should ensure that detailed billing statements are received and compared to the contract for each project to ensure the contract amount is not exceeded.

B. The district has a policy which requires board approval for all contracts and change orders, allowing the Superintendent to approve emergency change orders not to exceed $25,000 per project, with a report to follow at the next scheduled board meeting.

Change orders were not always properly approved by the school board. From October 1997 to July 1999, ten change orders totaling approximately $1,013,000 for three projects had no documentation of board approval. The change orders were signed by the Board President or Vice President; however, there was no documentation in the board minutes that the change orders had been approved by the board, as required by district policy.

WE RECOMMEND the School Board:

A.1. Conduct a formal selection process for construction management services for all construction projects as required by district policy and state law. In addition, all documentation of the process should be retained.

2. Establish a contract for the construction management services for each construction project. In addition, billings should be detailed by project and compared to the contracted amounts to ensure the district is not overbilled.

B. Ensure all change orders are approved by the school board as required by board policy.

AUDITEE'S RESPONSE

A.1. The district conducted a formal selection process in 1989 for construction management services. The initial award was for a period of five years, 1990 through 1995. Each time the district has awarded contracts, it has been to the lowest bidder. Several of the projects referenced occurred prior to the enactment of Section 8.679, RSMo 1994.

2. The district has historically reviewed construction management costs based upon the entire calendar year's projects. The administration will follow the auditor's recommended procedure.

B. The administration and board will comply with the current board policy.

AUDITOR'S COMMENT

A.1. Section 8.679, RSMo, became effective in August 1993. All payments to the construction management firm during fiscal year 1998-99 were for projects that started subsequent to August 1993.

11. History Project and History Book

The district began an ongoing history project in 1991 involving the framing of history documents and pictures which are displayed throughout school district buildings. Expenditures relating to this history project during fiscal year 1999 totaled at least $23,700. Our review of the history project expenditures noted the following concerns:

A. Expenditures were charged to five accounts controlled by the current Superintendent. Two of these accounts were originally set up for a history book which is being written by the Superintendent. In December 1997, the board approved $30,000 to publish and provide 1,000 copies of this book, which would then become the property of the district.

In July 1999, the board rescinded the $30,000 in funding for the history book upon the request of the Superintendent who indicated that none of the $30,000 had been spent. However, $12,913 which had been spent on the history project in 1998 and 1999 had been charged to the two history book accounts.

Per discussions with district personnel and review of the board minutes, it appears the board has never formally approved the history project. The current

Superintendent indicated that the project had been authorized by former Superintendents.

B. Our review of history project expenditures noted numerous instances in which district purchasing policies were not followed. Payments were primarily to frame and camera stores, and also for reimbursements to the Superintendent. Numerous expenditures were not supported by purchase orders or original invoices supporting the payments. For example, the district made nine payments totaling $12,132 to one vendor during fiscal year 1999 without invoices or other documentation supporting the payment.

   In addition to the above vendor, the district paid $5,210 to another vendor for expenses relating to the history project during fiscal year 1999; however, no bids were obtained for these purchases.

Board authorization of projects involving significant expenditures should be documented to ensure these expenditures are reasonable and necessary uses of district funds. Expenditures for the history project should be charged to the appropriate district accounts. District purchasing policies should be followed for all purchases to ensure that expenditures were actually incurred and properly approved, and that the products or services were obtained at the lowest prices.

WE RECOMMEND the School Board:

A. Review the costs associated with the district history project and determine if the project is a necessary district expense. If the board wishes to continue with the project, board authorization should be documented and a separate account should be established for the project. The district should ensure expenditures are charged to the appropriate district accounts and are related to the intended purpose of the accounts.

B. Ensure district purchasing policies are followed for all expenditures.

AUDITEE'S RESPONSE

A. The History project was approved by Dr. Wanda J. McDaniel, then district superintendent, in November 1990. It has been determined that she did not seek Board of Education approval. The History Book project was approved by Dr. Lee Brittenham, superintendent, and subsequently approved by the Board of Education on December 18, 1997. No district money was spent on the book project.

B. Both the History project (Howell Hall of History) and the History Book project have been discontinued. Any future efforts will be accomplished through private fund raising.

