

CITY OF PEABODY, MASSACHUSETTS

***REPORT ON APPLYING AGREED-UPON PROCEDURES
OVER COMPLIANCE APPLICABLE TO
MASSACHUSETTS SCHOOL DISTRICTS'
END-OF-YEAR FINANCIAL REPORT***

YEAR ENDED JUNE 30, 2020

CITY OF PEABODY, MASSACHUSETTS
REPORT ON APPLYING AGREED-UPON PROCEDURES
OVER COMPLIANCE APPLICABLE TO
MASSACHUSETTS SCHOOL DISTRICTS'
END-OF-YEAR FINANCIAL REPORT

YEAR ENDED JUNE 30, 2020

TABLE OF CONTENTS

	Page
Independent Accountants' report on applying agreed-upon procedures over compliance applicable to Massachusetts School Districts' End-of-Year Financial Report	1
Schedule of findings	2



100 Quannapowitt Parkway
Suite 101
Wakefield, MA 01880
T. 781-914-1700
F. 781-914-1701
www.powersandsullivan.com

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES OVER COMPLIANCE APPLICABLE TO MASSACHUSETTS SCHOOL DISTRICTS' END-OF-YEAR FINANCIAL REPORT

To the Honorable Mayor, City Council
and the School Committee
City of Peabody, Massachusetts

We have performed the procedures specified in the Massachusetts Department of Elementary and Secondary Education's (DESE) Compliance Supplement applicable to Massachusetts School Districts to the End-of-Year Financial Report prepared by the City of Peabody, Massachusetts (City) for the year ended June 30, 2020. We performed these procedures solely to assist the City and the DESE in evaluating the City's assertion that it has complied with the DESE requirements applicable to the preparation and filing of a Massachusetts School Districts' End-of-Year Financial Report. The School District's management is responsible for preparing the End-of-Year Financial Report. This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specified users of the report.

Consequently, we make no representation regarding the sufficiency of the procedures specified in the Massachusetts Department of Elementary and Secondary Education's Compliance Supplement applicable to Massachusetts School Districts End-of-Year Financial Report for the purpose for which this report has been requested or for any other purpose.

We have listed noncompliance with agreed-upon procedures in the accompanying Schedule of Findings.

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

This report is intended solely for the use of the City and the DESE and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. However, this report is a matter of public record and its distribution is not limited.

June 24, 2021

Finding #1 – General Requirement #1.A.a and Specific Requirement #13.a

General requirement #1.A.a requires verification of the accuracy and completeness of the financial information contained in the End-of-Year Financial Report (EOYR), and specific requirement #13.a requires that amounts claimed as circuit breaker expenses on line 3080, column 7 are traced to the accounting ledgers.

While completing this requirement, we reviewed Schedule 1, Part C2 and noted the following:

- Line 3080, column 3, other DESE administered federal grants was overstated by \$501,731.
- Line 3080, column 5, DESE administered state grants was overstated by \$18,952.
- Line 3080, column 6, other state grants was overstated by \$62,820.
- Line 3080, column 7, circuit breaker was overstated by \$41,738.
- Line 3080, column 9, school choice and other day tuition was understated by \$282,931.

Finding #2 – General Requirement #4

General requirement #4 requires us to verify if amendments required from the prior year's agreed-upon procedures engagement were submitted to DESE to address the findings.

We were not provided with copies of amendments that were submitted to DESE to address the prior year findings.

Finding #3 – Specific Requirement #1 and Specific Requirement #2

Specific requirement #1 and specific requirement #2 require that revenues from other local sources and revenues from federal grants, state and revolving and special funds are traced from Schedule 1 to the accounting ledgers and from the accounting ledgers to Schedule 1.

While completing these requirements, we noted the following:

- Line 60, previous year unexpended encumbrances, was understated by \$68,763.
- Line 101, medical care & assistance, was overstated by \$49,639.
- Line 650, other local receipts, was overstated by \$647,169.

Finding #4 – Specific Requirement #3

Specific requirement #3 requires us to trace the amounts reported for general fund expenditures from Schedule 1, line 1850 to the district accounting ledgers.

While completing this requirement, we noted that the expenditures reported on the accounting ledgers exceeded the expenditures reported on line 1850 by \$696,000.

Finding #5 – Specific Requirement #4

Specific requirement #4 requires us to trace a sample of expenditures from Schedule 1 to the accounting ledgers to verify the accuracy of the amounts reported.

