



Board of Education
Raytown C-2 School District
Raytown, Missouri

In planning and performing our audit of the basic financial statements of Raytown C-2 School District, for the year ended June 30, 2018, we considered the District's internal control to determine our auditing procedures for the purpose of expressing an opinion on the basic financial statements and not to provide assurance on the internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed in the Report Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*, we did not identify any deficiencies in internal control that we consider to be material weakness.

In addition, to the Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*, we became aware of additional matters to bring to your attention. The following paragraphs summarize our comments regarding these matters:

1. Account Code Structure Changes

Beginning on July 1, 2018, DESE implemented a new mandatory account code structure for Missouri school districts. The account code structure changes are designed to satisfy many uses by segmenting the code into several dimensions. District personnel are responsible for proper coding and recording in accordance with the new requirements. In addition, DESE is implementing a newly formatted Annual Secretary of the Board Report (ASBR) effective for the year ending June 30, 2019. The new ASBR requires all components to be electronically uploaded using the District's software. Correct use of the new account code structure is imperative for a successful ASBR upload.

We Recommend:

District personnel ensure that the District's software has been updated to reflect the new account structure. All personnel within the District who have management and disbursement coding responsibilities need to monitor activity within the general ledger to ensure appropriate codes are utilized in order to ensure a successful ASBR upload. Furthermore, we recommend District personnel continue training throughout the year on the new coding and ASBR changes.

2. Board Member P-Cards

We noted during our prior audit that the Board of Education has P-Cards to use for expenses incurred on behalf of the District. These expenses were being approved with the same system used to approve all payments. We noted that in many governments and organizations, expenses incurred by the governing body are approved by another member of the governing body. We recommended the finance committee change policies and procedures to require a review of the supporting documents for P-Card purchases by the Board of Education and approve the payments.

We Commend:

The Board of Education for changing policies and procedures to have the finance committee of the Board of Education review and approve expenses incurred by Board members.

3. Operating Reserves

There was a decrease in operating reserves during the current year of \$2,919,304 which reduced the operating reserve percentage to the lowest level since June 30, 2013. The operating reserve percentage for the District is strong as of June 30, 2018. However, with declining enrollment and increased costs of operations it is important to be aware of the impact of decisions for the future in this environment.

We Recommend:

The Board continue to monitor closely the operating reserves of the District and be aware of decisions made for spending and the impact they have on the operating reserves of the District.

4. Financial Policies and Procedures

The District has not updated financial policies and procedures since 2013. As the District evolves, policies and procedures may change. The District should periodically review financial policies and procedures to determine if any changes are necessary.

We Recommend:

The District conduct a review of financial policies and procedures in order to determine if any changes are necessary. The Board of Education should then review and approve the updated policies and procedures.

5 Booster Clubs and Other School Related Organization Policies

The District does not have any policies and procedures in place for collecting financial information from booster clubs and other school-related organizations. These organizations are not required to provide information to the District in regards to receipts, disbursements, or balances in order to be a part of the audit. However, the District should collect information from them in order to determine if they become large enough to be considered as component units of the District.

We Recommend:

The District form a policy for collecting financial information from booster clubs and other school-related organizations, including balance information, receipts, and disbursements. In addition the District should determine a time period for these organizations to provide this information to the District for review each year.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with the District's administrative personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters or to assist you in implementing the recommendations.

We appreciate this opportunity to serve as Raytown C-2 School District's independent auditor and the courtesies and assistance extended to us by the District's employees.

Sincerely,

Handwritten signature in black ink that reads "KPM CPAs, PC".

KPM CPAs, PC
Springfield, Missouri
December 6, 2018