12.	Bidding Procedures

The school district does not always follow its bidding policies. The district's procurement policy requires that formal, written bids be obtained for all purchases which involve an expenditure of more than $5,000. For expenditures between $1,000 and $5,000, price quotes by phone are sufficient in lieu of written bids. The policy also requires a formal, advertised bid process for construction of facilities which may exceed $12,500 as required by state law. The policy requires that all bid processes be conducted by the purchasing agent and that bids are to be retained in the Finance Office.

A. The following are examples of expenditures during the period from July 1998 through September 1999 for which bid policies were not followed:

1) Items purchased without documentation of bids are as follows:

Item	Cost
Furniture	$140,756
Furniture	91,291
Portable classroom	55,358
Computers and equipment	41,764
Furniture installation	18,324

District personnel indicated bids were solicited from various vendors and some items were available from only one vendor; however, bid documentation and documentation of the sole source procurement situations was not maintained.

2) For four expenditures exceeding $5,000, the district obtained phone price quotes although written bids were required. These expenditures include four vehicles totaling $77,310, custodial equipment totaling $25,040, and lawn equipment totaling $6,392.

3) During October 1998, the district purchased furniture for administrative offices in one of the elementary schools. The district received bids from three vendors in the amounts of $22,090, $16,755, and $14,779. Although the lowest bidder was $7,311 less than the highest bidder, the highest bidder was selected. The district maintained no documentation supporting the selection of the highest bidder.

4) The district has used the same accounting firm for audit services for over 10 years. The district has continued to renew the contract with this firm without periodically soliciting proposals from other firms. The current contract extension covers the three years ending June 30, 2000. Payments made to the firm during the year ended June 30, 1999 totaled $23,372. The district does not have a policy for the selection of the auditor.

Written documentation of bids provides evidence that the board has complied with its procurement policy. Bid documentation should include a list of vendors contacted, a copy of bid specifications, copies of all bids received, justification for awarding the bid, and documentation of discussions with vendors. Bids may cover a specified time period, which should be adequately documented and justified. When the lowest bidder is not used, documentation justifying the selection of a different bidder should be maintained. A policy for periodically soliciting proposals for audit services should be developed and followed by the school board.

B. The district's bidding procedures are not centralized. The Finance Office requires the employee making the purchase to solicit the bids and maintain the bid documentation. The Finance Office approves all purchases; however, the employee is not required to demonstrate that district bidding policies were followed. For those items reviewed, bid documentation was not always available and most documentation which had been retained was obtained from the employee who made the purchase rather than the Finance Office. Our discussions with various employees noted that some did not have a good understanding of the bidding policies, which apparently led to some of the concerns noted in Part A. above.

The district has a Purchasing Agent; however this individual does not perform or oversee most bid processes. District policy requires that all bid processes be conducted by the Purchasing Agent and bid documentation be maintained in the Finance Office. Effective bidding procedures should include a centralized bidding function which ensures that the district is in compliance with its policies and state law.

WE RECOMMEND the School Board:

A. Follow the district's bidding policies and retain documentation of bids received and the bid process. In addition, if sole source procurement is necessary or if the lowest bidder is not selected, the district should retain documentation of these circumstances.

B. Centralize the bidding process as required by district policy.

AUDITEE'S RESPONSE

A. The district will follow all policies and retain all documentation pertaining to or regarding bids.

B. Additional personnel are required to centralize the bidding process as required by policy. The administration recommends this person be a senior accountant/internal auditor.

13.	Transportation Services

The school district contracts with a transportation company to provide bus transportation for its students. During the year ended June 30, 1999, the contractor served 466 routes traveling approximately 11,000 miles per day in addition to providing transportation for other district activities such as sporting events and field trips. During this time period, payments totaling approximately $4,823,000 were made to the transportation company. We noted the following areas of concern during our review of this contract:

A. The district has not solicited bids for transportation services since 1985**.** The district has periodically renegotiated its contract with the transportation company without seeking bids from other companies. The current transportation contract covers school years 1995-96 through 1999-00. Without periodically bidding transportation services, the district cannot ensure it is paying the lowest possible rate. After the situation was brought to their attention, the district solicited bids for transportation services covering the three years ending June 30, 2003.