While completing this requirement, we noted that the transportation expenditures reported on line 1463 exceeded the transportation expenditures reported on the accounting ledgers by \$133,666.

Finding #6 – Specific Requirement #7

Specific requirement #7 requires us to verify if expenditures are reported for the rental/lease of equipment or buildings (function 5300 or 5350) and if so, to verify that the required rental/lease schedule is maintained locally.

While completing this requirement, we noted that the District reported \$97,240 of expenditures for the rental/lease of buildings on line 1682; however, the required rental/lease schedule was not maintained locally.

Finding #7 – Specific Requirement #10

Specific requirement #10 requires us to verify that expenditures reported as long-term debt principal and interest (lines 2130 and 2140) agree with the Treasurer's debt schedule and to the accounting ledgers. This requirement also requires us to verify that school construction assistance received from the Massachusetts School Building Authority (MSBA), in the form of progress payments, are reported on line 130, column 5 of the EOYR. For MSBA progress payments, we are also required to verify that a corresponding expenditure is reported as a purchase of land and buildings on line 2100.

While completing this requirement, we noted that long-term debt principal was overstated by \$2,115,055 and long-term debt interest was understated by \$1,328,013. We also noted that the MSBA progress payments of \$41,829 were not reported on line 130 and the corresponding expenditures were not reported on line 2100.

Finding #8 – Specific Requirement #12a and #12b

Specific requirement #12a and #12b requires that a written agreement is obtained between the School Committee and Municipal officials documenting the agreed upon methodologies to be used when allocating, distributing or assigning municipal expenditures to the EOYR and that the municipal expenditures reported on Schedule 1 are tested to ensure compliance with the Municipal agreement.

We were provided with an agreement; however, the agreement was not formally signed by City Officials and the School Committee. Furthermore, the agreement did not include supporting documentation for expenditures reported on line 1950 - pupil transportation and line 2010 - insurance for active employees totaling \$130,823, \$1,063,591, respectively.

Finding #9 – Specific Requirement #14a

Specific requirement #14a requires us to trace the instructional costs reported on Schedule 3 to the accounting ledgers.

While completing this requirement, we noted that line 3401, column 2 special education for district-wide expenditures was overstated by \$71,277.

Finding #10 – Specific Requirement #14e

Specific requirement #14e requires us to ensure that amounts reported as district-wide cannot be assigned to a specific school.

While completing this requirement, we noted district-wide costs that should have been assigned to specific schools.

Finding #11 – Specific Requirement #15

Specific requirement #15 requires us to determine the methodology used to allocate and assign special education costs to the placement codes on Schedule 4 and to test the amounts reported using the stated methodology.

While completing this requirement, we noted the expenditure allocation did not include 4 pupils under residential school (placement code 60) when compared to the supporting documentation. This caused the expenditure allocation to be inaccurate.

Finding #12– Specific Requirement #16, Specific Requirement #17, and Specific Requirement #18

Specific requirement #16 requires us to trace transportation expenditures reported on Schedule 7 to the transportation expenditures reported on Schedule 1. Specific requirement #17 requires us to determine if there is adequate detail to support amounts (expenses and riders) for Special Education pupils transported outside of the district, and Specific requirement #18 requires us to trace the pupils reported on Schedule 7 to the detailed transportation records and to verify the accuracy and consistency of the amounts reported with the detailed records.

While completing this requirement, we noted the following:

- Pupil counts were overstated by 73 riders when compared to the supporting documentation. This overstatement caused the expenditure allocations reported on Schedule 7 to be inaccurate.
- We were not provided with supporting documentation for the number of pupils reported for special education transportation, non-public transportation, or other programs and therefore we were unable to verify the accuracy of the amounts reported.

Finding #13 – Specific Requirement #19

This procedure asks us to determine if reimbursable expenditures claimed on line 4283 (Homeless Transportation to Outside the District) and line 4285 (Homeless Transportation from Outside the District) are supported by adequate documentation.

While reviewing the homeless transportation expenditures reported on the EOYR, we noted that the amounts reported agreed to the general ledger; however, we were not provided with supporting documentation and therefore we were unable to determine if the expenditures were appropriately classified on Schedule 7.

We were also unable to trace the homeless and foster care ridership reported on Scheduled 7 to the detailed transportation records that were provided.