B. Procedures are not in place to adequately monitor transportation costs. As required by the contract, the district compensates the bus company based on the type of route and the number and size of buses used each day. The daily per-bus rates for the year ended June 30, 1999 ranged from $146 to $218 for regular bus routes.

   1) The district delegates the responsibility of preparing the bus routes to the transportation company and the school board is required by the DESE to approve the route listings at the beginning of the school year. The DESE also requires the district to prepare a listing of students who regularly ride the bus as of the second Wednesday of both October and February during the school year. To satisfy this requirement, the district chose to take a count of the students actually riding the bus on those two dates. Six 1998-99 school year bus routes were reviewed, comparing the number of riders counted by the district on February 10, 1999 to the manufacturer's rated capacity for the buses. Several routes in which the number of riders assigned to the buses and the number of actual riders on the count day were significantly lower than bus capacities.

Route Number	Bus Capacity	Assigned Riders	Actual Riders
A11	71	22	14
A31	71	19	6
B10	71	55	20
R627	71	9	4
I305	71	31	22
H402	84	39	23

   The district does not have procedures to review and monitor bus routes to ensure all routes are operating efficiently. As noted by the district's independent audit, the 1998-99 school year bus routes were not approved by the school board. Specific routes with low ridership should be reviewed and investigated to identify any areas where costs can be reduced such as decreasing the number of routes.

2) The transportation company submits monthly billings to the district. The district's Director of Administrative Services is responsible for reviewing and approving the billings prior to payment. However, there are no procedures in place to review the billings for accuracy. Monthly billings should be reviewed for reasonableness and accuracy to ensure the district is charged only for services received.

WE RECOMMEND the School Board:

A. Periodically solicit competitive bids for transportation services.

B.1. Conduct a thorough evaluation of the bus routes and determine ways to increase efficiency and reduce costs. The board should ensure bus routes are approved as required by the DESE.

2. Establish procedures to review monthly billings from the transportation company.

AUDITEE'S RESPONSE

A. This service was rebid and a new contract approved at the February 3, 2000, Board of Education meeting.

B.1. The district utilized district-developed, bus ridership/count procedures approved by district auditors for the October 1999 and February 2000 DESE required reporting dates. Bus route evaluation will be conducted at the end of the 1999-2000 school year and in preparation for the start of the 2000-2001 school year.

2. The administration will analyze the current process of review for monthly billings and modify as required. Administration recommends hiring a senior accountant/internal auditor for accomplishing this process.

14. Food Services

The school district contracts with a food service provider to operate, administer, and manage the district's food service program. Payments for contracted food services during the year ended June 30, 1999 totaled approximately $3,762,000. During our review, we noted the following concerns:

A. The food service contractor bills the district for actual operating costs plus administrative and management fees based on the number of meals served. Monthly billings are received by the Administrative Services department along with a report of meals served, receipts, and expenditures. The Administrative

Services department approves the billings for payment; however, the billings are not adequately reviewed for accuracy.

Adequate review of monthly billings is necessary to ensure the district is billed only for reasonable and necessary costs. This review process can be conducted in several ways such as requiring audits of the billings, periodically reviewing the contractor's expenditure documentation, comparing billing information to meals served, or comparing billings to prior year billings.

B. The food service contractor is responsible for collecting meal receipts and depositing the receipts into the district's bank account. The district does not review meal receipts to ensure they are properly handled and deposited by the contractor. Food service deposits made by the food service provider for the year ended June 30, 1999 totaled approximately $3,342,000. To ensure all meal receipts are properly accounted for and deposited, meal deposits should be reconciled to the number of meals served. Any significant differences between the calculated meal receipts (number and type of meals served times price per meal) and actual deposits should be investigated and resolved.

WE RECOMMEND the School Board:

A. Establish procedures to review invoices from the food service contractor to ensure actual costs reimbursed by the district are reasonable and substantiated by adequate supporting documentation.

B. Establish procedures to reconcile meal deposits to calculated meal receipts and to investigate significant differences.

AUDITEE'S RESPONSE

A. Food service program and invoice evaluation will be conducted at the end of the 1999-2000 school year and prior to the start of the 2000-2001 school year. The administration recommends hiring a senior accountant/internal auditor for accomplishing this process.

B. The administration will analyze the current process for reviewing monthly food service billings and modify accordingly. Administration recommends hiring a senior accountant/internal auditor for accomplishing this process.

15. Petty Cash and Vending Machine Funds

A. Various schools and organizations within the district maintain petty cash funds. Our review of the district's petty cash funds noted the following areas of concern:

1) The district does not have a listing of approved petty cash funds and changes to petty cash fund amounts are made without proper approval.

For example, a payment of $1,000 to increase a petty cash fund at a high school was made without documentation authorizing the increase.

The district does not have a written policy regarding petty cash funds. Written policies should be established outlining the procedures for maintaining, using, and accounting for petty cash. The district should also maintain a listing of all authorized petty cash funds and amounts as well as procedures for adding funds or changing fund amounts.

2) Payments to the petty cash funds are not always supported by invoices or supporting documentation. Our review noted payments totaling $2,400 made to a student activities petty cash fund during the year ended June 30, 1999 without invoices or supporting documentation. Also, this petty cash fund was not maintained on an imprest basis.

Ledgers are not maintained for some petty cash funds to document all transactions, and there are no independent reviews to ensure petty cash funds are being maintained properly.

Invoices should be maintained for all petty cash expenditures and the funds should be operated on an imprest basis, meaning that cash and the invoices should always total the established balances, and checks issued to replenish the funds should equal the amount of invoices. Ledgers of all petty cash fund transactions should be maintained to document that the fund is being maintained on an imprest basis. Periodically, the funds should be counted and reconciled to the imprest balance by an independent person to ensure the funds are being accounted for properly, to detect any errors, and to help prevent these monies from being misused.

B. The district operates several soda and vending machines throughout the various school buildings. Custodians or other district employees are responsible for replenishing the machines and emptying the change from the machines on a periodic basis. The monies are turned over to designated individuals in the buildings who count and deposit the monies.

An independent party does not periodically reconcile the amount of soda and other items purchased and remaining in inventory with receipts from the sale of the soda and other items. Failure to reconcile monies received to items sold could result in the loss or misuse of funds.

WE RECOMMEND the School Board:

A.1. Establish written procedures governing the accounting for petty cash funds. In addition, the district should maintain a listing of each petty cash fund and the authorized balance of each fund, and establish procedures for adding funds or changing fund amounts.

2. Ensure petty cash funds are maintained on an imprest basis and ensure the funds are periodically counted and reconciled to the imprest balance by an independent person. Invoices should be maintained for all petty cash expenditures and ledgers should be prepared of all petty cash transactions.

B. Ensure independent reconciliations of soda and vending machine monies received to items purchased and remaining in inventory are performed.

<u>AUDITEE'S RESPONSE</u>

A.1. Written procedures have been established and financial procedures approved by the Board of Education. New regulations will be implemented during March 2000.

2. Written procedures have been established. The administration recommends hiring a senior accountant/internal auditor for this process.

B. Administration recommends hiring a senior accountant/internal auditor to oversee this process.

16.	**District Vehicles**

The district owns and operates 36 vehicles and three vehicles which are provided by its bus transportation contractor and one vehicle which is provided by an outside entity for driver's education classes. During our review of the district's procedures for the usage of these vehicles, we noted the following:

A. The district has not adopted a formal policy regarding the use of vehicles, including the prohibition of personal usage. Mileage logs are not maintained for the vehicles documenting their use. A formal policy would help ensure that vehicles are used only for district business in a manner approved by the school board. Logs are necessary to document appropriate use of the vehicles and to support gasoline charges.

The logs should include the purpose and destination of each trip, daily beginning and ending odometer readings, and operation and maintenance costs. These logs should be reviewed by district management to help ensure vehicles are used for district purposes only, are being properly utilized, and help identify vehicles which should be replaced. Information on the logs should be reconciled to gasoline and other maintenance charges.

B. The district purchases gasoline for its vehicles through accounts at two local suppliers. The district receives monthly billings from the suppliers which detail each purchase. Payments on the district gasoline accounts totaled $30,734 during the year ended June 30,1999.

The district does not have formal procedures for the purchase of gasoline on account and for the review of these purchases. Individuals making the purchases on account are required to submit the charge slip to the Finance Office; however, this is not always done. Our review of two invoices noted charges totaling approximately $1,200 for which the charge slips were not submitted to the Finance Office. The Finance Office paid these invoices in total without this supporting documentation.

In addition, the Finance Office does not compare charge slips to a listing of authorized individuals and vehicle descriptions to ensure purchases are authorized and for district use, and the charge slips do not note the license plate number or description of the car.

Adequate documentation is necessary to support payments made on the district's accounts and to ensure billings are accurate. Vehicle descriptions should be documented on the charge slips, and the descriptions and employee signatures should be reviewed to ensure gasoline was purchased for a school vehicle.

WE RECOMMEND the School Board:

A. Establish a formal policy governing the use of district vehicles which prohibits personal use of district vehicles, and require complete and accurate mileage logs be maintained for each vehicle. The logs should be periodically reviewed by district management for completeness and reasonableness.

B. Establish a formal policy governing gasoline purchases on district accounts and the review of these purchases. The district should ensure all charge slips are accounted for and compared to invoices prior to payment. The license number and a description of the vehicle should be noted on the charge slip, and this information and the employee's signature should be reviewed for propriety.

AUDITEE'S RESPONSE

A. The administration will submit formal policy language to the Board of Education no later than June 30, 2000.

B. Within the recommended policy will be procedures for accounting of all funds and expenditures. Administration recommends hiring a senior accountant/internal auditor for this process.

This report is intended for the information of the school board and district's management. However, this report is a matter of public record and its distribution is not limited.

APPENDICES

APPENDIX A

FRANCIS HOWELL R-III SCHOOL DISTRICT
COMPARATIVE SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE- GENERAL AND SPECIAL REVENUE FUNDS
FIVE YEARS ENDED JUNE 30, 1999

	Year Ended June 30,				
	1999	1998	1997	1996	1995
Revenues:					
Local	$ 61,712,245	57,757,466	51,946,974	46,330,081	40,975,818
County	2,327,834	2,128,689	2,064,173	1,948,844	1,896,745
State	43,674,387	42,418,054	40,071,486	36,190,882	28,372,291
Federal	2,615,642	2,283,804	1,924,381	1,535,553	1,562,615
Total revenue	110,330,108	104,588,013	96,007,014	86,005,360	72,807,469
Expenditures:					
Instruction	76,172,842	69,492,523	62,348,735	55,182,986	48,671,662
Attendance	172,421	181,191	0	0	0
Guidance	3,136,781	2,897,159	2,791,767	2,315,509	2,048,463
Health services	1,841,986	1,626,695	1,414,897	1,162,922	1,000,263
Improvement of instruction	481,661	496,102	266,882	245,830	234,793
Professional development	628,015	559,502	547,553	467,581	423,120
Media services	1,636,741	1,608,549	1,402,206	1,271,664	1,134,455
Board of Education services	244,760	215,044	131,614	139,250	130,932
Executive administration	3,443,887	3,149,966	2,599,745	2,224,543	2,127,349
Building level administration	6,553,567	5,707,563	5,099,826	4,303,630	3,946,041
Operation of plant	10,841,131	9,327,609	8,497,550	7,438,428	7,279,928
Pupil transportation	5,708,603	5,056,249	4,660,761	4,586,676	3,750,373
Food services	3,761,555	3,398,724	2,914,451	2,891,727	2,654,003
Business and central services	396,522	228,815	130,240	116,153	113,237
Debt service:					
Principal retirements	0	68,000	0	0	0
Other	0	0	0	0	21,110
Community services	2,249,870	1,913,667	1,516,639	990,573	834,866
Total expenditures	117,270,342	105,927,358	94,322,866	83,337,472	74,370,595
Revenues over (under) expenditures	(6,940,234)	(1,339,345)	1,684,148	2,667,888	(1,563,126)
Transfers to (from)	0	0	(43,935)	(16,372)	(813,298)
Fund balance at beginning of year	8,902,032	10,241,377	8,601,164	5,949,648	8,326,072
Fund balance at end of year	$ 1,961,798	8,902,032	10,241,377	8,601,164	5,949,648

APPENDIX B

FRANCIS HOWELL R-III SCHOOL DISTRICT
COMPARATIVE SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE- GENERAL (INCIDENTAL) FUND
FIVE YEARS ENDED JUNE 30, 1999

	Year Ended June 30,				
	1999	1998	1997	1996	1995
Revenues:					
Local	$ 25,246,181	26,371,424	22,470,867	20,681,251	17,347,061
County	639,850	624,889	641,615	594,750	537,395
State	17,029,585	16,924,465	16,304,466	14,273,557	10,275,897
Federal	786,978	820,919	981,531	661,105	717,434
Total revenue	43,702,594	44,741,697	40,398,479	36,210,663	28,877,787
Expenditures:					
Instruction	17,833,695	15,979,226	13,897,591	12,152,254	10,624,549
Attendance	172,421	180,816	0	0	0
Guidance	649,051	578,709	663,707	431,873	354,019
Health services	1,386,433	1,242,808	1,085,538	912,667	766,375
Improvement of instruction	182,800	170,403	184,025	164,682	138,573
Professional development	211,969	185,898	221,954	184,769	186,317
Media services	643,656	712,260	573,243	497,126	447,260
Board of Education services	244,760	215,044	131,614	139,250	130,932
Executive administration	2,770,816	2,423,639	1,993,365	1,693,874	1,654,293
Building level administration	2,697,904	2,372,633	2,081,573	1,727,352	1,580,550
Operation of plant	10,841,131	9,327,609	8,497,550	7,438,428	7,279,928
Pupil transportation	5,708,603	5,056,249	4,660,761	4,586,676	3,750,373
Food services	3,761,555	3,398,724	2,914,451	2,891,727	2,654,003
Business and central services	396,444	226,125	130,240	116,153	113,237
Debt service:					
Principal retirements	0	68,000	0	0	0
Other	0	0	0	0	21,110
Community services	2,193,754	1,822,007	1,516,639	990,573	834,866
Total expenditures	49,694,992	43,960,150	38,552,251	33,927,404	30,536,385
Revenues over (under) expenditures	(5,992,398)	781,547	1,846,228	2,283,259	(1,658,598)
Transfers to (from)	0	0	(43,935)	(16,372)	(813,298)
Fund balance at beginning of year	7,707,350	6,925,803	5,123,510	2,856,623	5,328,519
Fund balance at end of year	$ 1,714,952	7,707,350	6,925,803	5,123,510	2,856,623

APPENDIX C

FRANCIS HOWELL R-III SCHOOL DISTRICT
COMPARATIVE SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE- SPECIAL REVENUE (TEACHERS) FUND
FIVE YEARS ENDED JUNE 30, 1999

	Year Ended June 30,				
	1999	1998	1997	1996	1995
Revenues:					
Local	$ 36,466,064	31,386,042	29,476,107	25,648,830	23,628,757
County	1,687,984	1,503,800	1,422,558	1,354,094	1,359,350
State	26,644,802	25,493,589	23,767,020	21,917,325	18,096,394
Federal	1,828,664	1,462,885	942,850	874,448	845,181
Total revenue	66,627,514	59,846,316	55,608,535	49,794,697	43,929,682
Expenditures:					
Instruction	58,339,147	53,513,297	48,451,144	43,030,732	38,047,113
Attendance	0	375	0	0	0
Guidance	2,487,730	2,318,450	2,128,060	1,883,636	1,694,444
Health services	455,553	383,887	329,359	250,255	233,888
Improvement of instruction	298,861	325,699	82,857	81,148	96,220
Professional development	416,046	373,604	325,599	282,812	236,803
Media services	993,085	896,289	828,963	774,538	687,195
Executive administration	673,071	726,327	606,380	530,669	473,056
Building level administration	3,855,663	3,334,930	3,018,253	2,576,278	2,365,491
Business and central services	78	2,690	0	0	0
Community services	56,116	91,660	0	0	0
Total expenditures	67,575,350	61,967,208	55,770,615	49,410,068	43,834,210
Revenues over (under) expenditures	(947,836)	(2,120,892)	(162,080)	384,629	95,472
Fund balance at beginning of year	1,194,682	3,315,574	3,477,654	3,093,025	2,997,553
Fund balance at end of year	$ 246,846	1,194,682	3,315,574	3,477,654	3,093,025

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